

Dolan Media CO
Form 10-K
March 12, 2009

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K**

- þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the Fiscal Year Ended: December 31, 2008
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: 001-33603
Dolan Media Company
(Exact name of registrant as specified in its charter)**

Delaware
*(State or other jurisdiction
of incorporation or organization)*

43-2004527
*(I.R.S. Employer
Identification No.)*

**222 South Ninth Street, Suite 2300
Minneapolis, Minnesota 55402**
(Address, including zip code of registrant's principal executive offices)

(612) 317-9420
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on which Registered
Common Stock, par value \$0.001 per share	The New York Stock Exchange
Series A Junior Participating Preferred Stock Purchase Right	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2008, the registrant's non-affiliates owned shares of its common stock having an aggregate market value of \$408,895,960.20 (based upon the closing sales price of the registrant's common stock on that date on the New York Stock Exchange).

On March 9, 2009, there were 29,951,363 shares of the registrant's common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain sections of our definitive proxy statement for our 2009 Annual Meeting of Stockholders, which we expect to file with the Securities Exchange Commission on or around April 3, 2009, but will file no later than 120 days after December 31, 2008, are incorporated by reference into Part III of this Annual Report on Form 10-K.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K includes forward-looking statements that reflect our current expectations and projections about our future results, performance, prospects and opportunities. For example, under Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Application of Critical Accounting Policies Goodwill, Intangible Assets and other Long-Lived Assets, we have disclosed assumptions and expectations regarding our future performance that we have used in connection with evaluating whether our goodwill is impaired. We have tried to identify forward-looking statements by using words such as may, will, expect, anticipate, believe, intend, estimate and similar expressions. These forward-looking statements are based on information currently available to us and are subject to a number of risks, uncertainties and other factors, including those described in Item 1A Risk Factors in this annual report on Form 10-K, that could cause our actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements.

You should not place undue reliance on any forward-looking statements. Except as otherwise required by federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this annual report on Form 10-K.

In this annual report on Form 10-K, unless the context requires otherwise, the terms we, us, and our refer to Dolan Media Company and its consolidated subsidiaries and the term APC refers to American Processing Company, LLC and its subsidiaries, National Default Exchange Management, Inc., National Default Exchange Holdings, LP, THP/NDEx AIV, Corp. and THP/NDEx AIV, LP (all of which we collectively refer to as NDEx). The term Barrett law firm refers to Barrett, Daffin, Frappier, Turner & Engel, LLP and its affiliates.

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PART I

Item 1. *Business*

Overview

We are a leading provider of necessary business information and professional services to the legal, financial and real estate sectors in the United States. We provide companies and professionals in the markets we serve with access to timely, relevant and dependable information and services that enable them to operate effectively in highly competitive and time sensitive business environments. We serve our customers through two complementary operating divisions: Business Information and Professional Services.

Our Business Information Division is the second largest business journal publisher and second largest court and commercial publisher, based on revenues, in the United States. Based on volume of published public notices, we are also one of the largest carriers of public notices in the United States. We use our business publishing units as platforms to provide a broadening array of local business information products to our customers in each of the 21 markets that we serve in the United States, which are the geographic areas surrounding the cities presented in the map below.

Our Business Information portfolio consists of publications, web sites and a broad range of events that put us at the center of local and regional communities that rely upon our proprietary content. We currently publish 58 print publications consisting of 13 paid daily publications, 31 paid non-daily publications and 14 non-paid non-daily publications. Our paid publications and non-paid and controlled publications had approximately 66,800 and 131,700 subscribers, respectively, as of December 31, 2008. In addition, we provide business information electronically through our 43 online publication web sites, our 24 event and other non-publication web sites, and our email notification systems. Our 43 online publication web sites had approximately 3,841,700 unique visits in 2008 and our 24 event and other non-publication web sites had approximately 480,200 unique visits in 2008. The events we produce, including professional education seminars and awards programs, attracted approximately 42,300 attendees and 500 paying sponsors in 2008.

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Our Professional Services Division consists of two operating units: American Processing Company LLC, or APC, and Counsel Press, LLC, or Counsel Press.

APC is one of the leading providers of mortgage default processing services in the United States. It provides these services to six law firms and also directly to mortgage lenders and loan servicers in California. APC operates primarily in the following states: California, Georgia, Indiana, Michigan, Minnesota, and Texas all of which are in the top 15 states in terms of residential mortgage foreclosure starts for the year ended December 31, 2008 based on information from the Mortgage Bankers Association, or MBA. The MBA is a national association representing the real estate finance industry. Generally, APC assists its law firm and other customers in processing foreclosure, bankruptcy, eviction and, to a lesser extent, litigation and other mortgage default related case files, in connection with residential mortgage defaults. APC also provides real estate title services to the Barrett law firm in Texas and provides loan modification and loss mitigation support on mortgage default files to its customers. In 2008, we serviced approximately 204,100 mortgage default case files for our customers, including approximately 70,800 files serviced by businesses we acquired in 2008. We began servicing the Minnesota law firm of Wilford & Geske in February 2008 when we acquired its mortgage default processing services business. We began servicing the Barrett law firm, along with mortgage lenders and loan servicers in California, when we acquired NDEX in September 2008.

Counsel Press is the largest appellate service provider nationwide, providing appellate services to attorneys in connection with approximately 8,700 appellate filings in federal and state courts in 2008. Counsel Press assists law firms and attorneys in organizing, preparing and filing appellate briefs, records and appendices, in paper and electronic format, that comply with the applicable rules of the U.S. Supreme Court, any of the 13 federal courts of appeals or any state appellate court or appellate division. In 2008, the customers of Counsel Press included 85 of the 100 largest U.S. law firms listed in the most recent *The American Lawyer* Am Law 100 survey, including each of the 15 largest law firms and 46 of the 50 largest law firms.

We benefit from our comprehensive knowledge of, and high profile within, our target markets. Our breadth of business publications, web sites and events, together with our professional services, facilitates regular interaction among our customers, driving opportunities to grow revenues and improve operating margins. For example, because we handle all public notice filings for our law firm customer in Michigan, we have the unique opportunity to direct a meaningful share of public notice advertising expenditures to Detroit Legal News Publishing, LLC, or DLNP, Michigan's largest court and commercial newspaper publisher, in which we own a 35.0% interest. Further, we regularly share proprietary content among our publications and web sites and then tailor the content to each of the markets we serve. By leveraging our content throughout our businesses, we are able to reduce editorial expenses, which helps us maintain or improve our operating margins.

Our business model has multiple diversified revenue streams that allow us to generate revenues and cash flow throughout all phases of the economic cycle. This diversification allows us to maintain the flexibility to capitalize on growth opportunities. In addition, our balanced business model, together with our diverse geographic mix, produces stability by mitigating the effects of economic fluctuations. The following pie chart describes the anticipated impact of economic downturns and expansions on revenues generated by our products and services, as well as the percentage of our total revenues generated by these products and services for the year ended December 31, 2008.

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Revenues and cash flows from display and classified advertising and circulation tend to be cyclical in that they generally increase during economic expansions and decrease during economic downturns. A worsening economy tends to reduce, and an improving economy tends to increase, discretionary spending on items such as advertising and subscriptions to publications. In contrast, revenues and cash flows from public notices and mortgage default processing services tend to be counter-cyclical in that they generally increase during economic downturns and decrease during economic expansions. Absent governmental intervention, a worsening economy tends to lead to a higher rate of residential mortgage foreclosures and a greater number of foreclosure-related public notices being published, while an improving economy tends to have the opposite impact. Further, we consider revenues and cash flows from our appellate services to be non-cyclical in that the number of court appeals filed generally does not fluctuate significantly over the economic cycle.

Our History

Our predecessor company, also named Dolan Media Company, was formed in 1992 by James P. Dolan, our Chairman, Chief Executive Officer and President, and Cherry Tree Ventures IV, L.P. Scott J. Pollei, our Executive Vice President and Chief Financial Officer, and Mark W.C. Stodder, our Executive Vice President-Business Information, joined the company in 1994. Our current company was incorporated in Delaware in March 2003 under the name DMC II Company in connection with a restructuring whereby our predecessor company spun off its business information and other businesses to us and sold its national public records unit to a wholly-owned subsidiary of Reed Elsevier Inc. After the spin-off and sale in July 2003, we resumed operations under the name Dolan Media Company. We are a holding company that conducts all of our operating activities through various subsidiaries.

We have a successful history of growth through acquisitions. Since 1992, our Business Information Division has completed 39 acquisitions. We have a well-established track record of successful integration and improvements in revenues and cash flows of our acquired businesses due to our disciplined management approach that emphasizes consistent operating policies and standards, a commitment to high quality, relevant local content and centralized back office operations. In January 2005, we formed our Professional Services Division by acquiring Counsel Press, a leading provider of appellate services to the legal profession, and expanded to the Chicago market in June 2008 with the acquisition of the assets of Midwest Law Printing, Inc. In March 2006, we added a new operating unit to our Professional Services Division by acquiring an 81.0% interest in APC, which provides mortgage default processing services. Since March 2006, we have completed three additional acquisitions of mortgage default processing services businesses, including our acquisition of NDEx in September 2008. We currently own 84.7% of APC.

We expect that our acquisitions will continue to be a component of the growth in both of our operating divisions. We also expect to continue to identify opportunities to expand the businesses in our Professional Services Division by starting operations in markets where we have not previously provided these services.

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Our Strengths

We intend to build on our position as a leading provider of essential business information and professional services to companies and professionals in the legal, financial and real estate sectors. We believe the following strengths will allow us to maintain a competitive advantage in the markets we serve:

Proprietary, Necessary and Customizable Information and Services. We provide necessary business information and professional services on a timely basis to our customers in a format tailored to meet the needs and demands of their businesses. Our customers rely on our proprietary offerings to inform their operating strategies and decision making, develop business and practice opportunities and support key processes. We believe the high renewal rates for our business information products, which in the aggregate were 76% in 2008, and the high retention rate of the clients of our mortgage default processing service customers (according to the estimates of our law firm customers, 95% of the clients of our law firm customers in 2007 also used our law firm customers' services in 2008) are indicative of the significant degree to which our customers and their clients rely on our businesses.

Dominant Market Positions. We believe we are the largest provider of business information targeted to the legal, financial and real estate sectors in each of our 21 markets. We are also one of the leading providers of mortgage default processing services in the United States and the largest national provider of appellate services. The value and relevance of our business information products and professional services have created sustained customer loyalty and recognized brands in our markets. As a result, we have become a trusted partner with our customers. Examples of our dominant market positions include:

Public Notices. We are experts in the complex legal requirements associated with public notices and our focus on and expertise with these requirements allow us to provide high quality service while processing 305 types of public notices. We are qualified to carry public notices in 14 of the 21 markets in which we publish and on the basis of number of public notices published, we are the largest carrier of public notices in twelve of those markets.

Default Mortgage Processing Services. We have leveraged our significant knowledge and experience with respect to the local foreclosure, bankruptcy and eviction procedures, as well as our proprietary technology, to become one of the leading providers of mortgage default processing services in the United States. Under long-term contracts, we are the exclusive provider of mortgage default processing services for six foreclosure law firms. These law firms primarily handle residential mortgage defaults in California, Georgia, Indiana, Michigan, Minnesota and Texas. We also provide these services directly to mortgage lenders and loan servicers in California for residential foreclosure files.

Appellate Services. We are the nation's leading provider of appellate services to law firms, assisting them by organizing, printing and filing appellate briefs, records and appendices that comply with the applicable rules of the U.S. Supreme Court, any of the 13 federal courts of appeals and any state appellate court or appellate division. In 2008, we added a web-based portal for our customers to review pending cases and documents, submit documents to us and receive notices about their case filings. In June 2008, we expanded into the Chicago market with the acquisition of the assets of Midwest Law Printing, Inc.

Superior Value Proposition for Our Customers. Our business information customers derive superior value from our dedicated efforts to provide timely, relevant, proprietary and customized content created by employees who have experience and expertise in the industries we serve. For example, many of our local legal news reporters have a law degree and/or legal background enabling them to create more valuable content for our publications and related web sites. This approach has enabled us to achieve high renewal rates for our business information products, which we believe is greatly valued by local advertisers. In addition, the clients of APC's six law firm customers, and the

mortgage lenders and loan servicers we serve directly in California, realize significant value from APC's ability to assist them in efficiently processing large amounts of data associated with each foreclosure, bankruptcy or eviction case file. Our services enable these law firms and our other customers to quickly address mortgage loans that are in default. This allows their clients, and our customers in California, to mitigate their losses. The flexibility, efficiency and customizable nature of our support systems enable high levels of customer service, which we believe creates a significant marketplace advantage for us. Further, our appellate service customers benefit greatly from

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Counsel Press' comprehensive knowledge of the procedurally intensive requirements of, and close relationships forged with, the appellate courts.

Diversified Business Model. Our balanced business model provides diversification by industry sector, product and service offering, customer base and geographic market. This diversification provides us with the opportunity to drive revenue growth and increase operating margins over time. In addition, this diversification creates stability for our business model because we have businesses that benefit during different phases of the economic cycle and from economic conditions in the diverse geographic markets where we serve, which, together, provide us with the opportunity and flexibility to capitalize on growth opportunities. As of December 31, 2008, we provided our print publications and online publication web sites to nearly 67,000 subscribers in the legal, financial and real estate sectors in 21 U.S. markets. In 2008, we processed approximately 8,700 appellate filings for attorneys from more than 2,000 law firms, corporations, non-profit agencies and government agencies nationwide. In 2008, we serviced approximately 204,100 mortgage default files relating to over 300 mortgage loan lenders and servicers that are clients of our law firm customers or our customers in California, which market we entered in September 2008 with the acquisition of NDEX.

Successful Track Record of Acquiring and Integrating New Businesses. We have demonstrated a strategic and disciplined approach to acquiring and integrating businesses. Since our predecessor's inception in 1992, we have completed 39 acquisitions in our Business Information Division and eight acquisitions in our Professional Services Division. We have established a proven track record of improving the revenue growth, operating margins and cash flow of our acquired businesses by:

improving the quality of products and services;

establishing and continuously monitoring operating and financial performance benchmarks;

centralizing back office operations for greater cost and operational efficiencies;

leveraging expertise and best practices across operating functions, including sales and marketing, technology and product development; and

attracting, retaining and motivating quality managers and employees.

Experienced Leadership. Our executive officers and the senior leadership at our operating units and corporate headquarters have significant applicable industry experience, and each of our top three executives has been with us for more than a decade. We benefit from our managers' comprehensive understanding of our products and services, success in identifying and integrating acquisitions, extensive knowledge of our target communities and markets and strong relationships with current and potential business partners and customers.

Our Strategy

We intend to further enhance our leading market positions by executing the following strategies:

Leverage Our Portfolio of Complementary Businesses. We have built a portfolio of complementary businesses through which we realize significant synergistic benefits. Our focus on business information and professional services for companies and other professionals in the legal, financial and real estate sectors has allowed us to develop expertise in these industries. This expertise has enabled us to establish a positive reputation and strong customer relationships in the markets we serve. We believe our prominent brand recognition among our customers will allow us to continue to expand, enhance and cross-sell the products and services we offer. In addition, as a leading provider of mortgage default processing services, we are able to control a meaningful share of public notice expenditures in the markets that

APC serves. This presents an opportunity to capture public notice revenue by establishing or acquiring publications that carry public notices in those markets. We also continuously seek new opportunities to leverage our complementary businesses to increase our revenues and cash flows and maximize the impact of our cost saving measures.

Enhance Organic Growth. We seek to leverage our market-leading positions by continuing to develop proprietary content and valuable services that can be delivered to our customers through a variety of media distribution channels, thereby strengthening and extending our customer relationships and providing additional

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revenue generating opportunities. We also expect to demonstrate our commitment to, and extend our reach into, the markets we serve by developing and promoting professional education seminars, awards programs and other local events that are tailored to these markets. In addition, we intend to take advantage of new business opportunities and to expand the markets we serve by regularly identifying and evaluating additional demand for our products and services outside of our existing geographic market reach. Examples of this strategy include:

Customize Delivery to Meet Customer Needs. We will continue to use media channels that allow us to efficiently and effectively deliver our products and services to our customers. We offer our products and services through print, online, mobile, live events, audio/video and other media distribution channels. Our media neutral approach allows us to tailor our products and services to take advantage of the strengths inherent in each medium and allows our customers to choose their preferred method of delivery. We believe this enables us to maximize revenue opportunities from our proprietary content and services and provides us with a sustainable competitive advantage.

Increase Market Penetration. We will continue to use our business publishing units as a platform for the development of additional business information products for our targeted markets. We consistently enhance our business information products and drive new product development by encouraging innovation by our local management teams. We also intend to use our proprietary case management system, other technology-related productivity tools and efficient workflow organizational structure as the platform for growth of our mortgage default processing service business. We expect to realize significant benefits from the widespread and centralized use of this system, tools and structure because we believe they will enable us to process an even greater number of files efficiently and cost effectively, while providing a high standard of customer service. In addition, we intend to grow the businesses in our Professional Services division by expanding into additional geographic markets to increase our presence in additional local legal communities.

Continue to Pursue a Disciplined Acquisition Strategy in Existing and New Markets. We will continue to identify and evaluate potential acquisitions that will allow us to expand our business information product and professional service offerings and customer base and enter new professional and geographic markets. We intend to pursue acquisitions that we can efficiently integrate into our organization and that we expect to be accretive to cash flow. We expect to expand our mortgage default processing services business by partnering with market-leading law firms in additional states that experience significant foreclosures as well as opening new offices in states where we have not previously conducted business. In addition, given the fragmented nature of the local business information market, we intend to continue to opportunistically pursue publications that enhance our strategic position in the markets we serve or that add attractive markets to our portfolio.

Realize Benefits of Centralization and Scale to Increase Cash Flows and Operating Profit Margins. Because we typically acquire stand-alone businesses that lack the benefits of scale, we continue to realize efficiencies from centralizing our accounting, circulation, advertising production and appellate and default processing systems and will seek to obtain additional operational efficiencies through further consolidation of other management, information systems and back office operations. We expect to continue our initiative to centralize our operations and streamline costs. While the centralization of these systems has resulted in cost savings, we have also been able to adapt these systems to address the specific needs of our local operations. As a result, each of our businesses has real-time access to important local sales, marketing and operating statistical information that we believe will continue to foster improved decision-making by our local management teams. Additionally, a key aspect of our platform is providing relevant and timely local content to the professional communities we serve. To enhance a portion of such local content, we provide editorial and other proprietary content generated across our operations. By sharing content across the platform in a centralized way, we can leverage our resources while simultaneously continuing to provide customized local content. Finally, we expect our centralization initiative and other investments in infrastructure will allow us to accelerate the realization of cost synergies in connection with future acquisitions. We believe these efforts

will also enable us to increase our operating profit margins and cash flows in the future.

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Our Industries

Business Information

We provide business information products to companies and professionals in the legal, financial and real estate sectors primarily through print and online business journals and court and commercial newspapers, as well as other electronic media offerings. Our business journals generally rely on display and classified advertising as a significant source of revenue and provide content that is relevant to the business communities they target. Our court and commercial newspapers generally rely on public notices as their primary source of revenue and offer extensive and more focused information to the legal communities they target. All of our business journals and court and commercial newspapers also generate circulation revenue to supplement their advertising and public notice revenue base. We believe, based on data we have collected over several years, that there are more than 250 local business journals and more than 350 court and commercial newspapers nationwide, which generated approximately \$1.8 billion in revenues in 2008.

Mainstream media outlets, such as television, radio, metropolitan and national newspapers and the Internet, generally provide broad-based information to a geographically dispersed or demographically diverse audience. By contrast, we provide proprietary content that is tailored to the legal, financial and real estate sectors of each local and regional market we serve and that is not readily obtainable elsewhere. Our business information products are often the only source of local information for our targeted business communities and compete only to a limited extent for advertising customers with other media outlets, such as television, radio, metropolitan and national newspapers, the Internet, outdoor advertising, directories and direct mail. As a result of the competitive dynamics of the market and the value created for advertisers by targeted content and community relationships, we believe that the readers of our publications are a highly desirable demographic for advertisers.

We are qualified to carry public notices in 14 of the 21 markets we serve. A public notice is a legally required announcement informing citizens about government or government-related activities that may affect citizens' everyday lives. Most of these activities involve the application of governmental authority to a private event, such as a mortgage foreclosure, probate filing, listings for fictitious business names, limited liability companies and other entity notices, unclaimed property notices, notices of governmental hearings and trustee sale notices. A public notice typically possesses four primary characteristics: (1) it is published in a forum independent of the government, such as a local newspaper; (2) it is capable of being archived in a secure and publicly available format; (3) it is capable of being accessed by all segments of society; and (4) the public, as well as all interested parties, must be able to verify that the notice was published and its information disseminated to the public in the legally prescribed formats. Every jurisdiction in the United States has laws that regulate the manner in which public notices are published. Statutes specify wording, frequency of publication and other unusual characteristics that may vary according to jurisdiction and make the publication of public notices more complex than traditional advertising. These laws are designed to ensure that the public receives important information about the actions of its government from a newspaper that is accessible and already a trusted source of community information. Currently, local newspapers are the medium that is used to satisfy laws regulating the process of notifying the public. The requirements for publishing public notices serve as barriers to entry to new and existing publications that desire to carry public notices. Based on our internal estimates, we believe that the total spending on public notices in business publications in the United States was in excess of \$850 million in 2008.

Professional Services

Our Professional Services Division consists of two operating units: APC, our mortgage default processing services business, and Counsel Press, our appellate service business. We provide these support services to the legal profession. In addition, APC also provides its services directly to mortgage lenders and loan servicers in California where foreclosures and certain other mortgage default processes can be undertaken by non-attorneys. We believe that

attorneys and law firms are increasingly looking for opportunities to outsource non-legal functions so that they can focus their efforts on the practice of law. We believe that law firms are under intense pressure to increase efficiency and restrain costs while fulfilling the growing demands of clients. We further believe that outsourcing has become an increasingly attractive choice for law firms as they identify functions outside of their core competency of practicing law that can be performed by non-attorneys and, in turn, help manage their costs.

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Mortgage Default Processing Services

The outsourced mortgage default processing services market is highly fragmented, and we estimate that it primarily consists of back-office operations of approximately 350 local and regional law firms throughout the United States. We believe that increasing case volumes and rising client expectations provide an opportunity for mortgage default processors that provide efficient and effective services on a timely basis.

We believe that residential mortgage delinquencies and defaults are increasing primarily as a result of the past increased issuance of subprime loans, the popularity of non-traditional loan structures and the increasing unemployment rate. Further compounding these trends is the slowing of demand in the residential real estate market in many regions of the United States, which makes it more difficult for borrowers in distress to sell their homes. The increased volume of delinquencies and defaults has created additional demand for mortgage default processing services and has served as a growth catalyst for the mortgage default processing market. See, however, Item 1A Risk Factors and Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations Regulatory Environment for a discussion of increased regulations and voluntary foreclosure relief programs that could have an adverse impact on the mortgage default processing market.

Based on information provided to the MBA by banks and loan servicers who report their mortgage data to the MBA, approximately 53 million residential mortgage loans were being serviced in the United States as of December 31, 2008, a 1.3% decrease from the approximately 54 million residential mortgage loans being serviced a year earlier. The MBA's information also shows that seriously delinquent mortgages, defined as loans that are more than 90 days past due as of December 31, 2008, rose approximately 87.4% compared to December 31, 2007. In its fourth quarter industry report, the MBA estimates that 3.3% of all mortgage loans were in foreclosure at December 31, 2008. This estimate includes loans where servicing has been suspended in accordance with the lender's or loan servicer's foreclosure requirements and excludes loans where the foreclosure has been completed. Based on this estimated annual volume of mortgages in foreclosure and the average revenue we derived per file in 2008 (which we assume would be generally representative of rates charged for mortgage default processing services throughout the United States), we believe the U.S. market for residential mortgage default processing services was approximately \$1.2 billion in 2008.

Subprime mortgages are provided to borrowers who represent higher credit risks. These mortgages typically bear rates at least 200 or 300 basis points above safer prime loans. According to the MBA, subprime mortgages outstanding have increased from 2.4% of all mortgages in 2001 to 11.7% of all mortgages as of December 31, 2008. As of December 31, 2007, subprime mortgages outstanding were 13.4% of all mortgages. The maturation of the prime credit mortgage market, a low interest rate environment and a robust loan securitization market in recent years encouraged lenders to sustain growth by expanding into subprime lending. Subprime borrowers are more likely to default than prime borrowers. MBA statistics indicate that for the three months ended December 31, 2008, the foreclosure starts rate for subprime mortgage loans was approximately 5.8 times greater than for prime mortgage loans, and the foreclosure starts rate for subprime adjustable rate mortgages (ARMs) was approximately 8.4 times greater than for prime mortgage loans for the three months ended December 31, 2007.

We also believe that the increasing prevalence and preference for non-traditional or so-called Alt A mortgages, including interest only mortgages, ARMs and option ARMs, is also contributing to mortgage delinquencies and defaults. We believe that these non-traditional mortgage products are more likely to become delinquent and carry higher risk of default than traditional 15-year or 30-year fixed-rate mortgage loans.

In addition, we believe the current recession and the continuing rise in unemployment will add pressure to the foreclosure crisis. According to the U.S. Bureau of Labor Statistics, the national unemployment rate rose to 8.1% in February 2009 from 7.6% in January 2009. In February 2008, the national unemployment rate was 5.2%. We expect

that rising unemployment will contribute to mortgage loan defaults and, ultimately, foreclosures.

APC provides mortgage default processing and related services for six law firm customers and also directly to mortgage lenders and loan servicers in California. Our law firm customers handle mortgage default files primarily in California, Georgia, Indiana, Michigan, Minnesota and Texas. Last year, these states were six of the top 15 states in highest residential mortgage foreclosure starts rates. APC also provides real estate title work to the Barrett law firm in Texas and assists its customers by providing loan modification and loss mitigation support.

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Appellate Services

The market for appellate consulting and document services is highly fragmented and we believe that it includes a large number of local and regional providers across the country. Federal appeals often are more sophisticated, more complicated and more voluminous than appeals in state courts, and thus we believe that federal appeals present more attractive business prospects for Counsel Press. For the twelve months ended March 31, 2008, the 13 circuits of the U.S. Court of Appeals accepted 59,887 cases based on information from the Administrative Office of the U.S. Courts, or AOC. This represents a decrease of 4% from the previous year, based on information from the AOC, which also reported as of September 30, 2007, that the volume of appeals was up only 1.5% from 2002. At the highest federal court level, 8,241 cases were filed in the U.S. Supreme Court in the 2007 term, according to the Chief Justice's 2007 Year-End Report on the Federal Judiciary.

The National Center for State Courts in a 2007 survey reported that appellate filings in all state courts totaled just under 280,000 cases in 2006 and, with modest variations, had been at about that volume since 1995. State appellate case volume, while larger than federal case volume, we believe offers less attractive business prospects for Counsel Press because many of the state cases are simpler and have less challenging document preparation and filing needs. In addition, unlike the federal court system, eleven states and the District of Columbia have no intermediate-level appellate courts.

Our Products and Services

We provide our business information products and professional services through two operating divisions: Business Information and Professional Services. For the year ended December 31, 2008, we derived 47.6% of our revenues from our Business Information Division and 52.4% of our revenues from our Professional Services Division. For more information concerning our financial results by business segment, see Item 7 Management's Discussion and Analysis of Financial Condition and Results of Operations and Note 12 to our consolidated financial statements.

Business Information

Our business information products are important sources of necessary information for the legal, financial and real estate sectors in the 21 markets that we serve in the United States. We provide our business information products in print through our portfolio of 58 print publications, consisting of 13 paid daily publications, 31 paid non-daily publications and 14 non-paid non-daily publications. Our paid and non-paid and controlled publications had approximately 66,800 and 131,700 subscribers, respectively, as of December 31, 2008. In addition, we provide our business information products electronically through our 67 web sites and our email notification systems. Our 43 online publication web sites had approximately 3,841,700 unique visits in 2008 and our 24 event and other non-publication web sites had approximately 480,200 unique visits in 2008.

We believe that, based on our 2008 revenues, we are the second largest publisher of local business journals in the United States and the second largest publisher of court and commercial publications that specialize in carrying public notices. The business information products we target in the Minnesota and Missouri markets each accounted for more than 10% of our business information revenues for 2008. Our business information products contain proprietary content written and created by our staff and local expert contributors and stories from newswires and other relevant sources. Our journalists and contributors contribute, on average, over 1,000 articles and stories per week to our print titles and web sites that are tailored to the needs and preferences of our targeted markets. The newsrooms of our publications leverage this proprietary content by using internal newswires to share their stories with each other, which allows us to develop in an efficient manner content that can be customized for different local markets.

We strive to be the primary source of industry information to our audience, offering necessary proprietary content that enhances the daily professional activities of our readers. Our business information products offer timely news, insight and commentary that inform and educate professionals in the legal, financial and real estate sectors about current topics and issues affecting their professional communities. Specifically, our content focuses on enabling our readers to be well-informed of industry dynamics, their competitors, recent transactions in their market, and current and potential client opportunities. This critical information, delivered on a timely and regular

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basis, enables the professionals we serve to operate effectively in business environments characterized by tight deadlines and intense competition. For example, we publish a number of leading titles that report on local and national legal decisions issued by state and federal courts and governmental agencies, new legislation, changes in court rules, verdicts and settlements, bar disciplinary actions and other news that is directly relevant to attorneys.

We also offer to legal professionals related product enhancements and auxiliary products, such as directories, local judicial and courthouse profiles, legal forms and new attorney kits. Additionally, several of our titles provide information regarding construction data and bidding information on hundreds of projects each day, while other publications offer comprehensive coverage of the real estate industry, including listings and foreclosure reports. Our business information portfolio also includes certain titles that provide information about regulatory agencies, legislative activities and local political news that are of interest to legislators, lobbyists and the greater political community.

In addition to our various print titles, we employ a digital strategy to provide our business information products electronically through our web sites and our email notification systems that offer both free and subscription-based content. We customize the delivery of our proprietary content to meet our customers' needs. Specifically, our media neutral approach allows us to tailor our products and services to take advantage of the strengths inherent in each medium and allows our customers to choose their preferred method of delivery. Our email notification systems allow us in real-time to provide up-to-date information to customers, who can conveniently access such information, as well as other information on our web sites, from a desktop, laptop or personal digital assistant. Our digital strategy acts both as a complement to our print publications, with subscribers to a variety of our publications having access to web sites and email notifications associated with such publications, and independently, with exclusive paid subscription access to several of our web services. Our electronic content includes access to stand-alone subscription products, archives of articles and case digests containing case summaries, local verdicts and settlements and judicial profiles and email alerts containing case summaries and links to decisions in subscribers' selected practice areas.

The credibility of our print products and their reputation as known and trusted sources of local information extend to our web sites and email notification systems, thereby differentiating our content from that of other web sites and electronic media. This allows us to sell packaged print and online advertising products to advertisers that desire to reach readers through different media. Dolan Media Newswires, our Internet-based, subscription newswire, is available at www.dolanmedianewswires.com for news professionals and represents the work of our journalists and contributors. We also operate three online, subscription-based legislative information services that are used by lobbyists, associations, corporations, unions, government affairs professionals, state agencies and the media in Arizona, Minnesota and Oklahoma. Through these services, we offer online bill tracking, up-to-date legislative news and other similar legislative information.

We primarily manage our portfolio of business information products at the local and regional level, which we believe allows for increased editorial creativity. Each of our local management teams that is responsible for our print publications and related web sites has a comprehensive understanding of its target markets. These teams are supported editorially by our Editorial Board, a group composed of our top editors throughout the company. The Editorial Board runs division-wide programs to improve our proprietary content; produces an annual workshop and conference for our editors; runs internal editorial contests and training; and leads our digital strategy. Our local management teams collaborate with our Editorial Board to create stories, insight and commentary that are best suited for the business communities served by its business information products. Further, local management teams are regularly called upon to be creative and develop new products, enhance existing products and share best practices with other managers. We believe that our local management teams' efforts to establish new local targeted editorial products, launch new features and expand our electronic content afford us the best opportunity to maintain and improve our competitive advantage in the markets we serve.

Advertising. All of our print products, as well as a large number of our electronic products, carry commercial advertising, which consists of display and classified advertising. For the year ended December 31, 2008, advertising accounted for 17.7% of our total revenues and 37.1% of our Business Information Division's total revenues. We generate our advertising revenues from a variety of local business and individual customers in the legal, financial and real estate sectors that we serve. For example, our top 10 advertising customers only represented, in the

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aggregate, approximately 2.0% of our total Business Information revenues in 2008. We believe that because our business information products rely on a diversified base of advertising clients, we are less affected by a reduction in advertising spending by any one particular advertiser. Additionally, for the year ended December 31, 2008, we derived 95.0% of our advertising revenues from local advertisers and only 5.0% of our advertising revenues from national advertisers (i.e., advertisers that place advertising in several of our publications at one time). Because spending by local advertisers is generally less volatile than that of national advertisers, we believe that our advertising revenue streams carry a greater level of stability than publications that carry primarily national advertising and therefore we are better positioned to withstand broad downturns in advertising spending.

Our Advertising Board, consisting of certain of our publishers and advertising directors, supervises sales training, rate card development, network sales to national advertisers, audience research and budget development. Our local management teams for our print publications and related web sites, under the direction of our Advertising Board and in consultation with our corporate management, establish advertising rates, coordinate special sections and promotional schedules and set advertising revenue targets for each year during a detailed annual budget process. In addition, corporate management facilitates the sharing of advertising resources, best practices and information across our titles and web sites, which has been effective in ensuring that we remain focused on driving advertising revenue growth in each of our target markets.

Public Notices. Public notices are legal notices required by federal, state or local law to be published in qualified publications. A publication must typically satisfy several legal requirements in order to provide public notices. In general, a publication must possess a difficult-to-obtain U.S. Postal Service periodical permit, be of general and paid circulation within the relevant jurisdiction, include news content, and have been established and regularly and uninterrupted published for one to five years immediately preceding the first publication of a public notice. Some jurisdictions also require that a public notice business be adjudicated by a governmental body. We are qualified to carry public notices in 14 of the 21 markets in which we publish business journals or court and commercial newspapers. Our court and commercial newspapers publish 305 different types of public notices, including foreclosure notices, probate notices, notices of fictitious business names, limited liability company and other entity notices, trustee sale notices, unclaimed property notices, notices of governmental hearings, notices of elections, bond issuances, zoning matters, bid solicitations and awards and governmental budgets. For the year ended December 31, 2008, public notices accounted for 21.8% of our total revenues and 45.9% of our Business Information Division's total revenues. We believe that over 90% of our public notice customers in 2008 also published public notices with us in 2007. Our primary public notice customers include real estate-related businesses and trustees, governmental agencies, attorneys and businesses or individuals filing fictitious business name statements.

Subscription-Based Model. We sell our business information products primarily through subscriptions to our publications, web sites and email notification systems. Only a small portion of our circulation revenues are derived from single-copy sales of publications, although revenues from this source are increasing. As of December 31, 2008, 2007 and 2006, our paid publications had approximately 66,800, 71,700, and 73,600 subscribers, respectively. Despite our decline in total subscribers, our revenues from circulation have remained stable at \$13.6 million for each of the three years then ended. The majority of the decrease in paid subscribers over these periods was a result of non-renewals of discounted bulk subscriptions at several law firms, a decline in renewals of first-year subscribers for *Lawyers USA*, and, we believe, reader preference for online and web site access to our business journals, some of which we offer at discounted rates or no fees. This decrease in number of paid subscribers was offset, in 2008, by approximately 1,100 subscribers we received as a result of the acquisition of *The Mecklenburg Times* in February 2008. Revenues from increased subscription rates, as well as subscriptions to *The Mecklenburg Times*, and increased single-copy sales offset the revenues we lost from subscribers who did not renew during these periods. Our Circulation Marketing Board, consisting of certain circulation specialists from across the company, supervises campaign development and timing, list sources, development of marketing materials and circulation promotions. Our local management teams work with the Circulation Marketing Board and with our corporate executives to establish

subscription rates, including discounted subscriptions programs, and implement creative and interactive local programs and promotions to increase readership and circulation. Subscription renewal rates for our business information products were 76% in the aggregate in 2008. Our high renewal rates reflect that our products are relied upon as sources of necessary information by the business communities in the markets we serve.

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Seminars, Programs and Other Events. We believe that one of our strengths is our ability to develop, organize and produce professional education seminars, awards programs and other local events to demonstrate our commitment to our targeted business communities, extend our market reach and introduce our services to potential customers. While we generally charge admission and/or sponsorship fees for these seminars, awards programs and other local events, these events also offer opportunities for cross-promotion and cross-selling of advertising with our local print products that produce the event. Our sponsored events attracted approximately 42,300 attendees and 500 paying sponsors in 2008.

Printing. We print 11 of our business information publications at one of our three printing facilities located in Baltimore, Maryland; Minneapolis, Minnesota; and Oklahoma City, Oklahoma. The printing of our other 47 print publications is outsourced to printing facilities owned and operated by third parties. We purchase some of our newsprint from U.S. producers directly, but most of our newsprint is purchased indirectly through our third-party printers. Newsprint prices are volatile and fluctuate based upon factors that include both foreign and domestic production capacity and consumption. Newsprint, together with outsourced printing costs, accounted for 10.8% of operating expenses attributable to our Business Information Division in the year ended December 31, 2008.

Staffing. As of December 31, 2008, our Business Information Division had 569 employees, consisting of 217 journalists and editors; 95 production personnel; 148 employees in sales, marketing and advertising; 42 employees in circulation and 67 administrative personnel.

Professional Services

Our Professional Services Division provides critical non-legal services that assist law firms and attorneys in processing mortgage defaults and court appeals. These professional services allow our customers to focus on their core competency of offering high quality legal services to their clients. We offer our professional services through two operating units, APC and Counsel Press. APC is one of the leading providers of mortgage default processing services in the United States. It primarily provides these services in California, Georgia, Indiana, Michigan, Minnesota and Texas. Counsel Press is the largest appellate services provider in the United States.

Mortgage Default Processing Services

We offer mortgage default processing and related services to our six law firm customers and, in California, to mortgage lenders and loan servicers through our majority-owned subsidiary, APC. We currently own 84.7% of the membership interests in APC. Our largest customer is the Barrett law firm (in California, Georgia and Texas), who referred more than 10% of the mortgage default files we processed last year. Trott & Trott (in Michigan) and Feiwell & Hannoy (in Indiana) also referred, individually, more than 10% of the mortgage default files we processed last year. Further, in 2008, the top 10 clients of our law firm customers accounted for 61.0% of the mortgage default case files handled by our law firm customers, with the largest client accounting for 17.2% and one other client accounting for over 10% of such files.

Pursuant to 15 to 25 years services agreements, APC is the sole provider of foreclosure, bankruptcy, eviction and, to a lesser extent, litigation and other mortgage default related processing services to its six law firm customers. These contracts provide for the exclusive referral to APC of work related to residential mortgage default case files handled by each law firm, although Trott & Trott and the Barrett law firm may send files elsewhere if directed by their respective clients. All of APC's customers pay a fixed fee per file based on the type of file that APC services. The initial terms of these services agreements expire in March 2021 for Trott & Trott, January 2022 for Feiwell & Hannoy, February 2023 for Wilford & Geske and September 2033 for the Barrett law firm. These services agreements will automatically renew for up to two successive ten year periods unless either party elects to terminate the term then-in-effect with prior notice, except the services agreement with the Barrett law firm, which will automatically

renew for two successive five year periods unless either party elects to terminate the term then-in effect. During the term of the Feiwell & Hannoy and Wilford & Geske services agreements, APC has agreed not to provide mortgage default processing services with respect to real estate located in Indiana and Minnesota, respectively, for any other law firm. For the year ended December 31, 2008, mortgage default processing services accounted for 44.5% of our total revenues and 85.0% of our Professional Services Division's total revenues.

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Mortgage default processing is a volume-driven business in which the mortgage lender and loan servicer clients of our law firm customers, and our mortgage lender and loan servicer customers in California, insist on the efficient and accurate processing of mortgage default files, strict compliance with applicable laws, including loss mitigation efforts, and high levels of customer service. APC assists its law firm customers by providing efficient and high-quality mortgage default processing services. These services allow our law firm customers to differentiate themselves from their competition and to focus on the practice of law, which we believe allows them to garner more business from their mortgage lender and loan servicer clients.

The process begins when the borrower defaults on mortgage payment obligations. At that time, the mortgage lender or mortgage servicer typically refers the case file containing the relevant information regarding the loan to one of our law firm customers (or directly to us, if it is a California file). The mortgage lender and loan servicers retain our law firm customers (and APC in California where a license to practice law is not required to handle foreclosures) to provide counsel with respect to the foreclosure, eviction, bankruptcy and, to a lesser extent, litigation and other mortgage default related case files in each of the states in which we provide these services for residential mortgage defaults. After a file is referred by the mortgage lender or loan servicer firm to our law firm customers, or directly to us in California, the lender's or the servicer's goal is to proceed with the foreclosure and disposition of the subject property as efficiently as possible and to make all reasonable attempts to avoid foreclosure and thereby mitigate losses.

The procedures surrounding the foreclosure process involve numerous steps, each of which must adhere to strict statutory guidelines and all of which are overseen by attorneys at our law firm customers, except in California. APC assists these customers with processing residential mortgage defaults, including data entry, supervise