

Fidelity National Title Group, Inc.

Form S-4

October 28, 2005

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**As filed with the Securities and Exchange Commission on October 28, 2005**  
**Registration Number 333-**

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

**Form S-4**  
**REGISTRATION STATEMENT**  
**UNDER**  
**THE SECURITIES ACT OF 1933**

**Fidelity National Title Group, Inc.**  
*(Exact Name of Registrant as Specified in its Charter)*

**Delaware**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**6361**  
*(Primary Standard Industrial  
Classification Code Number)*

**16-1725106**  
*(I.R.S. Employer  
Identification Number)*

**601 Riverside Avenue**  
**Jacksonville, Florida 32204**  
**(904) 854-8100**  
*(Address, Including Zip Code, and Telephone Number, Including Area Code,  
of Registrant's Principal Executive Offices)*

**Raymond R. Quirk**  
**Chief Executive Officer**  
**Fidelity National Title Group, Inc.**  
**601 Riverside Avenue**  
**Jacksonville, Florida 32204**  
**(904) 854-8100**  
*(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)*

*Copies to:*

**Robert S. Rachofsky**  
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**Frank H. Golay, Jr.**  
**Sullivan & Cromwell LLP**  
**1888 Century Park East, Suite 2100**  
**Los Angeles, CA 90067-1725**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

If any of the securities being registered on this Form are offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective

registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

#### CALCULATION OF REGISTRATION FEE

<b>Title of Each Class of Securities to be Registered</b>	<b>Amount to be Registered</b>	<b>Proposed Maximum Offering Price per Unit</b>	<b>Proposed Maximum Aggregate Offering Price(1)</b>	<b>Amount of Registration Fee</b>
7.30% Notes due August 15, 2011	\$250,000,000	100%	\$250,000,000	\$29,425
5.25% Notes due March 15, 2013	\$250,000,000	100%	\$250,000,000	\$29,425
<b>Totals</b>	\$500,000,000		\$500,000,000	\$58,850

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(f) promulgated under the Securities Act of 1933.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.**

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**The information in this preliminary prospectus is not complete and may be changed. These securities may not be distributed until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

(Subject to Completion) Dated October 28, 2005

## PROSPECTUS AND CONSENT SOLICITATION STATEMENT

Offer to Exchange Notes Issued by Fidelity National Financial, Inc.  
and

Solicitation of Consents to Amend the Related Indenture

Aggregate Principal Amount	Description of Existing Notes	CUSIP No.	Description of New Notes
\$ 250,000,000	7.30% Fidelity National Financial notes due 2011	316326ac1	7.30% Fidelity National Title Group notes due 2011
\$ 250,000,000	5.25% Fidelity National Financial notes due 2013	316326ad9	5.25% Fidelity National Title Group notes due 2013

Fidelity National Title Group, Inc. offers to exchange any and all of the outstanding notes listed above of its parent corporation, Fidelity National Financial, Inc., for its newly issued notes with the same principal amounts, interest rates, redemption terms and payment and maturity dates. The new notes will provide for accrued interest from the last date for which interest was paid on your Fidelity National Financial notes.

The exchange offers will expire at 5:00 p.m., New York City time, on November 1, 2005, unless extended. You may withdraw notes that you previously tendered and revoke the consents with respect thereto at any time before that time but not thereafter.

As a holder of Fidelity National Financial notes, you may give your consent to the proposed amendments to the indenture only by tendering your notes in the exchange offers. By so tendering, you will be deemed to consent to the amendment of the indenture. We will not be required to complete the exchange offers if we do not receive valid consents sufficient to effect the amendment of the indenture, but we are free to waive this or any other condition of the exchange offers. We describe the proposed amendments to the indenture in this prospectus and consent solicitation statement under **The Proposed Amendments** and the conditions to the exchange offers under **The Exchange Offers Conditions to the Exchange Offers and Consent Solicitations**.

If you would like to tender your Fidelity National Financial notes in the exchange offers, you may do so through DTC's Automated Tender Offer Program (ATOP) or by following the instructions that appear later in this prospectus and consent solicitation statement and in the related Letter of Transmittal and Consent. If you tender through ATOP, you do not need to complete the Letter of Transmittal and Consent.

If you hold your Fidelity National Financial notes through a broker or other nominee, only that broker or nominee can tender your Fidelity National Financial notes. In that case, you must instruct your broker or nominee if you want to tender your Fidelity National Financial notes.

We do not intend to list the Fidelity National Title Group notes to be issued in these exchange offers on any national securities exchange or to seek approval for quotation through any automated quotation system.

*As you review this prospectus and consent solicitation statement, you should carefully consider the matters described in **Risk Factors** beginning on page 11.*

*The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this prospectus and consent solicitation statement is truthful or complete. Any*

*representation to the contrary is a criminal offense.*

*None of Fidelity National Title Group, Fidelity National Financial, the exchange and information agent, the trustee under the Fidelity National Financial indenture, the trustee under the Fidelity National Title Group indenture or the dealer manager makes any recommendation as to whether or not holders of Fidelity National Financial notes should exchange their securities in the exchange offers and consent to the proposed amendments to the Fidelity National Financial indenture.*

**The Dealer Manager for the Exchange Offers and Consent Solicitations is:  
LEHMAN BROTHERS**

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### **WHERE YOU CAN FIND MORE INFORMATION**

Our parent company, Fidelity National Financial, Inc., is subject to the informational reporting requirements of the Securities Exchange Act of 1934 and therefore must file proxy statements, periodic reports and other information with the Securities and Exchange Commission. We similarly became subject to the information and periodic reporting requirements of the Securities Exchange Act of 1934 following the effectiveness on September 29, 2005 of our registration statement in connection with the public distribution of our common stock and, as such, we will file periodic reports, proxy statements and other information with the Securities and Exchange Commission. The public may read and copy any documents filed by us or Fidelity National Financial, Inc. at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the Securities and Exchange Commission at 1-800-SEC-0330. Such filings and information are also available to the public on the Internet through the Securities and Exchange Commission's website at <http://www.sec.gov>.

This prospectus and consent solicitation statement is part of a registration statement Fidelity National Title Group, Inc. has filed with the Securities and Exchange Commission relating to the notes to be issued in the exchange offers. As permitted by the rules of the Securities and Exchange Commission, this prospectus and consent solicitation statement does not contain all of the information included in the registration statement and the accompanying exhibits. You may refer to the registration statement and exhibits for more information about us and our securities. The registration statement, exhibits and schedules are available at the Securities and Exchange Commission's public reference room and through its website.

You should rely only on the information contained or incorporated by reference in this prospectus and consent solicitation statement. We have not authorized any person (including any dealer, salesman or broker) to provide information or to make any representations other than that provided in this prospectus and consent

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solicitation statement and, if given or made, that information or representation must not be relied upon as having been authorized by us, Fidelity National Financial, Inc., the dealer manager or any agent or dealer. We are not making an offer of our notes in any state where the offer is not permitted. You should not assume that the information in this prospectus and consent solicitation statement is accurate as of any date other than the date on the cover page or that any information contained in any document we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference.

**INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The Securities and Exchange Commission allows us to incorporate certain information by reference into this prospectus and consent solicitation statement, which means we can disclose important information to you by referring you to another document already filed with the SEC. The information we incorporate by reference is an important part of this prospectus and consent solicitation statement, and later information Fidelity National Financial, Inc. files with the Securities and Exchange Commission will automatically update and supersede this information. We incorporate by reference the documents listed below and any future filings made by Fidelity National Financial, Inc. with the Securities and Exchange Commission under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the exchange offers contemplated by this registration statement are consummated. The documents incorporated by reference are:

Annual Report on Form 10-K of Fidelity National Financial, Inc. for the year ended December 31, 2004;

Quarterly Report on Form 10-Q of Fidelity National Financial, Inc. for the quarter ended March 31, 2005;

Quarterly Report on Form 10-Q of Fidelity National Financial, Inc. for the quarter ended June 30, 2005; and

Current Reports on Forms 8-K of Fidelity National Financial, Inc. as filed with the SEC on January 31, 2005, February 3, 2005, March 14, 2005, March 15, 2005, April 11, 2005, May 17, 2005, July 6, 2005, August 1, 2005, August 25, 2005, September 20, 2005 and October 21, 2005.

Any information about Fidelity National Financial, Inc. that is incorporated by reference in this prospectus and consent solicitation statement may be obtained from the Securities and Exchange Commission as described in *Where You Can Find More Information*. Any such information filed with the Securities and Exchange Commission (other than exhibits to those filings, unless we have specifically incorporated the exhibits by reference into this filing) is also available without charge upon written request to Corporate Secretary, Fidelity National Title Group, Inc., 601 Riverside Avenue, Jacksonville, Florida 32204, or by calling (904) 854-8100. In order to ensure timely delivery of these documents, your request must be received by November 1, 2005 or five business days before the expiration of these exchange offers, as may be extended, whichever is later.

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**PROSPECTUS AND CONSENT SOLICITATION SUMMARY**

*This summary highlights some of the information about FNT contained elsewhere in this prospectus and consent solicitation statement and may not contain all of the information that may be important to you. In this prospectus and consent solicitation statement, FNT, we, and our refer to Fidelity National Title Group, Inc. and its subsidiaries, unless the context suggests otherwise. References to FNF are to Fidelity National Financial, Inc. References to dollars or \$ are to the lawful currency of the United States of America, unless the context otherwise requires. You should read the following summary together with the entire prospectus and consent solicitation statement, including the more detailed information in our financial statements and related notes appearing elsewhere in this prospectus and consent solicitation statement. You should carefully consider, among other things, the matters discussed in Risk Factors.*

**Company Overview**

We are the largest title insurance company in the United States. Our title insurance underwriters Fidelity National Title, Chicago Title, Ticor Title, Security Union Title and Alamo Title together issued approximately 30.5% of all title insurance policies issued nationally during 2004, as measured by premiums *per the Demotech Performance of Title Insurance Companies 2005 Edition*. Our title business consists of providing title insurance and escrow and other title-related products and services arising from the real estate closing process. Our operations are conducted on a direct basis through our own employees who act as title and escrow agents and through independent agents. In addition to our independent agents, our customers are lenders, mortgage brokers, attorneys, real estate agents, home builders and commercial real estate developers.

**The Exchange Offers**

Subject to the terms and conditions in this prospectus and consent solicitation statement, FNT offers to exchange (i) any and all of the outstanding 7.30% notes due 2011 of FNF for its newly issued 7.30% notes due 2011 and (ii) any and all of the outstanding 5.25% notes due 2013 of FNF for its newly issued 5.25% notes due 2013. The new notes will have the same principal amounts, interest rates, redemption terms and payment and maturity dates as the FNF notes you currently hold. Interest on our new notes will accrue from the last date for which interest was paid on the FNF notes for which they are exchanged.

Concurrently with making the exchange offers, we are soliciting consents from the holders of the outstanding FNF notes to amend the indenture pursuant to which the FNF notes were issued to remove many of the covenants, restrictive provisions and events of default of FNF. The consent of the holders representing a majority of the aggregate principal amount of each series of FNF notes outstanding will be required in order to effect the amendments to the indenture with respect to each series. The consent solicitations are described more fully under The Exchange Offers The Consent Solicitations and the proposed amendments are described in more detail under The Proposed Amendments.

**Competitive Strengths**

We believe that our competitive strengths include the following:

*Leading title insurance company.* We are the largest title insurance company in the United States and the leading provider of title insurance and escrow services for real estate transactions. We have approximately 1,500 locations throughout the United States providing our title insurance services.

*Established relationships with our customers.* We have strong relationships with the customers who use our title services. We also benefit from strong brand recognition in our five FNT title brands that allows us to access a broader client base than if we operated under a single consolidated brand and provides our customers with a choice among FNT brands.

*Strong value proposition for our customers.* We provide our customers with services that support their ability to effectively close real estate transactions. We help make the real estate closing more efficient for our customers by offering a single point of access to a broad platform of title-related products and resources necessary to close real estate transactions.



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*Proven management team.* The managers of our operating businesses have successfully built our title business over an extended period of time. Our managers have demonstrated their leadership ability during numerous acquisitions through which we have grown and throughout a number of business cycles and significant periods of industry change.

*Competitive cost structure.* We have been able to maintain competitive operating margins and we believe that, when compared to other industry competitors, our management structure has fewer layers of managers, which allows us to operate with lower overhead costs.

*Commercial title insurance.* Our network of agents, attorneys, underwriters and closers that service the commercial real estate markets is one of the largest in the industry. Our commercial network combined with our financial strength makes our title insurance operations attractive to large national lenders.

*Corporate principles.* A cornerstone of our management philosophy and operating success is the five fundamental precepts upon which FNF was founded:

Bias for action

Autonomy and entrepreneurship

Employee ownership

Minimal bureaucracy

Close customer relationships

**Strategy**

Our strategy in the title insurance business is to maximize operating profits by increasing our market share and managing operating expenses throughout the real estate business cycle. To accomplish our goals, we intend to:

*Continue to operate each of our five title brands independently.* We believe that in order to maintain and strengthen our title insurance customer base, we must leave the Fidelity National Title, Chicago Title, Ticor Title, Security Union Title and Alamo Title brands intact and operate these brands independently.

*Consistently deliver superior customer service.* We believe customer service and consistent product delivery are the most important factors in attracting and retaining customers. Our goal is to continue to improve the experience of our customers in all aspects of our business.

*Manage our operations successfully through business cycles.* We operate in a cyclical business and our ability to diversify our revenue base within our core title insurance business and manage the duration of our investments may allow us to better operate in this cyclical business. Maintaining a broad geographic revenue base, utilizing both direct and independent agency operations and pursuing both residential and commercial title insurance business help diversify our title insurance revenues.

*Continue to improve our products and technology.* As a national provider of real estate transaction products and services, we participate in an industry that is subject to significant change, frequent new product and service introductions and evolving industry standards. We believe that our future success will depend in part on our ability to anticipate industry changes and offer products and services that meet evolving industry standards.

*Maintain values supporting our strategy.* We believe that continuing to focus on and support our long-established corporate culture will reinforce and support our business strategy. Our goal is to foster and support a corporate culture where our agents and employees seek to operate independently and profitably at the local level while forming close customer relationships by meeting customer needs and improving customer service.

*Effectively manage costs based on economic factors.* We believe that our focus on our operating margins is essential to our continued success in the title insurance business. Regardless of the business cycle

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in which we may be operating, we seek to continue to evaluate and manage our cost structure and make appropriate adjustments where economic conditions dictate to help us to better maintain our operating margins.

### **Challenges**

We face challenges in maintaining our strengths and implementing our strategies, including but not limited to the following:

*Further downgrades in our ratings could negatively affect our business.* After FNF announced the distribution of our shares to FNF stockholders, A.M. Best Company, Inc. ( A.M. Best ) downgraded the financial strength ratings of our principal insurance subsidiaries to A- (Excellent). As the ratings of our insurance subsidiaries have significant influence on our business, a future downgrade could have a material adverse effect on our results of operations.

*As a holding company, we are dependent on our subsidiaries to supply us with cash to make payments on our debt obligations, including the notes we are offering in these exchange offers.* As a holding company, we are dependent on distributions from our subsidiaries, and our ability to pay our debt service obligations on our notes may be adversely affected if distributions from our subsidiaries are materially impaired. Our title insurance subsidiaries must comply with state and federal laws requiring them to maintain minimum amounts of working capital, surplus and reserves and placing restrictions on the amount of dividends that they can distribute to us.

*Changes in real estate activity may adversely affect our performance.* While our title insurance revenues have benefited in recent years from record lows in mortgage interest rates and record highs in both volume and average price of residential real estate, if any of these trends change we may experience a decline in our revenues.

*We will be controlled by FNF as long as it owns a majority of the voting power of our common stock.* While FNF controls us, FNF will control decisions relating to the direction of our business, financing and our ability to raise capital. In addition, FNF will be able to elect all of our directors and determine the outcome of any actions requiring stockholder approval.

*We face competition in our title business from traditional title insurers and from new entrants with alternative products.* The competitors in our principal markets include larger companies such as The First American Corporation, LandAmerica Financial Group, Inc., Old Republic International Corporation and Stewart Information Services Corporation, as well as numerous smaller title insurance companies and independent agency operations at the regional and local level. Competition among the major title insurance companies, expansion by smaller regional companies and any new entrants with alternative products could affect our business operations and financial condition.

*We and our subsidiaries are subject to extensive regulation by state insurance authorities in each state in which we operate.* The regulations imposed by state insurance authorities may affect our ability to increase or maintain rate levels and may impose conditions on our operations.

For additional challenges and risks relating to our business and the exchange offer, see Risk Factors.

### **The Distribution**

We were incorporated on May 24, 2005 as a wholly-owned subsidiary of FNF. On October 17, 2005, FNF distributed shares of our Class A Common Stock representing 17.5% of the outstanding shares of our common stock on a pro rata basis to the holders of FNF common stock, a transaction we refer to as the distribution. The shares that were distributed represent 100% of the outstanding shares of our Class A Common Stock. FNF currently owns 100% of our outstanding Class B Common Stock, representing 82.5% of the outstanding shares of our common stock. The Class B Common Stock entitles its holder to ten votes per share and the Class A Common Stock entitles its holders to one vote per share. As a result, FNF currently holds 97.9% of all voting power of our common stock. The foregoing percentages do not include

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shares of Class A Common Stock that were granted as restricted stock to our employees and directors in connection with the distribution, which also constitute outstanding shares, nor any shares of Class A Common Stock underlying any stock options we similarly granted. FNF also currently owns other operating businesses, including its majority-owned subsidiary, Fidelity National Information Services, Inc. ( FIS ), and its wholly-owned subsidiary Fidelity National Insurance Company ( FNIC ). On September 14, 2005, FIS entered into a merger agreement with Certegy Inc. ( Certegy ), a publicly-traded company which provides credit, debit, check risk management and cash access services. Upon the completion of such merger, FNF would own 50.3% of the combined public company. Our Class A Common Stock is listed on the New York Stock Exchange under the symbol FNT.

In connection with the distribution, we entered into a number of agreements with FNF and certain of its other subsidiaries. We also issued \$500 million of notes to FNF. These notes, which we refer to as the mirror notes, have terms that mirror the FNF notes we seek to acquire in the exchange offers. The mirror notes also provide that we may redeem them in whole or in part at any time by delivering to FNF the corresponding FNF notes in an aggregate principal amount equal to the principal amount of the mirror notes to be redeemed.

Also in connection with the distribution, we agreed with FNF to conduct, upon its request, one or more exchange offers to exchange our newly issued notes for outstanding FNF notes, and to deliver to FNF all FNF notes obtained in any such exchange offers in redemption of an equal aggregate principal amount of the corresponding mirror notes. FNF requested that we conduct exchange offers with respect to the outstanding FNF notes described in this prospectus and consent solicitation statement in order to reduce FNF's outstanding debt obligations. Accordingly, we are conducting the exchange offers described herein and we intend to deliver to FNF all FNF notes obtained in the exchange offers in redemption of an equal aggregate principal amount of the corresponding mirror notes.

**Company History**

The predecessors of FNT have primarily been title insurance companies, some of which have been in operation since the late 1800s. Many of these title insurance companies have been acquired in the last two decades. During the 1990s, FNF acquired Alamo Title, Nations Title Inc., Western Title Company of Washington and First Title Corp. In 2000, FNF completed the acquisition of Chicago Title Corp., and in 2004, FNF acquired American Pioneer Title Insurance Company, which now operates under our Ticor Title brand. Our businesses have historically been operated as wholly-owned subsidiaries of FNF.

Our principal executive offices are located at 601 Riverside Avenue, Jacksonville, Florida 32204, and our telephone number is (904) 854-8100.

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**Summary of the Exchange Offers**

Securities Offered	Up to \$500,000,000 of FNT notes in two series: (i) up to \$250,000,000 of 7.30% FNT notes due August 15, 2011 and (ii) up to \$250,000,000 of 5.25% FNT notes due March 15, 2013.
The Exchange Offers	We are offering to exchange outstanding FNF notes for our new notes that have been registered under the Securities Act of 1933. For each \$1,000 principal amount of FNF notes, we are offering to exchange \$1,000 in principal amount of new FNT notes. The new FNT notes being offered will also have the same interest rates, redemption terms and payment and maturity dates as the FNF notes being exchanged, and will provide for accrued interest from the last date for which interest was paid on the FNF notes being exchanged.
Expiration of the Exchange Offers	The exchange offers will expire at 5:00 p.m., New York City time, on November , 2005, unless we decide to extend the exchange offers. We refer to this specified time as the initial expiration time.
Tenders; Withdrawals	You may withdraw tendered FNF notes and revoke consents with respect thereto at any time prior to the initial expiration time described above, but not thereafter. A valid withdrawal of tendered FNF notes will also constitute the revocation of the related consent to the proposed amendments to the indenture. You may only revoke your consent by validly withdrawing the tendered FNF notes prior to the initial expiration time. You may not withdraw tendered FNF Notes or revoke consents with respect thereto after the initial expiration time, even if we otherwise extend the expiration of the exchange offers. If for any reason tendered notes are not accepted for exchange, they will be returned as soon as practicable after the expiration or termination of the applicable exchange offer.
Conditions to the Exchange Offers	The exchange offers are subject to the condition that they do not violate applicable law or any applicable interpretation of the staff of the Securities and Exchange Commission. They are also subject to other conditions, including, among other things, the condition that we receive the consent of the holders of a majority of the aggregate principal amount of each series of outstanding FNF notes to amend the indenture. There is no guarantee that these conditions will be satisfied and we have the option to waive these or any other conditions. For information about the conditions to our obligation to complete the exchange offers, see The Exchange Offers Conditions to the Exchange Offers and Consent Solicitations.
Federal Income Tax Considerations	If you exchange your FNF notes for FNT notes in the exchange offers, you will recognize gain or loss for U.S. federal income tax purposes. The amount of such gain or loss generally will equal the difference between the issue price of the FNT notes you receive and your tax basis in the FNF notes you exchange. The issue price of FNT notes you receive in exchange for FNF notes should be the fair market value of the notes on the date of the exchange (assuming that they are publicly traded as defined in the

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applicable Treasury Regulations), reduced by the amount of accrued unpaid interest on the FNF notes you exchange. For a summary of the material U.S. federal income tax consequences of the exchange offers, see United States Federal Income Tax Considerations.

Consent Solicitation	We are soliciting consents from the holders of the outstanding FNF notes to amend the indenture pursuant to which the FNF notes were issued to eliminate many of the covenants, restrictive provisions and events of default of FNF under the indenture. As a holder of FNF notes, you may give your consent to the proposed amendments to the indenture only by tendering your FNF notes in the exchange offers. By so tendering, you will be deemed to have given consent to the proposed amendments.
Exchange Date	We will accept all outstanding FNF notes that you have properly tendered when all conditions of the exchange offer relating to the FNF notes you tendered are satisfied or waived. The registered FNT notes will be delivered promptly after we accept the outstanding FNF notes.
Exchange Agent	D.F. King & Co., Inc.
Information Agent	D.F. King & Co., Inc.
Procedures for Tendering Outstanding Notes	If you hold FNF notes of either series and wish to have those notes exchanged for FNT notes of the corresponding series, you must validly tender or cause the valid tender of your FNF notes using the procedures described in this prospectus and consent solicitation statement and in the accompanying Letter of Transmittal and Consent. The procedures by which you may tender or cause to be tendered FNF notes will depend upon the manner in which you hold the FNF notes, as described below under the heading The Exchange Offers Procedures for Tendering FNF Notes and Delivering Consents.
Use of Proceeds	Because this is not an offering for cash, there will be no cash proceeds to FNT from the exchange.
Consequences of Not Tendering Your FNF Notes	Any outstanding FNF notes that are not tendered to us or are not accepted for exchange will remain outstanding and will continue to accrue interest in accordance with, and will otherwise be entitled to all the rights and privileges under, the indenture pursuant to which they were issued. However, if the exchange offers are consummated and the proposed amendments to the indenture are effected, the amendments will also apply to all FNF notes not acquired in the exchange offers and those notes will no longer have the benefit of the protection of the covenants, restrictive provisions and events of default eliminated by the amendments. Also, the trading market for FNF notes not exchanged in the exchange offers will become more limited and could for all practical purposes cease to exist, and that could adversely affect the liquidity, market price and price volatility of the FNF notes.

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**Summary Description of Our New Notes**

<i>The 2011 Notes</i> Notes Offered	Up to \$250,000,000 of 7.30% FNT notes due August 15, 2011.
Yield and Interest	Our 7.30% notes due 2011 will bear interest at the rate of 7.30% per annum. We will pay interest semiannually on February 15 and August 15 of each year. Interest on our notes will begin accruing from the last date for which interest was paid on the FNF notes for which they were exchanged.
Ranking	Our 7.30% notes due 2011 will be our senior unsecured obligations. They will be exclusively our obligations and, because our principal assets are the stock of our subsidiaries, all existing and future liabilities of our subsidiaries will be effectively senior to our notes.
Optional Redemption	We have the option to redeem the notes, in whole at any time or in part from time to time, at the make whole redemption price determined as set forth in this prospectus and consent solicitation statement under Description of Our Notes Optional Redemption, plus accrued and unpaid interest to the date of redemption.
Covenants	<p>The new indenture governing our notes contains covenants that, subject to exceptions, limit our ability to:</p> <ul style="list-style-type: none"><li>incur liens on the stock of our current principal insurance company subsidiaries to secure debt;</li><li>merge or consolidate with another company; and</li><li>transfer or sell substantially all of our assets.</li></ul> <p>For more details, see the section of this prospectus and consent solicitation statement entitled Description of Our Notes.</p>
Sinking Fund	Our 7.30% notes due 2011 will not be entitled to the benefit of any sinking fund.
<i>The 2013 Notes</i> Notes Offered	Up to \$250,000,000 of 5.25% FNT notes due March 15, 2013.
Yield and Interest	Our 5.25% notes due 2013 will bear interest at the rate of 5.25% per annum. We will pay interest semiannually on March 15 and September 15 of each year. Interest on our notes will begin accruing from the last date for which interest was paid on the FNF notes for which they were exchanged.
Ranking	Our 5.25% notes due 2013 will be our senior unsecured obligations. They will be exclusively our obligations and, because our principal assets are the stock of our subsidiaries, all existing and future liabilities of our subsidiaries will be effectively senior to our notes.
Optional Redemption	We have the option to redeem the notes, in whole at any time or in part from time to time, at the make whole redemption price determined as set forth in this prospectus and consent solicitation



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statement under Description of Our Notes Optional Redemption, plus accrued and unpaid interest to the date of redemption.

Covenants

The new indenture governing our notes contains covenants that, subject to exceptions, limit our ability to:

incur liens on the stock of our current principal insurance company subsidiaries to secure debt;

merge or consolidate with another company; and

transfer or sell substantially all of our assets.

For more details, see the section of this prospectus and consent solicitation statement entitled Description of Our Notes.

Sinking Fund

Our 5.25% notes due 2013 will not be entitled to the benefit of any sinking fund.



**Table of Contents****Summary Historical Financial Information for FNT**

The following table sets forth our summary historical financial information. The summary historical financial information as of December 31, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2004 has been derived from our combined financial statements and related notes, which have been audited by KPMG LLP, an independent registered public accounting firm. The audited combined financial statements as of December 31, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2004 are included elsewhere in this prospectus and consent solicitation statement. The summary historical financial information as of June 30, 2005 and for the six months ended June 30, 2005 and 2004 has been derived from our unaudited condensed combined financial statements, which are included elsewhere in this prospectus and consent solicitation statement. You should read this financial information in conjunction with the audited and unaudited combined financial statements included elsewhere in this prospectus and consent solicitation statement and the information under Management's Discussion and Analysis of Financial Condition and Results of Operations. Our historical combined financial information has been prepared from the historical results of the operations transferred to us and gives effect to allocations of certain corporate expenses to and from FNF. Our summary historical combined financial information may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a stand-alone entity during the periods presented. Our results of interim periods are not necessarily indicative of results for the entire year.

	<b>Six Months Ended June 30,</b>		<b>Year Ended December 31,</b>		
	<b>2005(1)</b>	<b>2004(1)</b>	<b>2004(1)</b>	<b>2003(1)</b>	<b>2002</b>
	<b>(In thousands)</b>				
<b>STATEMENT OF EARNINGS DATA</b>					
Total title premiums	\$ 2,321,596	\$ 2,335,449	\$ 4,718,217	\$ 4,700,750	\$ 3,547,727
Escrow and other title-related fees	543,465	514,019	1,039,835	1,058,729	790,787
Other income	87,372	66,780	131,361	211,236	128,816
<b>Total revenue</b>	<b>2,952,433</b>	<b>2,916,248</b>	<b>5,889,413</b>	<b>5,970,715</b>	<b>4,467,330</b>
<b>Total expenses</b>	<b>2,561,607</b>	<b>2,478,236</b>	<b>5,006,486</b>	<b>4,878,795</b>	<b>3,697,966</b>
<b>Earnings before income taxes and minority interest</b>	<b>390,826</b>	<b>438,012</b>	<b>882,927</b>	<b>1,091,920</b>	<b>769,364</b>
<b>Income tax expense</b>	<b>146,637</b>	<b>160,312</b>	<b>323,598</b>	<b>407,736</b>	<b>276,970</b>
<b>Earnings before minority interest</b>	<b>244,189</b>	<b>277,700</b>	<b>559,329</b>	<b>684,184</b>	<b>492,394</b>
<b>Minority interest</b>	<b>1,292</b>	<b>455</b>	<b>1,165</b>	<b>859</b>	<b>624</b>
<b>Net earnings</b>	<b>\$ 242,897</b>	<b>\$ 277,245</b>	<b>\$ 558,164</b>	<b>\$ 683,325</b>	<b>\$ 491,770</b>
<b>Per share amounts:</b>					
Unaudited proforma net earnings per share basic and diluted	\$ 1.40		\$ 3.22		
Unaudited proforma weighted average shares	172,951		172,951		

outstanding basic and  
diluted(2)

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	<b>As of June 30, 2005</b>
	<b>(In thousands)</b>
<b>BALANCE SHEET DATA</b>	
Cash and cash equivalents	\$ 614,555
Total assets	5,973,378
Total long-term debt	7,802
Minority interest	4,643
Total equity	3,044,615

(1) Effective January 1, 2003, we adopted the fair value recognition provisions of SFAS No. 123, Accounting for Stock-Based Compensation, using the prospective method of adoption in accordance with SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, and as a result recorded stock compensation expense of \$3.4 million and \$3.0 million for the years ended December 31, 2004 and 2003, respectively, and \$5.4 million and \$2.1 million for the six months ended June 30, 2005 and 2004, respectively.

(2) Unaudited proforma net earnings per share is calculated using the number of outstanding shares of FNF as of June 30, 2005 because upon completion of the distribution the number of our outstanding shares of common stock was equal to the number of FNF shares outstanding on the record date for the distribution.

**RATIOS OF EARNINGS TO FIXED CHARGES****Ratio of our Earnings to our Fixed Charges**

Our ratio of earnings to fixed charges for each of the periods shown is as follows:

	<b>Six Months Ended June 30, 2005</b>	<b>Years Ended December 31,</b>				
		<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Ratio of earnings to fixed charges	10.9	11.0	14.5	11.7	8.0	4.6

In calculating the ratio of earnings to fixed charges, earnings are the sum of earnings before income taxes and minority interest plus fixed charges. Fixed charges are the sum of (i) interest on indebtedness and amortization of debt discount and debt issuance costs and (ii) an interest factor attributable to rentals.

**Ratio of FNF's Earnings to its Fixed Charges**

FNF's ratio of earnings to fixed charges for each of the periods shown is as follows:

	<b>Six Months Ended June 30, 2005</b>	<b>Years Ended December 31,</b>				
		<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
Ratio of earnings to fixed charges	7.4	8.2	11.0	8.8	5.7	8.6

In calculating the ratio of earnings to fixed charges, earnings are the sum of earnings before income taxes and minority interest plus fixed charges. Fixed charges are the sum of (i) interest on indebtedness and amortization of debt discount and debt issuance costs and (ii) an interest factor attributable to rentals.



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**RISK FACTORS**

*Before agreeing to accept our new notes in exchange for the FNF notes you currently hold, you should carefully consider the risks described below, in addition to the other information presented in or incorporated by reference into this prospectus and consent solicitation statement. These risks could materially affect our business, results of operations or financial condition and could cause you to lose all or part of your investment.*

**Risks Relating to the Exchange**

***We are a holding company that has no operations and depends on distributions from our subsidiaries for cash. Our holding company structure results in structural subordination and may affect our ability to make payments on our notes.***

Our notes are exclusively our obligations and are not obligations of our subsidiaries. We are a holding company whose primary assets are the securities of our operating subsidiaries. Our ability to pay debt service on our notes and our other obligations and to pay dividends is dependent on the ability of our subsidiaries to pay dividends or repay funds to us. Our subsidiaries are not obligated to make funds available to us for payment on the notes or otherwise. If our operating subsidiaries are not able to pay dividends or repay funds to us, we may not be able to meet our obligations.

Our title insurance subsidiaries must comply with state and federal laws which require them to maintain minimum amounts of working capital, surplus and reserves and place restrictions on the amount of dividends that they can distribute to us. Compliance with these laws will limit the amounts our regulated subsidiaries can dividend to us. During the remainder of 2005, our title insurance subsidiaries can pay dividends or make distributions to us of approximately \$89.1 million without prior regulatory approval.

Furthermore, our notes will be effectively junior to all existing and future liabilities and obligations of our subsidiaries because, as a shareholder of our subsidiaries, we will be subject to the prior claims of creditors of our subsidiaries, except to the extent that we ourselves have a claim against those subsidiaries as a creditor. As of June 30, 2005, our subsidiaries had debt obligations of approximately \$7.8 million to creditors other than us and had total liabilities of \$2,924.1 million. Our insurance subsidiaries are subject to limitations under state law on the amount of dividends and other payments they may make to us, which may adversely affect the amount of funds we have available to pay interest and principal on our notes.

***The FNF notes will be structurally subordinated to our notes and FNF may have limited sources of cash flow, which could adversely affect their value.***

Because we are a subsidiary of FNF, any FNF notes not exchanged in the exchange offers will be structurally subordinated to debt and other obligations of our company (including our notes offered hereby) as well as of our subsidiaries. We have issued \$500 million of notes to FNF which have terms that mirror the FNF notes we seek to acquire in the exchange offers. While these mirror notes are intended to provide FNF a source of cash flow from which to fund the debt service on any FNF notes not exchanged in the exchange offers, FNF is not required to use payments it receives from us on the mirror notes to service the FNF notes, and FNF has other cash needs that could consume the cash it receives from the mirror notes.

FNF conducts its operations through its subsidiaries, which include FIS and FNIC in addition to us. However, at present, FIS is highly leveraged and FNIC is a smaller, growing operation and, as a result, it will likely be difficult under current circumstances for either of them to be a significant source of cash to FNF. FIS has recently entered into a merger agreement with Certegy, a public company. The merger would, upon completion, result in FNF owning 50.3% of the combined company.

Although the merger with Certegy would result in the combined company having a lower degree of leverage than FIS alone, the combined company would still have substantial leverage and would have its own needs for cash and accordingly may be unable to provide significant cash flow to FNF. Certegy and FIS currently expect that following the merger the combined company will continue paying quarterly dividends of \$0.05 per share. However, upon completion of the merger, Certegy will become a co-borrower under FIS

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senior credit facilities. These facilities contain covenants limiting the amount of dividends the combined company can pay on its common stock to \$60 million per year, plus certain other amounts, except that dividends on the common stock may not be paid if any event of default under the facilities shall have occurred or be continuing or would result from such payment. Any dividends it does pay would also be paid to the stockholders of the combined company other than FNF. Moreover, there can be no assurance that the merger between FIS and Certegy will be consummated.

***If the exchange offers are not consummated, the debt ratings of the outstanding FNF notes may be downgraded to below investment grade.***

The FNF notes being sought in the exchange offers are currently assigned ratings by each of Standard and Poor's, a division of The McGraw-Hill Companies, Inc. (S&P), Moody's Corporation (Moody's) and Fitch Ratings, Inc. (Fitch). Each series of outstanding FNF notes has been assigned a BBB-rating by each of S&P and Fitch, and a Baa3 rating by Moody's.

On October 14, 2005, Moody's issued a press release announcing that it was leaving its ratings of the outstanding FNF notes on review for possible downgrade based on the uncertainty regarding their ultimate status. The release indicated that, if the exchange offers described in this prospectus and consent solicitation statement were not consummated and the FNF notes continued to represent outstanding debt obligations of FNF, Moody's would likely downgrade the FNF notes to Ba1. The Moody's Ba1 rating is the eleventh highest of the twenty-one ratings that Moody's assigns and indicates that, in the opinion of Moody's, the obligations represented by the securities have speculative elements and are subject to substantial credit risk. The Moody's Ba1 rating is considered below investment grade. Such a downgrade would likely have a negative effect on the value and marketability of your FNF notes. Further, there can be no assurance that Moody's would not downgrade any FNF notes not tendered in the exchange offers even if a majority of the outstanding FNF notes have otherwise been tendered and exchanged and a minority of the FNF notes remain outstanding.

The ratings described above reflect the opinions of the rating agencies on the creditworthiness of FNF with respect to the specific financial obligations represented by the outstanding FNF notes. They are not recommendations to buy, sell or hold such securities, nor are they recommendations to tender or refuse to tender your FNF notes in the exchange offers. The ratings are subject to revision or withdrawal at any time by the assigning rating agencies. Each rating should be evaluated independently of any other rating. For a more detailed description of the debt ratings assigned to the outstanding FNF notes, including the relative standing of each such rating within its assigning agency's overall classification systems, see Business FNF's Long Term Debt Ratings.

***The proposed amendments to the indenture pursuant to which the FNF notes were issued will, if adopted, afford reduced protection to remaining holders of FNF notes.***

If the proposed amendments to the indenture are adopted, the covenants and some other terms of the FNF notes will be less restrictive and will afford reduced protection to holders of those securities compared to the covenants and other provisions currently contained in the indenture, as amended by the officers' certificates that set the terms of each series of outstanding FNF notes. The proposed amendments to the indenture would, among other things:

- eliminate most of the restrictive covenants in the indenture;

- eliminate restrictions on the ability of FNF to consolidate, merge or sell all or substantially all of its assets; and

- eliminate certain events of default of FNF under the indenture.

If the proposed amendments are adopted, each non-exchanging holder of FNF notes will be bound by the proposed amendments even though that holder did not consent to them. The elimination or modification of the covenants and other provisions in the indenture contemplated by the proposed amendments would, among other things, permit FNF to take actions that could increase the credit risk associated with the FNF

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notes, and might adversely affect the liquidity or marketability of the FNF notes or otherwise be adverse to the interests of the holders of the FNF notes. See The Proposed Amendments.

### ***The liquidity of the FNF notes that are not exchanged will be reduced.***

The current trading market for the FNF notes is limited. The trading market for unexchanged FNF notes will become more limited and could for all practical purposes cease to exist due to the reduction in the amount of the FNF notes outstanding upon consummation of the exchange offers. Holders of FNF notes not exchanged may attempt to obtain quotations for their unexchanged FNF notes from their brokers; however, there can be no assurance that any trading market will exist for the unexchanged FNF notes following consummation of the exchange offers. A more limited trading market might adversely affect the liquidity, market price and price volatility of these securities. If a market for unexchanged FNF notes exists or develops, these securities may trade at a discount to the price at which the securities would trade if the amount outstanding were not reduced, depending on prevailing interest rates, the market for similar securities and other factors. However, there can be no assurance that an active market in the unexchanged FNF notes will exist, develop or be maintained or as to the prices at which the unexchanged FNF notes may be traded.

### ***FNF's management has articulated an ongoing strategy to seek growth through acquisitions in lines of business that will not necessarily be limited to its traditional areas of focus. Such acquisitions may affect FNF's credit and ability to repay the FNF notes.***

Following the announcement of the distribution, FNF's management made public statements indicating that following the distribution FNF would seek to operate as a true holding company with the flexibility to make acquisitions in lines of business that are not directly tied to or synergistic with FNF's title, financial processing or specialty insurance lines of business. There can be no guarantee that FNF will not enter into transactions or make acquisitions that will cause it to incur additional debt, increase its exposure to market and other risks and cause its credit or financial strength ratings to decline. At the same time, there can be no assurance that one or more transactions FNF engages in will not improve its creditworthiness. Therefore, by deciding not to exchange, a holder of FNF notes would be subject to the unknown risks or benefits of FNF's new strategic direction.

### ***A public market does not currently exist for our notes offered in the exchange offers, and a market may not develop or be sustained.***

We do not plan to list our notes offered under this prospectus and consent solicitation statement on any national securities exchange or to seek approval for quotation through any automated quotation system. Our notes will represent new securities for which no market currently exists. There can be no assurance that an active trading market for our notes will develop or, if a market develops, that it will be liquid or sustainable.

## **Risks Relating to Our Business**

### ***If adverse changes in the levels of real estate activity occur, our revenues will decline.***

Title insurance revenue is closely related to the level of real estate activity which includes sales and mortgage refinancing. The levels of real estate activity are primarily affected by the average price of real estate sales, the availability of funds to finance purchases and mortgage interest rates. We have found that residential real estate activity generally decreases in the following situations:

when mortgage interest rates are high or increasing;

when the mortgage funding supply is limited; and

when the United States economy is weak.

While prevailing mortgage interest rates have declined to record lows in recent years and both the volume and the average price of residential real estate transactions have experienced record highs, these

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trends may not continue. If either the level of real estate activity or the average price of real estate sales decline it could adversely affect our title insurance revenues.

***Because we are dependent upon California for over twenty-two percent of our title insurance premiums, our business may be adversely affected by regulatory conditions in California.***

California is the largest source of revenue for the title insurance industry and in 2004, California-based premiums accounted for 49.2% of premiums earned by our direct operations and 2.6% of our agency premium revenues. In the aggregate, California accounted for 22.4% of our total title insurance premiums for 2004. A significant part of our revenues and profitability are therefore subject to our operations in California and to the prevailing regulatory conditions in California. Adverse regulatory developments in California, which could include reductions in the maximum rates permitted to be charged, inadequate rate increases or more fundamental changes in the design or implementation of the California title insurance regulatory framework, could have a material adverse effect on our results of operations and financial condition.

***Our subsidiaries engage in insurance-related businesses and must comply with additional regulations. These regulations may impede, or impose burdensome conditions on, our rate increases or other actions that we might seek to increase the revenues of our subsidiaries.***

Our insurance businesses are subject to extensive regulation by state insurance authorities in each state in which we operate. These agencies have broad administrative and supervisory power relating to the following, among other matters:

- licensing requirements;
- trade and marketing practices;
- accounting and financing practices;
- capital and surplus requirements;
- the amount of dividends and other payments made by insurance subsidiaries;
- investment practices;
- rate schedules;
- deposits of securities for the benefit of policyholders;
- establishing reserves; and
- regulation of reinsurance.

Most states also regulate insurance holding companies like us with respect to acquisitions, changes of control and the terms of transactions with our affiliates. State regulations may impede or impose burdensome conditions on our ability to increase or maintain rate levels or on other actions that we may want to take to enhance our operating results. In addition, we may incur significant costs in the course of complying with regulatory requirements. We cannot assure you that future legislative or regulatory changes will not adversely affect our business operations. See Business Regulation.

***Regulatory investigations of the insurance industry may lead to fines, settlements, new regulation or legal uncertainty, which could negatively affect our results of operations.***

We get inquiries and requests for information from state insurance departments, attorneys general and other regulatory agencies from time to time about various matters relating to our business. Sometimes these take the form of civil investigative subpoenas. We attempt to cooperate with all such inquiries. From time to time, we are assessed



finances for violations of regulations or other matters or enter into settlements with such authorities which require us to pay money or take other actions.

In the fall of 2004, the California Department of Insurance began an investigation into reinsurance practices in the title insurance industry and in February 2005 FNF was issued a subpoena to provide information to the California Department of Insurance as part of its investigation. This investigation paralleled similar inquiries of the National Association of Insurance Commissioners, which began earlier in 2004. The

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investigations have focused on arrangements in which title insurers would write title insurance generated by realtors, developers and lenders and cede a portion of the premiums to a reinsurance company affiliate of the entity that generated the business.

We recently negotiated a settlement with the California Department of Insurance with respect to that department's inquiry into these arrangements, which we refer to as captive reinsurance arrangements. Under the terms of the settlement, we will refund approximately \$7.7 million to those consumers whose California property was subject to a captive reinsurance arrangement and we will pay a penalty of \$5.6 million. We also recently entered into similar settlements with 15 other states, in which we agreed to refund a total of approximately \$2 million to policyholders. Other state insurance departments and attorneys general and the U.S. Department of Housing and Urban Development ( HUD ) also have made formal or informal inquiries of us regarding these matters.

We have been cooperating and intend to continue to cooperate with the other ongoing investigations. We have discontinued all captive reinsurance arrangements. The total amount of premiums we ceded to reinsurers was approximately \$10 million over the existence of these agreements. The remaining investigations are continuing and we are currently unable to give any assurance regarding their consequences for the industry or for us.

Additionally, we have received inquiries from regulators about our business involvement with title insurance agencies affiliated with builders, realtors and other traditional sources of title insurance business, some of which we have participated in forming as joint ventures with our company. These inquiries have focused on whether the placement of title insurance with us through these affiliated agencies is proper or an improper form of referral payment. Like most other title insurers, we participate in these affiliated business arrangements in a number of states. We recently entered into a settlement with the Florida Department of Financial Services under which we agreed to refund approximately \$3 million in premiums received through these types of agencies in Florida and pay a fine of \$1 million. The other pending inquiries are at an early stage and as a result we can give no assurance as to their likely outcome.

Finally, since 2004 our subsidiaries have received civil subpoenas and other inquiries from the New York State Attorney General, requesting information about our arrangements with agents and customers and other matters relating to, among other things, rates, calculation practices, use of blended rates in multi-state transactions, rebates and referral fees. These inquiries are at an early stage and as a result we can give no assurance as to their likely outcome.

***State regulation of the rates we charge for title insurance could adversely affect our results of operations.***

Our subsidiaries are subject to extensive rate regulation by the applicable state agencies in the jurisdictions in which we operate. Title insurance rates are regulated differently in the various states in which we operate, with some states requiring our subsidiaries to file rates before such rates become effective and some states promulgating the rates to be charged by our subsidiaries. In almost all states in which we operate, our rates must not be excessive, inadequate or unfairly discriminatory.

The California Department of Insurance has recently announced its intent to examine levels of pricing and competition in the title insurance industry in California, with a view to determining whether prices are too high and if so, implementing rate reductions. New York and Colorado insurance regulators have also announced similar inquiries and other states could follow. At this stage, we are unable to predict what the outcome will be of this or any similar review.

State regulators may use their rate-regulation oversight authority to take steps to cause us to reduce our rates, or block our attempts to increase our rates. Such actions by regulators could adversely affect our operating results.

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***If the rating agencies further downgrade our company our results of operations and competitive position in the industry may suffer.***

Ratings have always been an important factor in establishing the competitive position of insurance companies. Our insurance companies are rated by S&P, Moody's, Fitch, A.M. Best and Demotech, Inc. (Demotech). Ratings reflect the opinion of a rating agency with regard to an insurance company's or insurance holding company's financial strength, operating performance, and ability to meet its obligations to policyholders and are not evaluations directed to investors. In connection with the announcement of the restructuring and distribution, S&P placed our A- financial strength rating on CreditWatch negative, Moody's affirmed our A3 financial strength rating although the rating outlook was changed to negative and Fitch placed our financial strength rating on Rating Watch Negative. In addition, A.M. Best downgraded the financial strength ratings of our principal insurance subsidiaries to A-. After the announcement of the merger between FIS and Certegy, S&P revised its CreditWatch to positive from negative, Moody's changed its rating outlook to stable from negative and Fitch revised its rating watch to stable from negative. Our ratings are likely to continue to be affected in the future by credit events that may occur with respect to FNF and its other operations. Our ratings are subject to continued periodic review by those entities and the continued retention of those ratings cannot be assured. If our ratings are reduced from their current levels by those entities, our results of operations could be adversely affected. The relative position of each of our ratings among the ratings assigned by each rating agency is as follows:

the seventh highest rating of twenty-one ratings for S&P;

the seventh highest rating of twenty-one ratings for Moody's;

the seventh highest rating of twenty-four ratings for Fitch;

the fourth highest rating of fifteen ratings for A.M. Best; and

the first and second highest ratings of five ratings for Demotech.

***We face competition in our title business from traditional title insurers and from new entrants with alternative products.***

The title insurance industry is highly competitive. According to Demotech, the top five title insurance companies accounted for 90.2% of net premiums collected in 2004. Over 40 independent title insurance companies accounted for the remaining 9.8% of the market. The number and size of competing companies varies in the different geographic areas in which we conduct our business. In our principal markets, competitors include other major title underwriters such as The First American Corporation, LandAmerica Financial Group, Inc., Old Republic International Corporation and Stewart Information Services Corporation, as well as numerous smaller title insurance companies and independent agency operations at the regional and local level. These smaller companies may expand into other markets in which we compete. Also, the removal of regulatory barriers might result in new competitors entering the title insurance business, and those new competitors may include companies that have greater financial resources than we do and possess other competitive advantages. Competition among the major title insurance companies, expansion by smaller regional companies and any new entrants with alternative products could affect our business operations and financial condition.

From time to time, we adjust the rates we charge in a particular state as a result of competitive conditions in that state. For example, in response to recent rate reductions by certain of our competitors, we recently filed for an adjustment of our rate structure in California for refinancings. This change could have an adverse impact on our results of operations, although its ultimate impact will depend, among other things, on the volume and mix of our future refinancing business in that state.

***Our historical financial information may not be representative of our results as a consolidated, stand-alone company and may not be a reliable indicator of our future results.***

Our historical financial statements may not be indicative of our future performance as a consolidated, stand-alone company. We were incorporated on May 24, 2005 in anticipation of the distribution of shares of our Class A Common

Stock to FNF stockholders. On September 26, 2005, FNF contributed to us the various

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FNF subsidiaries that conduct our business. Our historical financial statements reflect assets, liabilities, revenues and expenses directly attributable to our operations. Accordingly, they exclude certain of our expenses that have been allocated to other operations of FNF and of FIS, and they reflect an allocation to us of a portion of the compensation of certain senior officers and other personnel of FNF who, following the distribution, are no longer our employees but who have historically provided services to us. These allocations are expected to in general continue under the corporate services agreements we entered into in connection with the distribution. Further, our financial statements reflect transactions with related parties, which were not negotiated on an arms-length basis. Our historical financial statements presented in this prospectus and consent solicitation statement do not reflect the debt or interest expense we might have incurred if we had been a stand-alone entity. In addition, we will incur other expenses, not reflected in our historical financial statements, as a result of being a separate publicly traded company. As a result of these and other factors, our historical financial statements do not necessarily reflect what our financial position and results of operations would have been if we had been operated as a stand-alone public entity during the periods covered, and may not be indicative of future results of operations or financial position.

***We will be controlled by FNF as long as it owns a majority of the voting power of our common stock, which could make it more difficult for us to raise capital.***

As long as FNF continues to hold a majority of the voting power of our outstanding stock, FNF will be able to elect all of our directors and determine the outcome of all corporate actions requiring stockholder approval. FNF currently owns 100% of our Class B Common Stock, representing approximately 82.5% of our outstanding common stock, and 97.9% of all voting power of our outstanding common stock. In order to consolidate the results of our operations for tax purposes and to get favorable tax treatment of dividends paid by us, FNF is generally required to own at least 80% of our outstanding common stock and as a result FNF may be unlikely to decrease its ownership below 80%. The Class B Common Stock entitles FNF to ten votes per share on all matters submitted to stockholders until converted to Class A Common Stock.

While it controls us, FNF will control decisions with respect to:

our business direction and policies, including the election and removal of our directors;

mergers or other business combinations involving us;

the acquisition or disposition of assets by us;

our issuance of stock;

our payment of dividends;

our financing; and

amendments to our certificate of incorporation and bylaws.

We have agreed that, with FNF's consent, we will not issue any shares of our stock if as a result FNF would no longer be able to consolidate our results for tax purposes, receive favorable treatment with respect to dividends paid by us or, if it so desired, distribute the remainder of its FNT stock to its stockholders in a tax-free distribution. These limits will generally enable FNF to continue to own at least 80% of our outstanding common stock. Among other things, this control could make it more difficult for us to raise capital by selling stock or to use our stock as currency in acquisitions.

***We could have conflicts with entities remaining with FNF after the distribution, and the chairman of our board of directors is also both the chief executive officer and chairman of the board of directors of FNF and FIS.***

Conflicts may arise between entities remaining with FNF and us as a result of our ongoing agreements and the nature of our respective businesses. We will seek to manage any potential conflicts through our agreements with FNF and other FNF entities and through oversight by independent members of our board of directors. However, there can

be no assurances that such measures will be effective or that we will be able to resolve all potential conflicts with entities remaining with FNF, and even if we do, the resolution may be less favorable to us than if we were dealing with an unaffiliated third party.

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Some of our executive officers and directors own substantial amounts of FNF and FIS stock and options because of their relationships with FNF and FIS prior to the distribution. Such ownership could create or appear to create potential conflicts of interest involving fiduciary duties when directors and officers are faced with decisions that could have different implications for our company and FNF or FIS.

Mr. Foley is the chairman of our board of directors and will continue to be the chief executive officer and chairman of the board of directors of FNF and chief executive officer and chairman of the board of directors of FIS following the distribution. If the merger between FIS and Certegy is consummated, Mr. Foley will become chairman of the board of Certegy and will relinquish his roles at FIS. As an officer and director of multiple companies, he has obligations to us as well as FNF and FIS and may have conflicts of interest with respect to matters potentially or actually involving or affecting us. Matters that could give rise to conflicts include, among other things:

our past and ongoing relationships with FNF and other entities of FNF, including tax matters, employee benefits, indemnification, and other matters;

the quality and pricing of services that we have agreed to provide to entities remaining with FNF or that those entities have agreed to provide to us; and

sales or distributions by FNF of all or part of its ownership interest in us.

***Provisions of our certificate of incorporation may prevent us from receiving the benefit of certain corporate opportunities.***

Because FNF and FIS may engage in the same activities in which we engage, there is a risk that we may be in direct competition with FNF and FIS over business activities and corporate opportunities. To address these potential conflicts, we have adopted a corporate opportunity policy that has been incorporated into our certificate of incorporation. Among other things, this policy provides that FNF has no duty not to compete with us or to provide us with corporate opportunities of which it becomes aware. The policy also limits the situations in which one of our directors or officers, if also a director or officer of FNF, must offer corporate opportunities to us of which such individual becomes aware. These provisions may limit the corporate opportunities of which we are made aware or which are offered to us. See Certain Relationships and Related Transactions Provisions of our Certificate of Incorporation Relating to Corporate Opportunities. Moreover, our ability to take advantage of certain corporate opportunities may be limited by FNF's voting control over us.

**THE EXCHANGE OFFERS**

Subject to the terms and conditions in this prospectus and consent solicitation statement, FNT offers to exchange (i) any and all of the outstanding 7.30% notes due 2011 of FNF for its newly issued 7.30% notes due 2011 and (ii) any and all of the outstanding 5.25% notes due 2013 of FNF for its newly issued 5.25% notes due 2013.

The expiration of each of the exchange offers is 5:00 p.m., New York City time, on November 15, 2005, unless we extend it. We may extend the expiration date of both offers together or each offer individually by giving oral or written notice of such extension by means of a press release or other public announcement no later than 9:00 a.m., New York City time, on the next business day after the previously scheduled expiration date. During any such extension, all outstanding FNF notes previously tendered will remain subject to the applicable exchange offer and we may accept them for exchange. Holders who have tendered their FNF notes will not, however, be able to withdraw their tendered notes or revoke their consent with respect thereto after the initial expiration time, even if we extend the exchange offers. Any outstanding notes that we do not accept for exchange for any reason will be returned to you without cost as promptly as practicable after the expiration or termination of the applicable exchange offer.

None of FNT, FNF, the exchange and information agent, the trustee under the FNF indenture, the trustee under the FNT indenture or the dealer manager makes any recommendation as to whether or not holders of FNF notes should exchange their securities in the exchange offers and consent to the proposed amendments to the FNF indenture.

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### **Terms of the Exchange Offers**

We expressly reserve the right to amend or terminate either or both exchange offers. We also reserve the right to refuse to exchange any outstanding notes tendered, and to decide not to consummate either or both exchange offers if any of the conditions to the exchange offers are not met. The conditions to the exchange offers are described more fully under Conditions to the Exchange Offers.

We are offering to holders of the FNF notes of the series listed on the cover of this prospectus and consent solicitation statement the opportunity to exchange their FNF notes for our new notes in an aggregate principal amount equal to the aggregate principal amount of the FNF notes validly tendered and not validly withdrawn. Our new notes will have the same interest rates, redemption terms and payment and maturity dates as the FNF notes for which they are exchanged. Interest on our new notes will be deemed to accrue from the last date for which interest was paid on the FNF notes for which they are exchanged. At the time of the exchange, you will not receive a payment for accrued interest on the FNF notes you exchange.

Holders of FNF notes must tender the FNF notes in integral multiples of \$1,000. New notes will be issued in minimum denominations of \$1,000 and integral multiples of \$1,000 in excess thereof.

### **The Consent Solicitations**

Concurrently with making the exchange offers, we are soliciting consents from the holders of the outstanding FNF notes to amend the indenture pursuant to which the FNF notes were issued to remove many of the covenants, restrictive provisions and events of default of FNF. The proposed amendments are described in more detail under The Proposed Amendments. The consent of the holders of a majority of the aggregate principal amount of each series of FNF notes outstanding will be required in order to effectuate the amendments to the indenture with respect to that series. If the amendments are approved and effected with respect to a series, they will be binding on all holders of FNF notes of that series, including those who do not give their consent to the amendment and do not tender their FNF notes in these exchange offers. If for any reason the exchange offer with respect to a series of FNF notes is not completed, the amendments to the indenture will not become effective with respect to that series and that series of FNF notes will be subject to the same terms and conditions as existed before the exchange offers were made.

If you tender your FNF notes in the exchange offers you will be deemed to consent to the amendments to the indenture and if you give consent to amend the indenture you must tender your FNF notes. Tendered FNF notes may be withdrawn and consents revoked before the initial expiration time, but FNF notes may not be withdrawn and consents may not be revoked at or after the initial expiration time, even if we otherwise extend the exchange offers beyond the initial expiration time. Consents given in connection with the tender of any FNF notes cannot be revoked without withdrawing the FNF notes, and FNF notes cannot be withdrawn without also revoking the consent related to those notes.

### **Conditions to the Exchange Offers and Consent Solicitations**

Our obligations in each exchange offer are subject to the condition that we receive sufficient consents to amend the indenture pursuant to which the FNF notes were issued to eliminate most of the covenants, restrictive provisions and events of default of FNF thereunder with respect to each series of FNF notes. The indenture cannot be amended with respect to a series of FNF notes without the consent of the holders of the notes representing a majority of the outstanding aggregate principal amount of that series.

Our obligations in each exchange offer are also subject to the conditions that the exchange offers do not violate applicable law or any applicable interpretation of the staff of the Securities and Exchange Commission and that the following statements are true as of the commencement of the exchange offers and remain true until the consummation of the exchanges:

- 1) In our reasonable judgment, no action or event has occurred or been threatened (including a default under an agreement, indenture or other instrument or obligation to which we or one of our affiliates is a party or by which it is bound), no action is pending, no action has been taken, and no statute, rule, regulation, judgment, order, stay, decree or injunction has been promulgated, enacted, entered,



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enforced or deemed applicable to the exchange offers, the exchange of FNF notes under the exchange offers, the consent solicitations or the proposed amendments, by or before any court or governmental, regulatory or administrative agency, authority or tribunal, which either: challenges the exchange offers, the exchange of FNF notes under the exchange offers, the consent solicitations or the proposed amendments or might, directly or indirectly, prohibit, prevent, restrict or delay consummation of, or might otherwise adversely affect in any material manner, the exchange offers, the exchange of FNF notes under the exchange offers, the consent solicitations or the proposed amendments, or in our reasonable judgment could materially affect our or our subsidiaries' business, condition (financial or otherwise), income, operations, properties, assets, liabilities or prospects, taken as a whole, or materially impair the contemplated benefits to us or FNF of the exchange offers, the exchange of FNF notes under the exchange offers, the consent solicitations or the proposed amendments, or might be material to holders of FNF notes in deciding whether to accept the exchange offers and give their consents;

2) None of the following has occurred:

any general suspension of or limitation on trading in securities on any United States or European national securities exchange or in the over-the-counter market (whether or not mandatory);

any material adverse change in the market values of the FNF notes;

a material impairment in the general trading market for debt securities;

a declaration of a banking moratorium or any suspension of payments in respect of banks by federal or state authorities in the United States (whether or not mandatory);

a commencement or escalation of a war, armed hostilities, terrorist act or other national or international crisis directly or indirectly relating to the United States, any limitation (whether or not mandatory) by any governmental authority on, or other event having a reasonable likelihood of affecting, the extension of credit by banks or other lending institutions in the United States, or any material adverse change in United States securities or financial markets generally; or

in the case of any of the foregoing existing at the time of the commencement of the exchange offers, a material acceleration or worsening thereof; and

3) The trustee of the FNF notes (as described in the FNF indenture) has executed and delivered a supplemental indenture relating to the proposed amendments and has not objected in any respect to, or taken any action that could in our reasonable judgment adversely affect, the consummation of any of the exchange offers, the exchange of FNF notes under the exchange offers, the consent solicitations or our ability to effect the proposed amendments, nor has the trustee of the FNF notes taken any action that challenges the validity or effectiveness of the procedures used to solicit consents (including the form thereof) or in making the exchange offers, the exchange of the FNF notes under the exchange offers or the consent solicitations.

Finally, our obligation to consummate each exchange is conditioned on our concurrent completion of the other exchange.

All of these conditions are for our sole benefit and may be waived, in whole or in part and with respect to the exchange offers for either or both series of FNF notes, in our sole discretion. Any determination we make concerning these events, developments or circumstances will be conclusive and binding. If any of these conditions are not satisfied with respect to a particular series of FNF notes, at any time before or concurrently with the consummation of the exchange offer or consent solicitation with respect to that series, we may:

- a) terminate the exchange offer and the consent solicitation with respect to that series of FNF notes and return all tendered FNF notes of that series to the holders thereof (whether or not we terminate the exchange offer and consent solicitations with respect to the other series of FNF notes);

- b) modify, extend or otherwise amend the exchange offer and consent solicitation with respect to that series of FNF notes (whether or not we modify, extend or otherwise amend the exchange offer and consent solicitation with respect to the other series of FNF notes) and retain all tendered FNF notes

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of that series and consents until the expiration date, as extended, of such exchange offer and consent solicitation, subject, however, to the withdrawal rights of holders (See Withdrawal of Tenders and Revocation of Corresponding Consents ); or

- c) waive the unsatisfied conditions with respect to such exchange offer and consent solicitation and accept all FNF notes of that series tendered and not previously withdrawn (whether or not we waive these conditions for the exchange offer and consent solicitation with respect to the other series of FNF notes).

We have agreed that we will not amend the terms of the consent solicitation nor waive that condition without the consent of FNF. If our waiver of any of the conditions would constitute a material change in either or both exchange offers, we will disclose that change through a supplement to this prospectus and consent solicitation statement that will be distributed to each registered holder of outstanding FNF notes. In addition, we will extend the applicable exchange offer for a period of five to ten business days, depending upon the significance of the waiver and the manner of disclosure to the registered holders of the outstanding FNF notes, if the exchange offer would otherwise expire during such period.

**Procedures for Tendering FNF Notes and Delivering Consents**

If you hold FNF notes of either series and wish to have those notes exchanged for FNT notes of the corresponding series, you must validly tender or cause the valid tender of your FNF notes using the procedures described in this prospectus and consent solicitation statement and in the accompanying Letter of Transmittal and Consent. The proper tender of FNF notes will constitute an automatic consent to the proposed amendments to the FNF indenture, as described in this prospectus and consent solicitation statement under The Proposed Amendments.

The procedures by which you may tender or cause to be tendered FNF notes will depend upon the manner in which you hold the FNF notes, as described below.

***Tender of FNF Notes held through a Nominee***

If you are a beneficial owner of FNF notes that are held of record by a custodian bank, depository, broker, trust company or other nominee, and you wish to tender FNF notes in either of the exchange offers, you should contact the record holder promptly and instruct the record holder to tender the FNF notes and deliver a consent on your behalf using one of the procedures described below.

***Tender of FNF Notes with DTC and Book-Entry Transfer***

Pursuant to authority granted by The Depository Trust Company ( DTC ), if you are a DTC participant that has FNF notes credited to your DTC account and thereby held of record by DTC s nominee, you may directly tender your FNF notes and deliver a consent as if you were the record holder. Accordingly, references herein to record holders include DTC participants with FNF notes credited to their accounts. Within two business days after the date of this prospectus and consent solicitation statement, the exchange agent will establish accounts with respect to the FNF notes at DTC for purposes of the exchange offers. Any DTC participant may tender FNF notes and deliver a consent to the proposed amendments to the FNF indenture by effecting a book-entry transfer of the FNF notes to be tendered in the exchange offers into the account of the exchange agent at DTC and either, before the applicable exchange offer expires:

electronically transmitting its acceptance of the exchange offer through DTC s Automated Tender Offer Program ( ATOP ) procedures for transfer or

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completing and signing the Letter of Transmittal and Consent according to the instructions and delivering it, together with any signature guarantees and other required documents, to the exchange agent at its address on the back cover page of this prospectus and consent solicitation statement.

If ATOP procedures are followed, DTC will verify each acceptance transmitted to it, execute a book-entry delivery to the exchange agent's account at DTC and send an agent's message to the exchange agent. An agent's message is a message, transmitted by DTC to and received by the exchange agent and forming part of a book-entry confirmation, which states that DTC has received an express acknowledgement from a DTC participant tendering FNF notes that the participant has received and agrees to be bound by the terms of the Letter of Transmittal and Consent and that FNT and FNF may enforce the agreement against the participant. DTC participants following this procedure should allow sufficient time for completion of the ATOP procedures prior to the expiration date of the exchange offers.

The Letter of Transmittal and Consent (or facsimile thereof), with any required signature guarantees, or (in the case of book-entry transfer) an agent's message in lieu of the Letter of Transmittal and Consent, and any other required documents, must be transmitted to and received by the applicable exchange agent prior to the expiration date of the applicable exchange offer at its address set forth on the back cover page of this prospectus and consent solicitation statement. Delivery of such documents to DTC does not constitute delivery to the exchange agent.

### **Proper Execution and Delivery of the Letter of Transmittal and Consent**

If you wish to participate in either or both exchange offers and consent solicitations, delivery of your FNF notes and other required documents are your responsibility. Delivery is not complete until the required items are actually received by the exchange agent. If you mail these items, we recommend that you use registered mail properly insured with return receipt requested, and mail the required items sufficiently in advance of the expiration date with respect to the applicable exchange offer to allow sufficient time to ensure timely delivery.

Signatures on the Letter of Transmittal and Consent must be guaranteed by a firm that is a participant in the Security Transfer Agents Medallion Program or the Stock Exchange Medallion Program (generally a member of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc. or a commercial bank or trust company having an office in the United States) (an Eligible Institution), unless (i) the Letter of Transmittal and Consent is signed by the holder of the FNF notes tendered therewith and the FNT notes or any FNF notes not tendered or not accepted for exchange are to be issued directly to such holder and the Special Delivery Instructions box on the Letter of Transmittal and Consent has not been completed or (ii) such FNF notes are tendered for the account of an Eligible Institution.

If tendered notes are registered to a person who did not sign the Letter of Transmittal and Consent, they must be endorsed by, or be accompanied by a written instrument of transfer duly executed by, the registered holder with the signature guaranteed by an Eligible Institution and appropriate powers of attorney, signed exactly as the name of the registered holder appears on the outstanding notes. All questions of adequacy of the form of the writing will be determined by us in our sole discretion.

If the Letter of Transmittal and Consent or any outstanding notes or powers of attorney are signed by trustees, executors, administrators, guardians, attorneys-in-fact, officers of corporations or others acting in a fiduciary or representative capacity, such persons should so indicate when signing, and unless waived by us, submit evidence satisfactory to us of their authority to so act with the Letter of Transmittal and Consent.

### **Acceptance of Outstanding Notes for Exchange; Delivery of New Notes**

Upon satisfaction or waiver of the conditions to the exchange offer for a particular series, we will promptly issue our notes in exchange for all outstanding FNF notes of such series properly tendered. We will be deemed to have accepted properly tendered notes for exchange if or when we give oral or written notice of acceptance to the exchange agent, with written confirmation of any oral notice to follow promptly.

If any tendered notes are not accepted for any reason or if outstanding notes are submitted for a greater principal amount than the holder desired to exchange, the unaccepted or non-exchanged portion of FNF notes

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will be returned without expense to the tendering holder (or, in the case of FNF notes tendered by book-entry transfer into the exchange agent's account at the book-entry transfer facility pursuant to the book-entry procedures described above, the unaccepted, non-exchanged or unsold FNF notes will be credited to an account maintained with such book-entry transfer facility) as promptly as practicable after the expiration or termination of the applicable exchange offer.

### **Withdrawal of Tenders and Revocation of Corresponding Consents**

Tenders of FNF notes in connection with any of the exchange offers may be withdrawn at any time prior to the initial expiration time. Tenders of FNF notes may not be withdrawn at any time after the initial expiration time, even if we otherwise extend the exchange offers. The valid withdrawal of tendered FNF notes prior to the initial expiration time will be deemed to be a concurrent revocation of the consent to the proposed amendments to the FNF indenture. You may only revoke a consent by validly withdrawing the related FNF notes prior to the initial expiration time. Tenders of notes made after the initial expiration time may not be withdrawn. Beneficial owners desiring to withdraw FNF notes previously tendered should contact the DTC participant through which they hold their FNF notes. In order to withdraw FNF notes previously tendered, a DTC participant may, prior to the expiration of the applicable exchange offer with respect to those notes, withdraw its instruction previously transmitted through ATOP by delivering to the exchange agent by mail, hand delivery or facsimile transmission, notice of withdrawal of such instruction.

Any such notice of withdrawal must:

- (i) specify the name of the depositor having tendered the outstanding note to be withdrawn;
- (ii) include a statement that the depositor is withdrawing its election to have the outstanding note exchanged, and identify the outstanding note to be withdrawn (including the principal amount of the outstanding note);
- (iii) specify the name in which such outstanding note is registered, if different from that of the withdrawing holder; and
- (iv) state that the consent to amend the indenture under which the note was issued is revoked.

We will determine all questions as to the validity, form and eligibility (including time of receipt) for such withdrawal notices. Our determination will be final and binding on all parties. Any outstanding notes so withdrawn will be considered not to have been validly tendered for purposes of the exchange offers and no new notes will be issued with respect thereto. Properly withdrawn FNF notes, however, may be re-tendered by following the procedures described above at any time prior to the expiration of the applicable exchange offer.

### **Miscellaneous**

All questions as to the validity, form, eligibility (including time of receipt) and acceptance for exchange of any tender of FNF notes in connection with the exchange offers will be determined by us, in our sole discretion, and our determination will be final and binding. We reserve the absolute right to reject any or all tenders not in proper form or the acceptance for exchange of which may, in the opinion of our counsel, be unlawful.

We also reserve the absolute right to waive any defect or irregularity in the tender of any FNF notes in either exchange offer, and our interpretation of the terms and conditions of each exchange offer (including the instructions in the Letter of Transmittal and Consent) will be final and binding on all parties. None of FNT, FNF, the exchange and information agent, the dealer manager or any other person will be under any duty to give notification of any defects or irregularities in tenders or incur any liability for failure to give any such notification. Tenders of FNF notes involving any irregularities will not be deemed to have been made until those irregularities have been cured or waived. FNF notes received by the exchange agent in connection with any exchange offer that are not validly tendered and as to which the irregularities have not been cured or waived will be returned by the exchange agent to the DTC participant who delivered those FNF notes by crediting an account maintained at DTC designated by that DTC participant as promptly as practicable after the expiration date of the applicable exchange offer or the withdrawal or termination of the applicable exchange offer.

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### **Exchange Agent**

D.F. King & Co., Inc. has been appointed the exchange agent for the exchange offers and consent solicitations. Letters of Transmittal and Consents and all correspondence in connection with the exchange offers should be sent or delivered by each holder of FNF notes, or a beneficial owner's custodian bank, depository, broker, trust company or other nominee, to the exchange agent at the address and telephone numbers set forth on the back cover page of this prospectus and consent solicitation statement. FNT will pay the exchange agent reasonable and customary fees for its services and will reimburse it for its reasonable, out-of-pocket expenses in connection therewith.

### **Information Agent**

D.F. King & Co., Inc. has been appointed the information agent for the exchange offers and consent solicitations, and will receive customary compensation for its services. Questions concerning tender procedures and requests for additional copies of this prospectus and consent solicitation statement or the Letter of Transmittal and Consent should be directed to the information agent at the address and telephone numbers set forth on the back cover page of this prospectus and consent solicitation statement. Holders of FNF notes may also contact their custodian bank, depository, broker, trust company or other nominee for assistance concerning the exchange offers.

### **Dealer Manager**

FNT has retained Lehman Brothers Inc. to act as dealer manager in connection with the exchange offers and consent solicitations and will pay to the dealer manager for soliciting tenders in the exchange offers a fixed fee in a customary amount conditioned upon satisfaction of the consent condition and completion of the exchange offers. FNT will also reimburse the dealer manager for certain expenses. The obligations of the dealer manager to perform this function are subject to certain conditions.

FNT has agreed to indemnify the dealer manager against certain liabilities, including liabilities under the federal securities laws. Questions regarding the terms of the exchange offers or the consent solicitations may be directed to the dealer manager at the address and telephone numbers set forth on the back cover page of this prospectus and consent solicitation statement. From time to time, the dealer manager has provided and may in the future provide investment banking, commercial banking and other services for FNT and FNF. The dealer manager, in the ordinary course of its business, may make markets in our securities and those of FNF, including the FNT notes and the FNF notes. As a result, from time to time, the dealer manager may own certain of our securities or those of FNF, including the FNT notes and the FNF notes.

### **Other Fees and Expenses**

We will pay the expenses of soliciting tenders of the FNF notes. The principal solicitation is being made by mail; however, additional solicitations may be made by facsimile transmission, telephone or in person by the dealer manager and the information agent, as well as by our officers and other employees and those of our affiliates.

Tendering holders of FNF notes will not be required to pay any fee or commission to the dealer manager. However, if a tendering holder handles the transaction through its broker, dealer, commercial bank, trust company or other institution, that holder may be required to pay brokerage fees or commissions.

### **Effect of Tender**

Any tender by a holder of FNF notes that is not withdrawn prior to the expiration of the applicable exchange offer will constitute a binding agreement between the holder and us, upon the terms and subject to the conditions of the exchange offers. The acceptance of an exchange offer by a tendering holder of FNF notes will constitute the agreement by that holder to deliver good and marketable title to the tendered FNF notes, free and clear of all liens, charges, claims, encumbrances, interests and restrictions of any kind. The

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successful completion of either or both exchange offers may adversely affect the liquidity and market price of any remaining FNF notes not tendered in the exchange.

### **Absence of Dissenters' Rights**

Holders of the FNF notes do not have any appraisal or dissenters' rights in connection with the exchange offers and consent solicitations under New York law or the law of any other state or under the terms of the FNF notes or the FNF indenture.

### **Accounting Treatment for Exchange Offers**

We will account for the exchange offers as an exchange of debt under United States generally accepted accounting principles. The notes to be issued in the exchange offers will be recorded at the same carrying value as the FNF notes for which they will be exchanged. Accordingly, we will recognize no gain or loss for accounting purposes upon the consummation of the exchange offers. We will amortize a portion of the expenses of the exchange offers over the term of the notes issued in the exchange offers. After consummation of the exchange offers, we intend to deliver to FNF all FNF notes obtained in the exchange offers in redemption of an aggregate principal amount of the corresponding mirror notes. As such, the consummation of the exchange offers will have no effect on the outstanding principal amount of our debt.

## **THE PROPOSED AMENDMENTS**

We are soliciting the consent of the holders of the FNF notes to (1) eliminate most of the covenants, (2) eliminate the restrictions on FNF's ability to consolidate, merge or sell all or substantially all of its assets and (3) eliminate certain events of default under the FNF indenture, as amended by the officers' certificates that set the terms of each series of outstanding FNF notes. The descriptions of the amendments to the FNF indenture set forth below do not purport to be complete and are qualified in their entirety by reference to the full and complete terms contained in the indenture, the officers' certificates that set the terms of each series of outstanding FNF notes at the times of their issuance and the form of supplemental indenture, which are available from the information agent upon request and have also been filed as exhibits to the registration statement of which this prospectus and consent solicitation statement forms a part. See [Where You Can Find More Information](#) for information as to how you can obtain a copy of the indenture and supplemental indenture from the Securities and Exchange Commission.

Holders who tender their FNF notes in exchange for our notes are obligated to consent to the proposed amendments. Holders who do not consent to the proposed amendments will nonetheless be subject to the amended FNF indenture if enough consents are received and the indenture is accordingly amended. Holders of FNF notes should therefore consider the effect the proposed amendments will have on their positions if they do not tender their notes in the exchange offers.

The proposed amendments to the FNF indenture will be effected with respect to either or both series of FNF notes by the execution of a supplemental indenture that is expected to be executed promptly after the consummation of either or both of the exchange offers, as applicable, if the requisite number of consents have been obtained with respect to each series.

The proposed amendments would delete in their entirety the following covenants from the FNF indenture:

Sections 7.1 ( [Consolidation, Merger or Sale of Assets Permitted](#) ) and 7.2 ( [Successor Person Substituted for Company](#) ), which limit FNF's ability to enter into a merger, consolidation or asset sale;

Section 9.4 ( [Corporate Existence](#) ) where FNF covenants to preserve its corporate existence and its rights and franchises;

Section 9.5 ( [Insurance](#) ) where FNF covenants to maintain and cause its subsidiaries to maintain insurance covering risks associated with its businesses;

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Section 9.8 ( Limitation on Liens ), as amended by the officers certificate dated March 11, 2003 with respect to the 5.25% FNF notes due 2013 and by the officers certificate dated August 20, 2001 with respect to the 7.30% FNF notes due 2011, which limits FNF's ability to incur debt or other obligations;

Section 9.9 ( Books of Record and Account; Compliance with Law ) where FNF covenants to keep and cause its subsidiaries to keep books of record and account and comply with laws related to its businesses; and

Section 9.10 ( Taxes ) where FNF covenants to pay and cause its subsidiaries to pay applicable taxes and governmental charges.

We are also requesting a waiver with respect to any default, event of default or other consequence under the FNF indenture of failing to comply with the terms of the covenants identified above (whether before or after the date of the supplemental indenture) and to delete clauses (4), (5), (6) and (7) from the definition of Event of Default in Section 5.1 of the FNF indenture (in the case of clause (4), as amended by the officers certificate dated March 11, 2003 with respect to the 5.25% FNF notes due 2013 and by the officers certificate dated August 20, 2001 with respect to the 7.30% FNF notes due 2011). These clauses provide, respectively, that each of the following constitutes an event of default :

a default under any debt of FNF or under any instrument under which such debt may be issued or secured, which results in such debt in an aggregate principal amount in excess of \$20 million becoming due and payable prior to the date it otherwise would have, and such acceleration not having been cured or rescinded or such debt not having been paid within 10 days after notice to FNF as specified in the indenture; and

a commencement by FNF of a voluntary case or proceeding under applicable bankruptcy law, its consent to the entry of an order for relief against it in an involuntary case or proceeding or to the commencement of any bankruptcy or insolvency case or proceeding against it, its consent to the appointment of a custodian of it or for all or substantially all of its property or its making a general assignment for the benefit of its creditors;

an order or decree under any bankruptcy law that remains in effect for 60 days and that is for relief against FNF in an involuntary case, appoints a custodian of FNF or for all or substantially all of its property, orders the winding up or liquidation of FNF, adjudges FNF a bankrupt or insolvent or approves as properly filed a petition seeking reorganization of FNF; and

any event of default specified in the notes of each series issued pursuant to the indenture.

As noted above, in connection with the issuance of each series of FNF notes, Sections 5.1(4) and 9.8 of the FNF indenture were amended by replacing them in their entirety with provisions set forth in the officers certificates that established the terms of the FNF notes of each series. The original provisions of those sections of the FNF indenture will not become effective as a result of the deletion of the amended provisions. Instead, the supplemental indenture will provide that, as amended, each of those sections of the FNF indenture will read Intentionally omitted.

In conjunction with the amendments identified above, we are proposing to delete the following defined terms from the FNF indenture, which are used only in the provisions being deleted by the supplemental indenture or in provisions previously deleted by the officers certificates referred to above: Bankruptcy Law, Consolidated Net Tangible Assets, Excluded Debt, Restricted Subsidiary and Secured Debt.

These amendments to the FNF indenture will modify the rights of holders of the FNF notes and will override any conflicting provisions set forth in the FNF notes themselves. Notwithstanding anything to the contrary set forth in the FNF notes, following the effectiveness of the supplemental indenture, the only Events of Default with respect to the FNF notes will be those set forth in clauses (1), (2) and (3) of the FNF indenture.



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**FORWARD-LOOKING STATEMENTS**

Some of the statements under Prospectus Summary, Risk Factors, Management's Discussion and Analysis of Financial Condition and Results of Operations, Business and elsewhere in this prospectus and consent solicitation statement include forward-looking statements which reflect our current views with respect to future events and financial performance. These statements include forward-looking statements both with respect to us specifically and the businesses in which we are engaged generally. Statements that include the words expect, intend, plan, believe, project, anticipate, will and similar statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in these statements. These factors include:

- adverse changes in real estate activity;
- regulatory conditions in California;
- regulation by state insurance authorities;
- regulatory investigations involving title insurance;
- rate regulation by state authorities;
- downgrades by our rating agencies;
- dependence upon our subsidiaries for dividend payments;
- competition from traditional title insurers and new entrants; and
- other factors described under Risk Factors.

We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise.

**USE OF PROCEEDS**

Because this is not an offering for cash, there will be no cash proceeds to FNT from the exchange offers. We intend to deliver any FNF notes we receive in the exchange offers to FNF in redemption of an equal principal amount of the corresponding mirror notes previously issued by us to FNF.

**Table of Contents****CAPITALIZATION OF FNT**

The following table describes our cash and cash equivalents and capitalization as of June 30, 2005 on an actual basis, and on an as-adjusted basis to give effect to the distribution in connection with the restructuring of FNF's title insurance business, the debt we incurred in connection with the distribution and will incur pursuant to the exchange offers, the payment of dividends by two of our subsidiaries to FNF after June 30, 2005 and expenses in connection with the distribution. The information presented below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and our combined financial statements and the related notes included elsewhere in this prospectus and consent solicitation statement.

	<b>As of June 30, 2005</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(In thousands)</b>	
Cash and cash equivalents	\$ 614,555	\$ 469,555
Total long-term debt	\$ 7,802	657,802
<b>Stockholders' equity</b>		
Common stock, \$0.0001 par value		17
Additional paid-in capital		2,301,600
Investment by FNF	3,096,617	
Accumulated other comprehensive loss	(52,002)	(52,002)
Total	3,044,615	2,249,615
<b>Total capitalization</b>	<b>\$ 3,052,417</b>	<b>\$ 2,907,417</b>

The actual and as-adjusted information set forth in the table:

excludes shares of common stock granted as restricted stock under our omnibus incentive plan as of the completion of the distribution;

excludes options to purchase shares of common stock granted under our omnibus incentive plan as of the completion of the distribution; the total number of such restricted shares and options granted in connection with the distribution was 2,984,000 shares, of which 485,000 shares of restricted stock were granted to our top five most highly paid executive officers and our directors; and

excludes shares of common stock available for future issuance under our omnibus incentive plan. For a description of this plan and of the foregoing grants, see Management Omnibus Incentive Plan.

The as adjusted information set forth in the table includes:

the payment of a dividend of \$145 million in July 2005 to FNF by one of our insurance subsidiaries;

\$150 million of borrowings under our new \$400 million credit facility to repay a \$150 million principal amount promissory note dividdened in August 2005 to FNF by one of our insurance subsidiaries; and

\$500 million aggregate principal amount of debt incurred through the issuance of notes pursuant to the exchange offers. If either or both exchange offers are not consummated in whole, we would have an equivalent amount of

debt as a result of our issuance of \$500 million principal amount of the mirror notes to FNF. The mirror notes have terms that mirror those of the FNF notes.

See Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources.

**Table of Contents****SELECTED HISTORICAL FINANCIAL INFORMATION****Selected Historical Financial Information for FNT**

The following table sets forth our selected historical financial information. The selected historical financial information as of December 31, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2004 has been derived from our combined financial statements and related notes, which have been audited by KPMG LLP, an independent registered public accounting firm. The audited combined financial statements as of December 31, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2004 are included elsewhere in this prospectus and consent solicitation statement. The selected historical financial information as of June 30, 2004 and December 31, 2002 and as of and for the years ended December 31, 2001 and 2000 has been derived from our unaudited combined financial statements not appearing herein. The selected historical financial information as of June 30, 2005 and for the six months ended June 30, 2005 and 2004 has been derived from our unaudited condensed combined financial statements, which are included elsewhere in this prospectus and consent solicitation statement. You should read this financial information in conjunction with the audited and unaudited combined financial statements included elsewhere in this prospectus and consent solicitation statement and the information under Management's Discussion and Analysis of Financial Condition and Results of Operations. Our selected historical financial information has been prepared from the historical results of the operations transferred to us and gives effect to allocations of certain corporate expenses to and from FNF. Our selected historical financial information may not be indicative of our future performance and does not necessarily reflect what our financial position and results of operations would have been had we operated as a stand-alone entity during the periods presented. Our results of interim periods are not necessarily indicative of results for the entire year.

	<b>Six Months Ended June 30,</b>		<b>Year Ended December 31,</b>				
	<b>2005(2)</b>	<b>2004(2)</b>	<b>2004(2)</b>	<b>2003(2)</b>	<b>2002</b>	<b>2001(1)(3)</b>	<b>2000(1)</b>
<b>(In thousands, except per share data)</b>							
<b>Statement of Earnings Data</b>							
Direct title insurance premium	\$ 1,017,396	\$ 987,019	\$ 2,003,447	\$ 2,105,317	\$ 1,557,769	\$ 1,252,656	\$ 786,588
Agency title insurance premiums	1,304,200	1,348,430	2,714,770	2,595,433	1,989,958	1,441,416	1,159,205
Total title premiums	2,321,596	2,335,449	4,718,217	4,700,750	3,547,727	2,694,072	1,945,793
Escrow and other title related fees	543,465	514,019	1,039,835	1,058,729	790,787	656,739	496,435
Total title and escrow	2,865,061	2,849,468	5,758,052	5,759,479	4,338,514	3,350,811	2,442,228
Interest and investment income	45,430	28,163	64,885	56,708	72,305	88,232	80,407
Realized gains and losses, net	21,922	17,044	22,948	101,839	584	946	4,605

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Other income	20,020	21,573	43,528	52,689	55,927	50,476	27,434
Total revenue	2,952,433	2,916,248	5,889,413	5,970,715	4,467,330	3,490,465	2,554,674
Personnel costs	904,603	838,063	1,680,805	1,692,895	1,260,070	1,036,236	765,319
Other operating expenses	451,093	422,113	849,554	817,597	633,193	558,263	457,476
Agent commissions	1,005,121	1,046,601	2,117,122	2,035,810	1,567,112	1,131,892	906,043
Depreciation and amortization	49,389	44,193	95,718	79,077	53,042	100,225	88,033
Provision for claim losses	150,677	125,010	259,402	248,834	175,963	134,527	97,161
Interest expense(4)	724	2,256	3,885	4,582	8,586	15,695	15,460
Total expenses	2,561,607	2,478,236	5,006,486	4,878,795	3,697,966	2,976,838	2,329,492
Earnings before income taxes and minority interest	390,826	438,012	882,927	1,091,920	769,364	513,627	225,182
Income tax expense(4)	146,637	160,312	323,598	407,736	276,970	205,965	97,053
Earnings before minority interest	244,189	277,700	559,329	684,184	492,394	307,662	128,129
Minority interest	1,292	455	1,165	859	624		
Cumulative effect of accounting change						5,709	
Net earnings(4)	\$ 242,897	\$ 277,245	\$ 558,164	\$ 683,325	\$ 491,770	\$ 301,953	\$ 128,129
Per share amounts:							
Unaudited proforma net earnings per share basic and diluted	\$ 1.40		\$ 3.22				
Unaudited proforma weighted average shares outstanding basic and diluted(5)	172,951		172,951				



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- (1) Effective January 1, 2002, we adopted SFAS No. 142 *Goodwill and Other Intangible Assets* and as a result, have ceased to amortize goodwill. Goodwill amortization in 2001 and 2000 was \$33.2 million and \$47.5 million, respectively.
- (2) Effective January 1, 2003, we adopted the fair value recognition provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, using the prospective method of adoption in accordance with SFAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure*, and as a result recorded stock compensation expense of \$3.4 million and \$3.0 million for the years ended December 31, 2004 and 2003, respectively, and \$5.4 million and \$2.1 million for the six months ended June 30, 2005 and 2004, respectively.
- (3) During 2001, we recorded a \$5.7 million, after-tax charge, reflected as a cumulative effect of a change in accounting principle, as a result of adopting Emerging Issues Task Force No. 99-20, *Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets*, (EITF 99-20).
- (4) Assuming that (i) the issuance of \$500 million principal amount of FNT notes in the exchange offers and the delivery of the FNF notes received to FNF in full redemption of the mirror notes and (ii) the dividend in August 2005 of a \$150 million principal amount promissory note to FNF by one of our insurance subsidiaries, had each occurred as of January 1, 2004, our pro forma interest expense, income tax expense and net earnings for the year ended December 31, 2004 would have been \$38,576, \$310,879 and \$536,192, respectively, and for the six months ended June 30, 2005 would have been \$19,017, \$139,773 and \$231,467, respectively. The foregoing does not give effect to our refinancing of the \$150 million principal amount intercompany note with proceeds of a borrowing under our new credit facility. See *Capitalization of FNT* for information with respect to our pro forma balance sheet as of June 30, 2005 giving effect to the foregoing items.
- (5) Unaudited proforma net earnings per share is calculated using the number of outstanding shares of FNF as of June 30, 2005 because upon completion of the distribution the number of our outstanding shares of common stock was equal to the number of FNF shares outstanding on the record date for the distribution.

	<b>As of or for the Six Months Ended June 30,</b>		<b>As of or for the Year Ended December 31,</b>				
	<b>2005</b>	<b>2004</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>
<b>(In thousands)</b>							
<b>Balance sheet data (at end of period)</b>							
Investments	\$ 3,424,810	\$ 2,791,713	\$ 2,819,489	\$ 2,510,182	\$ 2,337,472	\$ 1,705,267	\$ 1,579,790
Cash and cash equivalents	614,555	497,653	268,414	395,857	433,379	491,709	214,398
Total assets	5,973,378	5,262,282	5,074,091	4,782,664	4,494,716	3,848,300	3,542,307
Notes payable	7,802	36,946	22,390	54,259	107,874	176,116	148,858
Reserve for claim losses	984,290	977,926	980,746	932,439	887,973	881,053	907,292
Minority interests	4,643	3,448	3,951	2,488	1,098	239	204

Equity	3,044,615	2,531,127	2,676,756	2,469,186	2,234,484	1,741,387	1,593,509
<b>Other non-financial data:</b>							
<b>(unaudited) (in whole numbers)</b>							
Direct operations orders opened(1)	1,577,164	1,689,219	3,142,945	3,771,393	2,953,797	2,496,597	1,267,407
Direct operations orders closed(1)	1,048,931	1,165,864	2,249,792	2,916,201	2,141,680	1,685,147	911,349
Fee per closed file(1)	\$ 1,447	\$ 1,257	\$ 1,324	\$ 1,081	\$ 1,099	\$ 1,120	\$ 1,387

(1) These measures are used by management to judge productivity and are a measure of transaction volume for our direct title businesses. An order is opened when we receive a customer order and is closed when the related real estate transaction closes, which typically takes 45-60 days from the opening of an order.



**Table of Contents****Selected Historical Financial Information for FNF**

The following table sets forth selected historical financial information for FNF. The selected historical financial information as of December 31, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2004 has been derived from FNF's consolidated financial statements and related notes, which have been audited by KPMG LLP, an independent registered public accounting firm. FNF's audited consolidated financial statements as of December 31, 2004 and 2003 and for each of the years in the three-year period ended December 31, 2004 are included in its Annual Report on Form 10-K for the year ended December 31, 2004, which is incorporated by reference in this prospectus and consent solicitation statement. The selected historical financial information as of December 31, 2002 and as of and for the years ended December 31, 2001 and 2000 has been derived from FNF's audited consolidated financial statements not incorporated by reference herein, and the selected historical financial information as of June 30, 2004 has been derived from FNF's unaudited consolidated financial statements not incorporated by reference herein. The selected historical financial information as of June 30, 2005 and for the six months ended June 30, 2005 and 2004 has been derived from FNF's unaudited consolidated financial statements, which are included in its quarterly report on Form 10-Q for the period ended June 30, 2005, which is incorporated by reference in this prospectus and consent solicitation statement. You should read this financial information in conjunction with the audited and unaudited consolidated financial statements included in the foregoing reports incorporated by reference in this prospectus and consent solicitation statement and the information under Management's Discussion and Analysis of Financial Condition and Results of Operations in such reports. FNF's results of interim periods are not necessarily indicative of results for the entire year.

As a result of the distribution of shares of our Class A Common Stock to the stockholders of FNF, FNF's minority interest expense and the minority interests reflected on its balance sheet will increase in future periods, reflecting the public minority interest in our company.

	<b>Six Months Ended June 30,</b>		<b>Year Ended December 31,</b>				
	<b>2005</b>	<b>2004</b>	<b>2004(1)</b>	<b>2003(2)</b>	<b>2002</b>	<b>2001(3)(4)</b>	<b>2000(5)</b>
<b>(In thousands, except per share and other data)</b>							
<b>Operating Data:</b>							
Revenue	\$ 4,706,529	\$ 4,041,056	\$ 8,296,002	\$ 7,715,215	\$ 5,082,640	\$ 3,874,107	\$ 2,741,994
Expenses:							
Personnel costs	1,555,192	1,358,133	2,786,297	2,465,026	1,476,430	1,187,177	845,349
Other operating expenses	1,046,083	907,999	1,967,350	1,699,797	1,019,992	829,433	624,087
Agent commissions	967,671	1,004,338	2,028,926	1,823,241	1,521,573	1,098,328	884,498
Provision for claim losses	197,966	148,316	282,124	263,409	179,292	134,724	97,322
Goodwill amortization						54,155	35,003
Interest expense	71,535	19,377	47,214	43,103	34,053	46,569	59,374
	3,838,447	3,438,163	7,111,911	6,294,576	4,231,340	3,350,386	2,545,633

Earnings before income taxes, minority interest and cumulative effect of a change in accounting principle	868,082	602,893	1,184,091	1,420,639	851,300	523,721	196,361
Income tax expense	210,388	229,099	438,114	539,843	306,468	209,488	86,624
Earnings before minority interest and cumulative effect of a change in accounting principle	657,694	373,794	745,977	880,796	544,832	314,233	109,737
Minority interest	23,155	1,500	5,015	18,976	13,115	3,048	1,422
Earnings before cumulative effect of a change in accounting principle	634,539	372,294	740,962	861,820	531,717	311,185	108,315
Cumulative effect of a change in accounting principle, net of income taxes						(5,709)	
Net earnings	\$ 634,539	\$ 372,294	\$ 740,962	\$ 861,820	\$ 531,717	\$ 305,476	\$ 108,315
Basic earnings per share	\$ 3.67	2.19	4.33	5.81	4.05	2.36	1.11
Weighted average shares outstanding,	172,773	169,981	171,014	148,275	131,135	129,316	97,863

basic							
Diluted net earnings per share	3.58	2.12	4.21	5.63	3.91	2.29	1.07
Weighted average shares outstanding, diluted	177,109	175,331	176,000	153,171	135,871	133,189	101,383

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	Six Months Ended June 30,		Year Ended December 31,				
	2005	2004	2004(1)	2003(2)	2002	2001(3)(4)	2000(5)
<b>(In thousands, except per share and other data)</b>							
<b>Balance Sheet Data:</b>							
Investments(6)	\$ 4,314,238	\$ 3,067,393	\$ 3,346,276	\$ 2,689,817	\$ 2,565,815	\$ 1,823,512	\$ 1,685,331
Cash and cash equivalents(7)	715,643	590,981	331,222	459,655	482,600	542,620	262,955
Total assets	10,687,031	8,574,985	9,270,535	7,263,175	5,245,951	4,415,998	3,833,985
Notes payable	3,198,432	848,384	1,370,556	659,186	493,458	565,690	791,430
Reserve for claim losses	1,011,865	984,882	998,170	943,704	888,784	881,089	907,482
Minority interests and preferred stock of subsidiary	170,859	13,324	18,874	14,835	131,797	47,166	5,592
<b>Other Data:</b>							
Orders opened by direct title operations	1,867,000	1,980,800	3,680,200	4,820,700	3,228,300	2,635,200	1,352,000
Orders closed by direct title operations	1,197,100	1,415,000	2,636,300	3,694,000	2,290,300	1,700,600	971,000
Provisions for claim losses to title insurance premiums	6.5%	5.4%	5.5%	5.4%	5.0%	5.0%	5.0%
Title related revenue(8):							
Percentage direct operations	45.7%	45.3%	54.8%	59.7%	55.3%	59.0%	52.8%
Percentage agency operations	54.3%	54.7%	45.2%	40.3%	44.7%	41.0%	47.2%

(1) FNF's financial results for the year ended December 31, 2004 include the results of various entities acquired on various dates during 2004.

(2) FNF's financial results for the year ended December 31, 2003 include the results of Fidelity Information Services, Inc. for the period from April 1, 2003, the acquisition date, through December 31, 2003, and include the results of operations of various other entities acquired on various dates during 2003.

- (3) FNF's financial results for the year ended December 31, 2001 include the results of the former operations of Vista Information Solutions, Inc. ( Vista ) for the period from August 1, 2001, the acquisition date, through December 31, 2001. In the fourth quarter of 2001, we recorded certain charges totaling \$10.0 million, after applicable taxes, relating to the discontinuation of small-ticket lease origination at FNF Capital, an entity that was purchased in 1998 (formerly known as Granite ), and the wholesale international long distance business at Micro General Corporation.
- (4) During 2001, FNF recorded a \$5.7 million, after-tax charge, reflected as a cumulative effect of a change in accounting principle, as a result of adopting Emerging Issues Task Force No. 99-20, Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets , ( EITF 99-20 ).
- (5) FNF's financial results for the year ended December 31, 2000 include the operations of Chicago Title for the period from March 20, 2000, the merger date, through December 31, 2000. In the first quarter of 2000, we recorded certain charges totaling \$13.4 million, after applicable taxes, relating to the revaluation of non-title assets and the write-off of obsolete software.
- (6) Investments as of December 31, 2004, 2003, 2002, 2001 and 2000 include securities pledged to secure trust deposits of \$546.0 million, \$448.1 million, \$474.9 million, \$319.1 million and \$459.4 million, respectively.
- (7) Cash and cash equivalents as of December 31, 2004, 2003, 2002, 2001 and 2000 include cash pledged to secure trust deposits of \$195.2 million, \$231.1 million, \$295.1 million, \$367.9 million and \$132.1 million, respectively.
- (8) Includes title insurance premiums and escrow and other title related fees.

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As previously discussed, on September 14, 2005 FNF's subsidiary FIS agreed to merge with Certegy. The following summary financial information has been obtained from Certegy's quarterly report on Form 10-Q for the period ended June 30, 2005, and its current report on Form 8-K filed on October 12, 2005.

	Six Months Ended June 30,		Year Ended December 31,		
	2005	2004	2004	2003(1)	2002(1)
<b>(In thousands, except per share amounts)</b>					
<b>Results of Operations:</b>					
Revenues	\$ 538,481	\$ 495,004	\$ 1,039,506	\$ 921,734	\$ 906,791
Operating expenses(2)(3)(4)	458,052	427,591	871,010	783,550	773,845
Operating income	80,429	67,413	168,496	138,184	132,946
Other income, net	741	305	1,207	2,339	1,119
Interest expense(5)	(6,555)	(6,129)	(12,914)	(7,950)	(7,120)
Income from continuing operations before income taxes and cumulative effect of change in accounting principle	74,615	61,589	156,789	132,573	126,945
Provision for income taxes	(28,069)	(23,455)	(59,111)	(50,429)	(50,231)
Income from continuing operations before cumulative effect of a change in accounting principle	46,546	38,134	97,678	82,144	76,714
Income from discontinued operations, net of tax	24,194	2,808	5,934	3,897	2,926
Income before cumulative effect of a change in accounting principle, net of tax	70,740	40,942	103,612	86,041	79,640
Cumulative effect of a change in accounting principle, net of tax(6)				(1,335)	
Net income	\$ 70,740	\$ 40,942	\$ 103,612	\$ 84,706	\$ 79,640
<b>Other Operating Data:</b>					
Depreciation and amortization	\$ 25,413	\$ 22,426	\$ 47,449	\$ 42,030	\$ 39,050
Capital expenditures	\$ 28,119	\$ 17,109	\$ 40,908	\$ 43,747	\$ 48,961
<b>Balance Sheet Data (at end of period):</b>					
Total assets	\$ 929,770	\$ 859,830	\$ 922,209	\$ 785,356	\$ 702,141
Long-term debt	\$ 226,026	\$ 259,808	\$ 273,968	\$ 222,399	\$ 214,200
Total shareholders' equity	\$ 387,706	\$ 264,464	\$ 307,287	\$ 266,751	\$ 202,392

- (1) Certegy's financial results for the years ended December 31, 2003 and 2002 include other charges of \$12.2 million (\$7.7 million after-tax) in each year. The other charges in 2003 include \$9.6 million of early termination costs associated with a U.S. data processing contract, \$2.7 million of charges related to the downsizing of Certegy's Brazilian card operation, and \$(0.1) million of market value recoveries on Certegy's collateral assignment in life insurance policies, net of severance charges. The other charges in 2002 include an impairment write-off of \$4.2 million for the remaining intangible asset value assigned to an acquired customer contract in Certegy's Brazilian card operation, due to the loss of the customer; a \$4.0 million charge for the settlement of a class action lawsuit, net of insurance proceeds; and \$4.0 million of severance charges and market value losses on Certegy's collateral assignment in life insurance policies.

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- (2) Effective January 1, 2005, Certegy adopted the fair value recognition provisions of SFAS No. 123 (revised 2004), Share-Based Payment, using the modified retrospective method, restating all prior periods, and as a result recorded stock compensation expense of \$11.2 million, \$10.0 million, \$14.2 million, and \$5.1 million for the years ended December 31, 2004, 2003, 2002, and 2001, respectively, and \$3.0 million and \$6.3 million for the six months ended June 30, 2005 and 2004, respectively.
- (3) General corporate expense was \$26.6 million, \$22.7 million, \$25.3 million, \$14.0 million, and \$7.8 million, respectively, for the years ended December 31, 2004, 2003, 2002, 2001, and 2000, and \$16.3 million and \$13.9 million for the six months ended June 30, 2005 and 2004, respectively.
- (4) Certegy adopted SFAS No. 142, Goodwill and Other Intangible Assets, effective January 1, 2002, which ceased the amortization of goodwill. Adoption of the non-amortization provisions of SFAS No. 142 as of January 1, 2000, would have increased net income for the years ended December 31, 2001 and 2000, respectively, by \$7.3 million and \$6.8 million, which is net of \$1.3 million and \$1.2 million of income taxes.
- (5) In conjunction with Certegy's spin-off from Equifax in July 2001, Certegy made a cash payment to Equifax of \$275 million to reflect Certegy's share of Equifax's pre-distribution debt used to establish Certegy's initial capitalization. This was funded through \$400 million of unsecured revolving credit facilities Certegy obtained in July 2001. Interest expense for periods prior to the spin-off principally consist of interest paid on a line of credit held by Certegy's Brazilian card business and interest charged by Equifax on overnight funds borrowed on Certegy's behalf.
- (6) The cumulative effect of accounting change expense of \$1.3 million in 2003 reflects the adoption of certain provisions of Financial Accounting Standards Board Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51, on December 31, 2003 related to the synthetic lease on Certegy's St. Petersburg, Florida operations facility.
- In the merger, FNF will receive 50.3% of the common stock of Certegy. FNF expects to consolidate the results of operations of Certegy following completion of the transaction and record minority interest expense for the portion of Certegy that FNF does not own. FNF expects that it will apply purchase accounting with respect to this transaction, although the purchase accounting for this transaction will not be finally determined until after it has closed.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF FNT**

The following discussion should be read in conjunction with the combined financial statements and the notes thereto and selected historical financial information included elsewhere in this prospectus and consent solicitation statement. The discussion below contains forward-looking statements that are based upon our current expectations and are subject to uncertainty and changes in circumstances. Our actual results may differ materially from these expectations due to changes in global, political, economic, business, competitive and market factors, many of which are beyond our control. See Forward-Looking Statements.

**Overview**

We are the largest title insurance company in the United States. Our title insurance underwriters Fidelity National Title, Chicago Title, Ticor Title, Security Union Title and Alamo Title together issued approximately 30.5% of all title insurance policies issued nationally during 2004, as measured by premiums. Our title business consists of providing title insurance and escrow and other title-related products and services arising from the real estate closing process. Our operations are conducted on a direct basis through our own employees who act as title and escrow agents and through independent agents. In addition to our independent agents, our customers are lenders, mortgage brokers, attorneys, real estate agents, home builders and commercial real estate developers. We do not focus our marketing efforts on the homeowner.

**Our Historical Financial Information**

We were incorporated in Delaware on May 24, 2005 in connection with a restructuring of our title insurance operations as described in this prospectus and consent solicitation statement. On September 26, 2005, FNF contributed to us the subsidiaries relating to our business and operations. The distribution was completed on October 17, 2005.

Our historical financial statements include assets, liabilities, revenues and expenses directly attributable to our operations. Our historical financial statements reflect allocations of certain of our corporate expenses to FNF and FIS. These expenses have been allocated to FNF and FIS on a basis that management considers to reflect most fairly or reasonably the utilization of the services provided to or the benefit obtained by those businesses. These expense allocations to FNF and FIS reflect an allocation to us of a portion of the compensation of certain senior officers and other personnel of FNF who will not be our employees after the distribution but who historically provided services to us. Our historical financial statements do not reflect the debt or interest expense we might have incurred if we had been a stand-alone entity. In addition, we will incur other expenses, not reflected in our historical financial statements, as a result of being a separate publicly traded company. As a result, our historical financial statements do not necessarily reflect what our financial position or results of operations would have been if we had been operated as a stand-alone public entity during the periods covered, and may not be indicative of our future results of operations or financial position.

FIS was established as a separate subsidiary of FNF in connection with a restructuring that was effective as of November 1, 2004 and prior to that time, FIS's businesses were either subsidiaries of FNF, or were operated as divisions of certain companies that will be our subsidiaries. Historical references to FIS in this prospectus and consent solicitation statement include assets, liabilities, revenues and expenses directly attributable to FIS's operations, including where those operations were conducted as a division of one of our subsidiaries.

**Related Party Transactions**

Our historical financial statements reflect transactions with other businesses and operations of FNF that were not transferred to us, including those being conducted with FIS.

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A detail of related party items included in revenues is as follows:

	2004	2003	2002
	(In millions)		
Agency title premiums earned	\$ 106.3	\$ 284.9	\$ 53.0
Rental income earned	8.4	7.3	6.7
Interest revenue	1.0	0.7	0.5
Total revenue	\$ 115.7	\$ 292.9	\$ 60.2

A detail of related party items included in operating expenses is as follows:

Agency title commissions	\$ 93.6	\$ 250.7	\$ 46.7
Data processing costs	56.6	12.4	
Data processing costs allocated		(5.4)	(5.8)
Corporate services allocated	(84.5)	(48.7)	(28.6)
Title insurance information expense	28.6	28.2	24.3
Other real-estate related information	\$ 9.9	\$ 11.4	\$ 3.7
Software expense	5.8	2.6	1.3
Rental expense	2.8	0.5	
Total expenses	\$ 112.8	\$ 251.7	\$ 41.6
Total pretax impact of related party activity	\$ 2.9	\$ 41.2	\$ 18.6

Included as a reduction of our expenses for all periods are amounts allocated to FNF and FIS relating to the provision by us of corporate services to FNF and to FIS and its subsidiaries. These corporate services include accounting, internal audit and treasury, payroll, human resources, tax, legal, purchasing, risk management, mergers and acquisitions and general management. For the years ended December 31, 2004, 2003 and 2002, our expenses were reduced by \$9.4 million, \$9.2 million and \$7.0 million, respectively, related to the provision of these corporate services by us to FNF and its subsidiaries other than FIS and its subsidiaries. For the years ended December 31, 2004, 2003 and 2002, our expenses were reduced by \$75.1 million, \$39.5 million and \$21.6 million, respectively, related to the provision of corporate services by us to FIS and its subsidiaries.

We also do business with the lender outsourcing solutions segment of FIS, which includes title agency functions whereby an FIS subsidiary acts as the title agent in the issuance of title insurance policies by a title insurance underwriter owned by us and in connection with certain trustee sales guarantees, a form of title insurance issued as part of the foreclosure process. As a result, our title insurance subsidiaries pay commissions on title insurance policies sold through FIS. For 2004, 2003, and 2002, these FIS operations generated \$106.3 million, \$284.9 million and \$53.0 million of revenues for us, which we reflect as agency title premium. We paid FIS commissions at the rate of 88% of premiums generated, equal to \$93.6 million, \$250.7 million and \$46.7 million for 2004, 2003 and 2002 respectively.

We also historically have leased equipment to a subsidiary of FIS. Revenue relating to these leases was \$8.4 million, \$7.3 million and \$6.7 million in 2004, 2003 and 2002, respectively. The title plant assets of several of our title insurance subsidiaries are managed or maintained by a subsidiary of FIS. The underlying title plant information and software continues to be owned by each of our title insurance underwriters, but FIS manages and updates the information in return for either (i) a cash management fee or (ii) the right to sell that information to title insurers, including title insurance underwriters that we own and other third party customers. In most cases, FIS is responsible for keeping the title plant assets current and fully functioning, for which we pay a fee to FIS based on our

use of, or access to, the title plant. For 2004, 2003 and 2002, our expenses to FIS under these arrangements were \$28.9 million, \$28.2 million and \$24.3 million, respectively. In addition, since November 2004, each applicable title insurance underwriter in turn receives a royalty on sales of access to its title plant assets. For the year ended December 31, 2004, the revenues from these title plant royalties were \$0.3 million. Prior to 2004, there was no royalty agreement in place, but if it had been,

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we would have earned approximately \$2.9 million and \$2.7 million in additional revenue from FIS for 2003 and 2002, respectively. In addition, we have entered into agreements with FIS that permit FIS and certain of its subsidiaries to access and use (but not to re-sell) the starters databases and back plant databases of our title insurance subsidiaries. Starters databases are our databases of previously issued title policies and back plant databases contain historical records relating to title that are not regularly updated. Each of our applicable title insurance subsidiaries receives a fee for any access to or use of its starters and back plant databases by FIS. We also do business with additional entities within the information services segment of FIS that provide real estate information to our operations. We recorded expenses of \$9.9 million, \$11.4 million and \$3.7 million in 2004, 2003 and 2002, respectively.

Included in our expenses for 2004 and 2003 are amounts paid to a subsidiary of FIS for the provision by FIS to us of IT infrastructure support, data center management and related IT support services. For 2004 and 2003, the amounts included in our expenses to FIS for these services were \$56.6 million and \$12.4 million respectively. Prior to September 2003, we performed these services ourselves and provided them to FIS. During 2003 and 2002, we received payments from FIS of \$5.4 million and \$5.8 million relating to these services that offset our other operating expenses. In addition, we incurred software expenses relating to an agreement with a subsidiary of FIS that amounted to \$5.8 million, \$2.6 million and \$1.3 million in 2004, 2003 and 2002, respectively.

Our financial statements for 2004 and 2003 reflect allocations for a lease of office space to us for our corporate headquarters and business operations.

We believe the amounts earned by us or charged to us under each of the foregoing arrangements are fair and reasonable. Although the commission rate paid on the title insurance premiums written by the FIS title agencies was set without negotiation, we believe it is consistent with the average rate that would be available to a third party title agent given the amount and the geographic distribution of the business produced and the low risk of loss profile of the business placed. In connection with the title plant management and maintenance services provided by FIS, we believe that the fees charged to us by FIS are at approximately the same rates that FIS and other similar vendors charge unaffiliated title insurers. The IT infrastructure support and data center management services provided to us by FIS are priced within the range of prices that FIS offers to its unaffiliated third party customers for the same types of services. However, the amounts we earned or were charged under these arrangements were not negotiated at arm's length, and may not represent the terms that we might have obtained from an unrelated third party.

Amounts due from FNF to us as of December 31, 2004 and December 31, 2003 were as follows:

	<b>As of December 31,</b>	
	<b>2004</b>	<b>2003</b>
	<b>(In millions)</b>	
Notes receivable from FNF	\$ 22.8	\$ 26.6
Taxes due from FNF	63.6	44.1

We have notes receivable from FNF relating to loans by our title underwriters to FNF. These notes amounted to \$22.8 million and \$26.6 million at December 31, 2004 and 2003, respectively. As of December 31, 2004, these notes bear interest at 2.66%. We earned interest revenue of \$1.0 million, \$0.7 million and \$0.5 million relating to these notes during 2004, 2003 and 2002, respectively.

We are included in FNF's consolidated tax returns and thus any income tax liability or receivable is due to/from FNF. As of December 31, 2004 and 2003, we have recorded a receivable from FNF relating to overpayment of taxes of \$63.6 million and \$44.1 million, respectively.

Certain of the foregoing related party arrangements are set forth in existing agreements between us and FNF or FIS that will remain in effect for specified periods following the distribution. For a description of these agreements, see *Certain Relationships and Related Transactions* Historical Related-Party Transactions. Other items described above in respect of which amounts have been allocated to or by us are the subject of agreements entered into by us

with related parties shortly prior to the time of the distribution.

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These new agreements and certain other agreements we entered into in connection with the distribution are described in *Our Arrangements with FNF*.

In connection with the distribution, we issued two \$250 million intercompany notes payable to FNF, with terms that mirror FNF's existing \$250 million 7.30% public notes due in August 2011 and \$250 million 5.25% public notes due in March 2013. Proceeds from the issuance of the 7.30% FNF notes due 2011 were used by FNF to repay debt incurred in connection with the acquisition of our subsidiary, Chicago Title, and the proceeds from the 5.25% FNF notes due 2013 were used for general corporate purposes. We intend to deliver any FNF notes we receive in the exchange offers to FNF in redemption of an equal principal amount of the corresponding mirror notes. See *Liquidity and Capital Resources*.

## **Recent Developments**

### ***Our Recent Acquisitions***

On March 22, 2004, we acquired American Pioneer Title Insurance Company ( *APTIC* ) for \$115.2 million in cash. APTIC is a title insurance underwriter licensed in 45 states with significant agency operations and computerized title plant assets in the state of Florida. APTIC now operates under our Ticor Title brand.

On July 29, 2005, we acquired Service Link, L.P. ( *Service Link* ), a national provider of centralized mortgage and residential real estate title and closing services to major financial institutions and institutional lenders. The acquisition price was approximately \$110 million in cash.

### **Business Trends and Conditions**

Title insurance revenue is closely related to the level of real estate activity and the average price of real estate sales. Real estate sales are directly affected by the availability of funds to finance purchases, predominantly mortgage interest rates. Other factors affecting real estate activity include, but are not limited to, demand for housing, employment levels, family income levels and general economic conditions. In addition to real estate sales, mortgage refinancing is an important source of title insurance revenue. We have found that residential real estate activity generally decreases in the following situations:

when mortgage interest rates are high or increasing;

when the mortgage funding supply is limited; and

when the United States economy is weak.

Because commercial real estate transactions tend to be driven more by supply and demand for commercial space and occupancy rates in a particular area rather than by macroeconomic events, our commercial real estate title insurance business can generate revenues which are countercyclical to the industry cycles discussed above.

Because these factors can change dramatically, revenue levels in the title insurance industry can also change dramatically. For example, beginning in the second half of 1999 and through 2000, steady interest rate increases caused by actions taken by the Federal Reserve Board resulted in a significant decline in refinancing transactions. As a result, the market shifted from a refinance-driven market in 1998 to a more traditional market driven by new home purchases and resales in 1999 and 2000. However, beginning in January 2001 and continuing through June of 2003, the Federal Reserve Board reduced interest rates by 550 basis points, bringing interest rates down to their lowest level in recent history, which again significantly increased the volume of refinance activity. Beginning in mid-June 2003 and continuing through most of 2004, the ten-year treasury bond yield increased from a low of nearly 3.0% to more than 4.5%, causing mortgage interest rates to rise, which decreased the volume of refinance activity. Notwithstanding the increase in interest rates, home prices appreciated strongly in many markets in 2004, benefiting our revenues. Through the second quarter of 2005, refinancing activity has continued to decrease, but real estate activity continues at a high rate and the appreciation of home prices remains high. The decreased refinance activity is evidenced by the Mortgage Bankers Association's ( *MBA* ) statistics showing that approximately 43.3% of new loan

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originations in the first six months of 2005 were refinance transactions as compared with approximately 48.8% in the first six months of 2004. In July 2005 the ten-year treasury rate moved above 4.25%, but the MBA's Mortgage Finance Forecast estimates a \$2.738 trillion mortgage origination market for 2005, which would be a 6% increase from 2004.

Historically, real estate transactions have produced seasonal revenue levels for title insurers. The first calendar quarter is typically the weakest quarter in terms of revenue due to the generally low volume of home sales during January and February. The fourth calendar quarter is typically the strongest in terms of revenue due to commercial customers desiring to complete transactions by year-end. Significant changes in interest rates may alter these traditional seasonal patterns due to the effect the cost of financing has on the volume of real estate transactions.

**Critical Accounting Estimates**

The accounting estimates described below are those we consider critical in preparing our Combined Financial Statements. Management is required to make estimates and assumptions that can affect the reported amounts of assets and liabilities and disclosures with respect to contingent assets and liabilities at the date of the Combined Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates. See Note A of Notes to the Combined Financial Statements for a more detailed description of the significant accounting policies that have been followed in preparing our Combined Financial Statements.

*Reserve for Claim Losses.* Title companies issue two types of policies since both the buyer and lender in real estate transactions want to know that their interest in the property is insured against certain title defects outlined in the policy. An owner's policy insures the purchaser for as long as he or she owns the property (as well as against warranty claims arising out of the sale of the property by such owner) and a lender's policy insures the priority of the lender's security interest over the claims that other parties may have in the property. The maximum amount of liability under a title insurance policy is generally the face amount of the policy plus the cost of defending the insured's title against an adverse claim. While most non-title forms of insurance, including property and casualty, provide for the assumption of risk of loss arising out of unforeseen future events, title insurance serves to protect the policyholder from risk of loss from events that predated the issuance of the policy.

Unlike many other forms of insurance, title insurance requires only a one-time premium for continuous coverage until another policy is warranted due to changes in property circumstances arising from refinance, resale, additional liens, or other events. Unless we issue the subsequent policy, we receive no notice that our exposure under our policy has ended and as a result we are unable to track the actual terminations of our exposures.

Our reserve for claim losses includes reserves for known claims ( PLR ) as well as for losses that have been incurred but not yet reported to us ( IBNR ), net of recoupments. Each known claim is reserved for based on our review of the estimated amount of the claim and the costs required to settle the claim. Reserves for claims that are IBNR are estimates that are established at the time the premium revenue is recognized and are based upon historical experience and other factors, including industry trends, claim loss history, legal environment, geographic considerations, and the types of policies written. We also reserve for losses arising from escrow, closing and disbursement functions, due to fraud or operational error.

The table below summarizes our reserves for known claims and incurred but not reported claims.

	As of December 31, 2004	%	As of December 31, 2003	%
	(In thousands)			
PLR	\$ 223,202	22.8%	\$ 207,909	22.3%
IBNR	757,544	77.2%	724,530	77.7%
Total Reserve	\$ 980,746	100.0%	\$ 932,439	100.0%





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Although most claims against title insurance policies are reported relatively soon after the policy has been issued, claims may be reported many years later. By their nature, claims are often complex, vary greatly in dollar amounts and are affected by economic and market conditions and the legal environment existing at the time of settlement of the claims. Estimating future title loss payments is difficult because of the complex nature of title claims, the long periods of time over which claims are paid, significantly varying dollar amounts of individual claims and other factors.

We continually update loss reserve estimates by utilizing both internal and external resources. Management performs a detailed study of loss reserves based upon the latest available information at the end of each quarter and year. In addition, an independent actuarial consulting firm assists us in analyzing our historic loss experience and developing statistical models to project ultimate loss expectancy. The actuaries prepare a formal analysis of our reserves at December 31 each year. Management examines both the quantitative data provided by the actuaries and qualitative information derived from internal sources such as our legal, claims, and underwriting departments to ultimately arrive at our best reserve estimate. Regardless of technique, all methods involve significant judgment and assumptions. Management strives to improve its loss reserve estimation process by enhancing its ability to analyze loss development patterns and we continually look for ways to identify new trends to reduce the uncertainty of our loss exposure. However, adjustments may be required as experience develops unexpectedly, new information becomes known, new loss patterns emerge, or as other contributing factors are considered and incorporated into the analysis.

Predicting ultimate loss exposure is predicated on evaluating past experience and adjusting for changes in current development and trends. Our external actuaries' work includes two principle steps. First, they use an actuarial technique known as the loss development method to calculate loss development factors for the Company. The loss development factors forecast ultimate losses for each policy year based on historic emergence patterns of the Company. Older policy year experience is applied to newer policy years to project future development. When new trends surface, the loss development factors are adjusted to incorporate the more recent development phenomena. Changes in homeownership patterns, increased property turnover rates, and a boom in refinance transactions all are examples of current events that reduce the tail exposure of the loss pattern and warrant these adjustments.

In the second step, the loss development factors calculated in the first step are used to determine the portion of ultimate loss already reported. The percentage of ultimate losses not yet reported is then applied to the expected losses, which are estimated as the product of written premium and an expected loss ratio. The expected loss ratios are derived from an econometric model of the title insurance industry incorporating various economic variables including interest rates as well as industry related developments such as title plant automation and defalcations, which are misappropriations of funds from escrow accounts, to arrive at an expected loss ratio for each policy year.

Using the above approach, our actuaries develop a single point estimate, rather than a range of reserves or a set of point estimates. As of December 31, 2004, their estimate of insured but not reported losses, combined with our reserves for known claims, totaled \$1,000.1 million, slightly above our carried reserves at that date.

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The table below presents our loss development experience for the past three years. As can be seen in the table, the variability in loss estimates over the past three years has ranged from favorable development in an amount equal to 0.9% of title premiums to adverse development of 0.2% of title premiums with the average being favorable development of 0.3% over the three year period. Assuming that variability of potential reserve estimates is + or -0.3%, the effect on pretax earnings would be as presented in the last line of the table.

	2004	2003	2002
	<b>(In thousands)</b>		
Beginning Balance	\$ 932,439	\$ 887,973	\$ 881,053
Reserve Assumed	38,597	4,203	
Claims Loss provision:			
Current year	275,982	237,919	207,290
Prior year	(16,580)	10,915	(31,327)
Total provision	259,402	248,834	175,963
Claims paid, net of recoupment			
Current year	(19,095)	(11,591)	(10,058)
Prior year	(230,597)	(196,980)	(158,985)
Total paid, net of recoupments	(249,692)	(208,571)	(169,043)
Ending Balance	\$ 980,746	\$ 932,439	\$ 887,973
Title Premiums	\$ 4,718,217	\$ 4,700,750	\$ 3,547,727
Provision for claim losses as a percentage of title insurance premiums:			
Current year	5.8%	5.1%	5.8%
Prior year	(0.3)%	0.2%	(0.9)%
Total Provision	5.5%	5.3%	5.0%
Sensitivity Analysis (.30% Loss Ratio Change)(1):			
Ultimate Reserve Estimate +/-	\$ 14,155	\$ 14,102	\$ 10,643

(1) 0.3% has been selected as an example; actual variability could be greater or less.

Our analysis of our reserves as of December 31, 2004 demonstrates management's continued efforts to improve its loss reserve estimate. For the first time, a separate analysis of mega claims (defined as claims with incurred amounts greater than \$500,000) was performed. Prior to this analysis these large claims have influenced the loss development factors used in both actuarial methods by creating a multiplicative effect for newer policy years' loss projections. The mega claims are handled by specific attorneys and may have different emergence patterns that must be projected in isolation from the other claims.

In addition, adjustments were made to reflect the reduced tail exposure of fairly recent policy years due to unprecedented refinancing activity and property turnover rates. Our hypothesis supported by recent data is that a lower percentage of policies from prior years remain in force due to the substantial turnover in property mortgages. Furthermore, it is our belief that refinance transactions develop differently than resale transactions in that there appears to be an acceleration of claim activity as claims are reported more quickly. As a result, we have incorporated the effect of these assumptions on our loss projections.

The point estimate provided by our independent actuaries, combined with our known claim reserves, aggregated \$1,000.1 million at December 31, 2004, as compared with our carried reserve of \$980.7 million, a difference of

\$19.4 million, or 1.9%. Different professional judgment in two critical assumptions was the primary driver of the difference between the independent actuary's estimate and our carried reserve level; different weight given to a separate projection of individually significant losses (losses greater than \$500,000) and adjustments based on recent experience to realize emerging changes in refinance versus home sale activity. In the independent actuary's estimate only one half of the effect of projecting significant losses

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separately was taken into consideration; whereas, our management applied full weight to such analysis. Additionally, the independent actuaries' estimate placed less weight on the effects of refinancings in the 2002-2004 policy years, some of the largest refinance years in history; whereas our management placed moderately greater weights on the effects of refinancing assumptions in such years.

In our reserve setting process, our independent actuaries fulfill a function, which is to provide information that is part of the overall mix of information that our management uses to set our reserves, but by no means do they provide a definitive evaluation. While there can be no assurance as to the precision of loss reserve estimates, as shown in the table above, our development on prior years' loss reserves over the past three years has generally been favorable, averaging 0.3% of carried reserves, using the reserve setting processes described above.

*Valuation of Investments.* We regularly review our investment portfolio for factors that may indicate that a decline in fair value of an investment is other-than-temporary. Some factors considered in evaluating whether or not a decline in fair value is other-than-temporary include: (i) our ability and intent to retain the investment for a period of time sufficient to allow for a recovery in value; (ii) the duration and extent to which the fair value has been less than cost; and (iii) the financial condition and prospects of the issuer. Such reviews are inherently uncertain and the value of the investment may not fully recover or may decline in future periods resulting in a realized loss. Investments are selected for analysis whenever an unrealized loss is greater than a certain threshold that we determine based on the size of our portfolio. Fixed maturity investments that have unrealized losses caused by interest rate movements are not at risk as we have the ability and intent to hold them to maturity. Unrealized losses on investments in equity securities and fixed maturity instruments that are susceptible to credit related declines are evaluated based on the aforementioned factors. Currently available market data is considered and estimates are made as to the duration and prospects for recovery, and the ability to retain the investment until such recovery takes place. These estimates are revisited quarterly and any material degradation in the prospect for recovery will be considered in the other than temporary impairment analysis. We believe that continuous monitoring and analysis has allowed for the proper recognition of other than temporary impairments over the past three year period. Any change in estimate in this area will have an impact on the results of operations of the period in which a charge is taken. During 2004, 2003 and 2002, we recorded other than temporary impairments totaling \$6.6 million, \$0.0 million and \$30.4 million, respectively.

*Goodwill.* We have made acquisitions in the past that have resulted in a significant amount of goodwill. As of December 31, 2004 and December 31, 2003, goodwill was \$959.6 million and \$920.3 million, respectively. The majority of our goodwill as of December 31, 2004 and 2003 relates to our Chicago Title acquisition. The process of determining whether or not an asset, such as goodwill, is impaired or recoverable relies on projections of future cash flows, operating results and market conditions. While we believe that our estimates of future cash flows are reasonable, these estimates are not guarantees of future performance and are subject to risks and uncertainties that may cause actual results to differ from what is assumed in these impairment tests. In evaluating the recoverability of goodwill, we perform an annual goodwill impairment test based on an analysis of the discounted future cash flows generated by the underlying assets. We have completed our annual goodwill impairment tests in each of the past three years and have determined that we have a fair value in excess of our carrying value. Such analyses are particularly sensitive to changes in estimates of future cash flows and discount rates. Changes to these estimates might result in material changes in fair value and determination of the recoverability of goodwill which may result in charges against earnings and a reduction in the carrying value of our goodwill.

*Long-Lived Assets.* We review long-lived assets, primarily computer software, property and equipment and other intangibles, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If indicators of impairment are present, we estimate the future net cash flows expected to be generated from the use of those assets and their eventual disposal. We would recognize an impairment loss if the aggregate future net cash flows were less than the carrying amount. We have not recorded any material impairment charges in the past three years. As a result, the carrying values of these assets could be significantly affected by the accuracy of our estimates of future net cash flows, which cannot be estimated with certainty, similar to our goodwill analysis.



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*Revenue Recognition.* Our direct title insurance premiums and escrow and other title-related fees are recognized as revenue at the time of closing of the related transaction as the earnings process is then considered complete, whereas premium revenues from agency operations and agency commissions include an accrual based on estimates using historical information of the volume of transactions that have closed in a particular period for which premiums have not yet been reported to us. The accrual for agency premiums is necessary because of the lag between the closing of these transactions and the reporting of these policies to us by the agent. In the second quarter of 2005, we began to compile data that illustrated the correlation of direct and agency premiums. Prior to the end of the quarter we determined that we had gathered sufficient data and concluded that we should enhance our lag accrual methodology to utilize the additional data. Accordingly, we refined our method of estimation for accruing agency title revenues and commissions to take into account trends in direct premiums in addition to the historical information about agency premiums and commissions previously considered. This refinement resulted in our recording approximately \$50.0 million in additional agency revenue in the second quarter of 2005 than we would have under our prior method. After related accruals for commissions and other associated expenses, the impact on net earnings of this change was approximately \$2.0 million. We are likely to continue to have changes to our accrual for agency revenue in the future, but as demonstrated by this second quarter adjustment, the impact on net earnings of changes in these accruals is very small, equal to approximately four percent of the change in revenues.

**Comparisons of Six Months ended June 30, 2005 and 2004***Results of Operations*

	<b>Six Months Ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(In thousands)</b>	
Direct title insurance premiums	\$ 1,017,396	\$ 987,019
Agency title insurance premiums	1,304,200	1,348,430
<b>Total title insurance premiums</b>	<b>2,321,596</b>	<b>2,335,449</b>
Escrow and other title-related fees	543,465	514,019
Interest and investment income	45,430	28,163
Realized gains and losses, net	21,922	17,044
Other income	20,020	21,573
<b>Total revenue</b>	<b>2,952,433</b>	<b>2,916,248</b>
Personnel costs	904,603	838,063
Other operating expenses	451,093	422,113
Agent commissions	1,005,121	1,046,601
Depreciation and amortization	49,389	44,193
Provision for claim losses	150,677	125,010
Interest expense	724	2,256
<b>Total expense</b>	<b>2,561,607</b>	<b>2,478,236</b>

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	<b>Six Months Ended June 30,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(In thousands)</b>	
Earnings before income taxes and minority interest	390,826	438,012
Income tax expense	146,637	160,312
Earnings before minority interest	244,189	277,700
Minority interest	1,292	455
Net Earnings	\$ 242,897	\$ 277,245
Orders opened by direct title operations(1)	1,577,164	1,689,219
Orders closed by direct title operations(1)	1,048,931	1,165,864

(1) These measures are used by management to judge productivity and are a measure of transaction volume for our direct title businesses. An order is opened when we receive a customer order and is closed when the related real estate transaction closes, which typically takes 45-60 days from the opening of an order.

Total revenues for the first six months of 2005 increased \$36.2 million to \$2,952.4 million as compared to the first six months of 2004. This increase was primarily the result of a change in accounting estimate relating to agency title premiums, increased direct title premiums, escrow and other title-related fees and interest and investment income. During the second quarter of 2005, we re-evaluated our method of estimation for accruing agency title revenues and commissions and refined the method which resulted in our recording approximately \$50.0 million in additional agency revenue in the second quarter and six month period than we would have under our prior method. The impact on net earnings of this adjustment was approximately \$2.0 million.

Total title insurance premiums for the six-month periods were as follows:

	<b>Six Months Ended June 30,</b>			
	<b>2005</b>	<b>% of Total</b>	<b>2004</b>	<b>% of Total</b>
Title premiums from direct operations	\$ 1,017,396	43.8%	\$ 987,019	42.3%
Title premiums from agency operations	1,304,200	56.2%	1,348,430	57.7%
Total	\$ 2,321,596	100.0%	\$ 2,335,449	100.0%

Title insurance premiums decreased 0.6% to \$2,321.6 million in the first six months of 2005 as compared with the first six months of 2004. A decrease of \$44.2 million or 3.3% in premiums from agency operations was offset by an increase of \$30.4 million or 3.1% in direct premiums. The decrease in agency premiums was offset by approximately \$50.0 million in additional agency premiums accrued in the second quarter of 2005 due to the change in estimate for accruing agency revenues noted above. The increased level of direct title premiums is a direct result of an increase in the average fee per file offset by a decline in closed order levels as compared with the prior year. The drop experienced in closed orders reflects a slowing refinance market as evidenced by the MBA statistics showing that

approximately 43.3% of new loan originations in the first six months of 2005 were refinance transactions as compared with approximately 48.8% in the first six months of 2004. The increase in fee per file is the result of the decreased levels of refinance-driven activity, which typically have lower fees, in the first six months of 2005 as compared with the same period of the prior year, as well as the appreciation of home prices over the past year. The decrease in agency revenues relates to the fact that the first six months of 2004 benefited from the continued strong refinance volumes of 2003, which were at an all-time high, while in the first six months of 2005 there was a weaker refinance environment. The 2004 period included \$74.5 million in revenue from FIS's title agency business, which benefited from refinancings, while the 2005 period only included \$42.8 million in revenue from FIS's title agency business.

Trends in escrow and other title-related fees are primarily related to title insurance activity generated by our direct operations. Escrow and other title-related fees during the six-month periods ended June 30, 2005



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and 2004 fluctuated in a pattern generally consistent with the fluctuation in direct title insurance premiums and order counts. Escrow and other title-related fees were \$543.5 million and \$514.0 million for the first six months of 2005 and 2004, respectively.

Interest and investment income levels are primarily a function of securities markets, interest rates and the amount of cash available for investment. Interest and investment income in the first six months of 2005 was \$45.4 million, compared with \$28.2 million in the first six months of 2004, an increase of \$17.2 million, or 60.9%. The increase in interest and investment income in the first six months of 2005 is due primarily to an increase in our fixed income asset base during the current year period and the increasing interest rate environment.

Net realized gains for the first six months of 2005 were \$21.9 million compared with net realized gains of \$17.0 million for the corresponding period of the prior year.

Operating expenses consist primarily of personnel costs and other operating expenses, which are incurred as orders are received and processed, and agent commissions which are incurred as revenue is recognized. Title insurance premiums, escrow and other title-related fees are generally recognized as income at the time the underlying transaction closes. As a result, direct operations revenue lags approximately 45-60 days behind expenses and therefore gross margins may fluctuate. The changes in the market environment and mix of business between direct and agency operations have impacted margins and net earnings. We have implemented programs and have taken necessary actions to maintain expense levels consistent with revenue streams. However, a short time lag does exist in reducing short-run fixed costs and certain long-run fixed costs are incurred regardless of revenue levels.

Personnel costs include base salaries, commissions, benefits and bonuses paid to employees, and are one of our most significant operating expenses. Personnel costs totaled \$904.6 million and \$838.1 million for the six months ended June 30, 2005 and 2004, respectively. Personnel costs, as a percentage of total direct title premiums and escrow and other title-related fees, were 58.0% in the first six months of 2005, and 55.8% for the first six months of 2004. The increase of \$66.5 million or 7.9% in personnel costs primarily relates to an increase in revenues from direct operations of 3.1% and higher costs incurred in 2005 due to the competitive environment.

Other operating expenses consist primarily of facilities expenses, title plant-related charges, premium taxes (which insurance underwriters are required to pay on title premiums in lieu of franchise and other state taxes), postage and courier services, computer services, professional services, advertising expenses, general insurance and trade receivable allowances. Other operating expenses totaled \$451.1 million and \$422.1 million for the six months ended June 30, 2005 and 2004, respectively. The increase of \$29.0 million or 6.8% primarily relates to the increase in revenues from direct operations.

Agent commissions represent the portion of premiums retained by agents pursuant to the terms of their respective agency contracts. Agent commissions and the resulting percentage of agent premiums we retain vary according to regional differences in real estate closing practices and state regulations.

The following table illustrates the relationship of agent premiums and agent commissions:

	<b>Six Months Ended June 30,</b>			
	<b>2005</b>		<b>2004</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
	<b>(In thousands)</b>			
Agent title premiums	\$ 1,304,200	100.0%	\$ 1,348,430	100.0%
Agent commissions	1,005,121	77.1%	1,046,601	77.6%
Net margin	\$ 299,079	22.9%	\$ 301,829	22.4%

Net margin from agency title insurance premiums increased as a percentage of total agency premiums due to our writing a higher percentage of policies in states where we pay lower commission rates.

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The provision for claim losses includes an estimate of anticipated title and title-related claims, and escrow losses. The estimate of anticipated title and title-related claims is accrued as a percentage of title premium revenue based on our historical loss experience and other relevant factors. We monitor our claims loss experience on a continual basis and adjust the provision for claim losses accordingly. The claim loss provision for title insurance was \$150.7 million in the first six months of 2005 as compared to \$125.0 million in the first six months of 2004. Our claim loss provision as a percentage of total title premiums was 6.5% and 5.4% in the first six months of 2005 and 2004, respectively. The increase is attributable to higher than expected payment levels, especially for individually significant claims, and a return to a more normalized environment with the volume of resale transactions exceeding the refinance transactions.

Interest expense was \$0.7 million and \$2.3 million in the first six months of 2005 and 2004, respectively.

Income tax expense as a percentage of earnings before income taxes was 37.5% for the first six months of 2005 and 36.6% for the first six months of 2004. Income tax expense as a percentage of earnings before income taxes changes due to the characteristics of pre-tax earnings, such as the percentage of earnings from operating income, investment income and state tax apportionment, year to year.

**Comparisons of Years ended December 31, 2004, 2003 and 2002***Results of Operations*

The following table presents certain financial data for the years indicated:

	<b>Year Ended December 31,</b>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>(In thousands)</b>		
Direct title insurance premiums	\$ 2,003,447	\$ 2,105,317	\$ 1,557,769
Agency title insurance premiums	2,714,770	2,595,433	1,989,958
<b>Total title premiums</b>	<b>4,718,217</b>	<b>4,700,750</b>	<b>3,547,727</b>
Escrow and other title-related fees	1,039,835	1,058,729	790,787
Interest and investment income	64,885	56,708	72,305
Realized gains and losses, net	22,948	101,839	584
Other income	43,528	52,689	55,927
	5,889,413	5,970,715	4,467,330
Personnel costs	1,680,805	1,692,895	1,260,070
Other operating expenses	849,554	817,597	633,193
Agent commissions	2,117,122	2,035,810	1,567,112
Depreciation and amortization	95,718	79,077	53,042
Provision for claim losses	259,402	248,834	175,963
Interest expense	3,885	4,582	8,586
	5,006,486	4,878,795	3,697,966
Earnings before income taxes and minority interest	882,927	1,091,920	769,364
Income tax expense	323,598	407,736	276,970
Earnings before minority interest	559,329	684,184	492,394
Minority interest	1,165	859	624

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Net earnings	\$	558,164	\$	683,325	\$	491,770
Orders opened by direct title operations		3,142,945		3,771,393		2,953,797
Orders closed by direct title operations		2,249,792		2,916,201		2,141,680

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Total revenue in 2004 decreased \$81.3 million to \$5,889.4 million, a decrease of 1.4% compared to 2003. Total revenue in 2003 increased \$1,503.4 million, or 33.7% to \$5,970.7 million from \$4,467.3 million in 2002. Although the mix of direct and agency title premiums changed from 2003 to 2004, total title premiums and escrow and other title-related fees remained fairly consistent in 2004 as compared with 2003. The increase in total revenue in 2003 is due in part to increases in real estate and refinance activity as a result of decreasing interest rates. Further, increased realized gains on investments also contributed to increased revenue in 2003 compared to 2002.

Title insurance premiums were \$4,718.2 million in 2004, \$4,700.8 million in 2003 and \$3,547.7 million in 2002. Direct title premiums decreased from 2003 to 2004 while agency title premiums increased during the same period. The decrease in direct title premiums is primarily due to a reduction in refinancing activity experienced in 2004 as compared with 2003 and was partially offset by an increase in the average fee per file. The average fee per file in our direct operations was \$1,324, \$1,081 and \$1,099 in 2004, 2003 and 2002, respectively. The increase in direct title premiums in 2003 was due primarily to increases in resale and refinance activity as a result of the decline in interest rates through mid-year 2003. The increase in resale and refinance activity in 2003 was partially offset by a decrease in the average fee per file. The increase in the fee per file in 2004 and the decrease in fee per file in 2003 is consistent with the overall level of refinance activity experienced during 2004 and 2003. The fee per file tends to increase as mortgage interest rates rise, and the mix of business changes from a predominately refinance-driven market to more of a resale-driven market.

The following table presents the percentages of title insurance premiums generated by our direct and agency operations:

	<b>Year Ended December 31,</b>					
	<b>2004</b>		<b>2003</b>		<b>2002</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
	<b>(In thousands)</b>					
Direct	\$ 2,003,447	42.5%	\$ 2,105,317	44.8%	\$ 1,557,769	43.9%
Agency	2,714,770	57.5	2,595,433	55.2	1,989,958	56.1
<b>Total title insurance premiums</b>	<b>\$ 4,718,217</b>	<b>100.0%</b>	<b>\$ 4,700,750</b>	<b>100.0%</b>	<b>\$ 3,547,727</b>	<b>100.0%</b>

In 2004, our mix of direct and agency title premiums changed, with agency premiums increasing to 57.5% of total premiums compared with 55.2% in 2003. Agency premiums increased in 2004 by \$119.3 million, which was primarily attributed to an increase in agency premiums of \$193.5 million due to our acquisition of APTIC in March 2004 that was offset by a decrease in the amount of agency revenue provided by FIS's title agency operations. Agency business in general is not as profitable as direct business. Our mix of direct and agency title insurance premiums changed in 2003 as compared with 2002, primarily as a result of our acquisition of ANFI, Inc. ( ANFI ) in March 2003, and the inclusion of ANFI's title insurance premiums as direct title insurance premiums in 2003. In 2002, ANFI's title insurance premiums were included in agency title insurance premiums. Agency revenues from FIS title agency businesses were \$106.3 million, \$284.9 million and \$53.0 million in 2004, 2003 and 2002, respectively.

Trends in escrow and other title-related fees are primarily related to title insurance activity generated by our direct operations. Escrow and other title-related fees during the three-year period ended December 31, 2004, fluctuated in a pattern generally consistent with the fluctuation in direct title insurance premiums and order counts. Escrow and other title-related fees were \$1,039.8 million, \$1,058.7 million and \$790.8 million, respectively, during 2004, 2003 and 2002.

Interest and investment income levels are primarily a function of securities markets, interest rates and the amount of cash available for investment. Interest and investment income in 2004 was \$64.9 million compared with \$56.7 million in 2003 and \$72.3 million in 2002. Average invested assets in 2004 increased 14.8% to \$3,226.2 million, from \$2,811.5 million in 2003. The tax equivalent yield in 2004, excluding realized gains and losses, was 2.7% as compared with 2.5% in 2003 and 3.3% in 2002. Interest and investment income decreased \$15.6 million, or 21.6% in 2003 to \$56.7 million from \$72.3 million in 2002.

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Net realized gains and losses for 2004, 2003 and 2002 were \$22.9 million, \$101.8 million and \$0.6 million, respectively. Net realized gains in 2003 includes a \$51.7 million realized gain as a result of IAC InterActive Corp. s acquisition of Lending Tree Inc. and the subsequent sale of our IAC Interactive Corp. common stock and a realized gain of \$21.8 million on the sale of New Century Financial Corporation common stock.

Net realized gains in 2002 included a \$0.1 million gain recognized on our investment in Santa Barbara Restaurant Group, Inc. ( SBRG ) common stock as a result of the merger between SBRG and CKE Restaurants, Inc. ( CKE ) and a \$2.6 million loss on the sale of a portion of our CKE common stock in the second quarter of 2002. Net realized gains in 2002 were partially offset by other-than-temporary impairment losses of \$5.1 million on CKE recorded during the fourth quarter of 2002 and \$3.3 million recorded on MCI WorldCom bonds in the second quarter of 2002.

Other income represents revenue generated by other smaller real-estate related businesses that are not directly title-related. Other income was \$43.5 million in 2004, \$52.7 million in 2003 and \$55.9 million in 2002.

Our operating expenses consist primarily of personnel costs and other operating expenses, which are incurred as orders are received and processed and agent commissions which are incurred as revenue is recognized. Title insurance premiums, escrow and other title-related fees are generally recognized as income at the time the underlying transaction closes. As a result, direct operations revenue lags approximately 45-60 days behind expenses and therefore gross margins may fluctuate. The changes in the market environment, mix of business between direct and agency operations and the contributions from our various business units have impacted margins and net earnings. We have implemented programs and have taken necessary actions to maintain expense levels consistent with revenue streams. However, a short time lag does exist in reducing variable costs and certain fixed costs are incurred regardless of revenue levels. We have taken significant measures to maintain appropriate personnel levels and costs relative to the volume and mix of business while maintaining customer service standards and quality controls. As such, with the decline in open orders on refinance transactions resulting from the increase in mortgage interest rates during the second half of 2003, we began reducing personnel costs with the reduction of approximately 22% of the title and escrow workforce from July to December of 2003 and maintained personnel at appropriate levels during 2004. We will continue to monitor prevailing market conditions and will adjust personnel costs in accordance with activity.

Personnel costs include base salaries, commissions, benefits and bonuses paid to employees, and are one of our most significant operating expenses. Personnel costs totaled \$1,680.8 million, \$1,692.9 million and \$1,260.1 million for the years ended December 31, 2004, 2003 and 2002, respectively. Personnel costs, as a percentage of direct title insurance premiums and escrow and other title-related fees, were 55.2% in 2004, compared with 53.5% in 2003 and 53.7% 2002. The increase in personnel costs as a percentage of total revenue in 2004 is attributable to the lag in reducing personnel to the appropriate level based on activity. In addition, as a result of adopting SFAS No. 123 during 2003, included in personnel costs for 2004 and 2003 is approximately \$5.4 million and \$4.9 million in stock compensation expense, respectively.

Other operating expenses consist primarily of facilities expenses, title plant-related changes, premium taxes (which insurance underwriters are required to pay on title premiums in lieu of franchise and other state taxes), postage and courier services, computer services, professional services, advertising expenses, general insurance, and trade and notes receivable allowances. Other operating expenses totaled \$849.6 million, \$817.6 million and \$633.2 million for the years ended December 31, 2004, 2003 and 2002, respectively. Other operating expenses increased as a percentage of direct title insurance premiums and escrow and other title-related fees to 27.9% in 2004 from 25.8% in 2003, which decreased from 27.0% in 2002. The increase in other operating expenses as a percentage of total direct title premiums and escrow and other fees in 2004 is consistent with the increase in personnel costs as a percentage of total direct title premiums and escrow and other fees.

Agent commissions represent the portion of premiums retained by agents pursuant to the terms of their respective agency contracts. Agent commissions and the resulting percentage of agent premiums we retain vary according to regional differences in real estate closing practices and state regulations.

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The following table illustrates the relationship of agent title premiums and agent commissions:

	2004		2003		2002	
	Amount	%	Amount	%	Amount	%
<b>(In thousands)</b>						
Agent title premiums	\$ 2,714,770	100.0%	\$ 2,595,433	100.0%	\$ 1,989,958	100.0%
Agent commissions	2,117,122	78.0	2,035,810	78.4	1,567,112	78.8
Net margin	\$ 597,648	22.0%	\$ 559,623	21.6%	\$ 422,846	21.2%

The provision for claim losses includes an estimate of anticipated title and title-related claims. The estimate of anticipated title and title-related claims is accrued as a percentage of title premium revenue based on our historical loss experience and other relevant factors. We monitor our claims loss experience on a continual basis and adjust the provision for claim losses accordingly.

A summary of the reserve for claim losses is as follows:

	Year Ended December 31,		
	2004	2003	2002
<b>(Dollars in thousands)</b>			
Beginning balance	\$ 932,439	\$ 887,973	\$ 881,053
Reserves assumed(1)	38,597	4,203	
Claim loss provision related to:			
Current year	275,982	237,919	207,290
Prior years	(16,580)	10,915	(31,327)
Total claim loss provision	259,402	248,834	175,963
Claims paid, net of recoupments related to:			
Current year	(19,095)	(11,591)	(10,058)
Prior years	(230,597)	(196,980)	(158,985)
Total claims paid, net of recoupments	(249,692)	(208,571)	(169,043)
Ending balance	\$ 980,746	\$ 932,439	\$ 887,973
Provision for claim losses as a percentage of title insurance premiums only	5.5%	5.3%	5.0%

(1) We assumed APTIC's outstanding reserve for claim losses in connection with its acquisition in 2004. We assumed ANFI's outstanding reserve for claim losses in connection with its acquisition in 2003.



The title loss provision in 2004 reflects a higher estimated loss for the 2004 policy year offset in part by a favorable adjustment from previous policy years. The unfavorable development during 2003 reflects higher than expected payment levels on previously issued policies.

Interest expense for the years ended December 31, 2004, 2003 and 2002 was \$3.9 million, \$4.6 million and \$8.6 million, respectively.

Income tax expense as a percentage of earnings before income taxes for 2004, 2003 and 2002 was 36.6%, 37.3%, and 36.0%, respectively. The fluctuation in income tax expense as a percentage of earnings before income taxes is attributable to our estimate of ultimate income tax liability, and changes in the characteristics of net earnings year to year, such as underwriting income versus investment income. The increase in 2003 as compared with 2002 is primarily due to an increase in state income tax rates.

**Table of Contents****Selected Quarterly Financial Data**

	<b>Three Months Ended</b>			
	<b>March 31,</b>	<b>June 30,</b>	<b>September 30,</b>	<b>December 31,</b>
	<b>(In thousands)</b>			
<b>2004</b>				
Revenue	\$ 1,314,932	\$ 1,601,316	\$ 1,562,630	\$ 1,410,535
Earnings before income taxes and minority interest	171,740	266,272	214,948	229,967
Net earnings	108,958	168,288	135,923	144,995
<b>2003</b>				
Revenue	\$ 1,219,346	\$ 1,518,656	\$ 1,713,943	\$ 1,518,770
Earnings before income taxes and minority interest	198,943	317,259	341,591	234,125
Net earnings	124,338	198,201	213,739	147,046

**Liquidity and Capital Resources*****Cash Requirements***

Our cash requirements include operating expenses, taxes, payments of interest and principal on our debt, capital expenditures, business acquisitions and dividends on our common stock. We intend to pay an annual dividend of \$1.00 on each share of our common stock, payable quarterly, or an aggregate of approximately \$173.5 million per year, based on the number of shares we had outstanding as of the distribution. We believe that all anticipated cash requirements for current operations will be met from internally generated funds, through cash dividends from subsidiaries, cash generated by investment securities and borrowings and existing credit facilities. Our short-term and long-term liquidity requirements are monitored regularly to ensure that we can meet our cash requirements. We forecast the daily needs of all of our subsidiaries and periodically review their short-term and long-term projected sources and uses of funds, as well as the asset, liability, investment and cash flow assumptions underlying these projections.

Our insurance subsidiaries generate cash from premiums earned and their respective investment portfolios and these funds are adequate to satisfy the payments of claims and other liabilities. Due to the magnitude of our investment portfolio in relation to our claim loss reserves, we do not specifically match durations of our investments to the cash outflows required to pay claims, but do manage outflows on a shorter time frame.

Our two significant sources of internally generated funds are dividends and other payments from our subsidiaries. As a holding company, we will receive cash from our subsidiaries in the form of dividends and as reimbursement for operating and other administrative expenses we incur. The reimbursements will be paid within the guidelines of management agreements to be entered among us and our subsidiaries. Our insurance subsidiaries are restricted by state regulation in their ability to pay dividends and make distributions. Each state of domicile regulates the extent to which our title underwriters can pay dividends or make other distributions to us. See Business Regulation. As of December 31, 2004, \$1,731.3 million of our net assets were restricted from dividend payments without prior approval from the relevant departments of insurance. During the remainder of 2005, our first tier title subsidiaries can pay or make distributions to us of approximately \$89.1 million without prior regulatory approval. Our underwritten title companies collect revenue and pay operating expenses. However, they are not regulated to the same extent as our insurance subsidiaries.

In July 2005 one of our insurance subsidiaries paid a cash dividend to FNF in the amount of \$145 million. This dividend required prior regulatory approval, which was obtained. In August 2005 one of our subsidiaries that is not subject to regulatory limitations or dividend payments paid a dividend to FNF in the form of a promissory note having

a principal amount of \$150 million.

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***Capital Expenditures***

Our capital expenditures relate primarily to fixed assets and were \$70.6 million, \$80.4 million and \$64.1 million in 2004, 2003 and 2002, respectively. We do not expect future capital expenditures to increase significantly.

***Financing***

In connection with the distribution we issued two \$250 million intercompany notes payable to FNF, with terms that mirror the two series of FNF notes being sought in these exchange offers. Proceeds from the issuance of the 7.30% FNF notes due 2011 were used by FNF to repay debt incurred in connection with the acquisition of our subsidiary, Chicago Title, and the proceeds from the 5.25% FNF notes due 2013 were used for general corporate purposes. Interest on each mirror note accrues from the last date on which interest on the corresponding FNF notes was paid and at the same rate. The mirror notes mature on the maturity dates of the corresponding FNF notes. Upon any acceleration of maturity of the FNF notes, whether upon redemption or an event of default of the FNF notes, we must repay the corresponding mirror note. We intend to deliver any FNF notes we receive in the exchange offers to FNF in redemption of an equal principal amount of the corresponding mirror notes.

On October 17, 2005, we entered into a credit agreement with Bank of America, N.A. as administrative agent and swing line lender, and certain agents and other lenders party thereto. The credit agreement provides for a \$400 million unsecured revolving credit facility maturing on the fifth anniversary of the closing date. The credit agreement provides for a revolving credit facility which allows us to borrow, repay and re-borrow amounts from time to time until its maturity. Voluntary prepayment of the revolving credit facility under the credit agreement is permitted at any time without fee upon proper notice and subject to a minimum dollar requirement. Revolving loans under the credit facility bear interest at a variable rate based on either: (i) the higher of (a) a rate per annum equal to one-half of one percent in excess of the Federal Reserve's Federal Funds rate, or (b) Bank of America's prime rate; or (ii) a rate per annum equal to the British Bankers Association LIBOR rate plus a margin of between 0.280% and 1.000%, depending on our then current public debt credit rating from the rating agencies. On October 24, 2005, we borrowed \$150 million under the credit facility at a rate per annum equal to LIBOR + 0.625% in order to satisfy a \$150 million intercompany note issued by one of our subsidiaries to FNF in August 2005.

The credit agreement contains certain affirmative and negative covenants customary for financings of this type, including, among other things, limits on the creation of liens, limits on the incurrence of indebtedness, restrictions on investments, limitations on restricted payments, limits on transactions with affiliates and provisions regarding maintaining investment grade debt ratings. The credit agreement also contains customary financial covenants regarding surplus, interest coverage and total debt to capitalization ratios. The credit agreement includes customary events of default for facilities of this type (with customary grace periods, as applicable) and provides that, upon the occurrence of an event of default, the interest rate on all outstanding obligations will be increased and payments of all outstanding loans may be accelerated and/or the lenders' commitments may be terminated. In addition, upon the occurrence of certain insolvency or bankruptcy related events of default, all amounts payable under the credit agreement shall automatically become immediately due and payable, and the lenders' commitments will automatically terminate.

Subject to certain limited exceptions, we may not issue additional shares of stock without consent of FNF, which it may be unwilling to give because of the resulting tax consequences. See "Our Arrangements with FNF - Separation Agreement."

**Table of Contents****Contractual Obligations**

Our long-term contractual obligations generally include our long-term debt and operating lease payments on certain of our property and equipment. As of December 31, 2004, our required payments relating to our long-term contractual obligations are as follows:

	2005	2006	2007	2008	2009	Thereafter	Total
	(In thousands)						
Notes payable	\$ 22,390	\$	\$	\$	\$	\$	\$ 22,390
Operating lease payments	109,380	94,805	75,338	51,216	28,933	19,699	379,371
Reserve for claim losses	181,617	147,037	115,761	86,806	63,108	386,417	980,746
Pension and postretirement obligations	12,309	12,287	12,575	12,811	12,777	108,936	171,695
<b>Total</b>	<b>\$ 325,696</b>	<b>\$ 254,129</b>	<b>\$ 203,674</b>	<b>\$ 150,833</b>	<b>\$ 104,818</b>	<b>\$ 515,052</b>	<b>\$ 1,554,202</b>

As of December 31, 2004 we had reserves for claim losses of \$980.7 million. The amounts and timing of these obligations are estimated and are not set contractually. Nonetheless, based on historical title insurance claim experience, we anticipate the above payment patterns. While we believe that historical loss payments are a reasonable source for projecting future claim payments, there is significant inherent uncertainty in this payment pattern estimate because of the potential impact of changes in:

future mortgage interest rates, which will affect the number of real estate and refinancing transactions and, therefore, the rate at which title insurance claims will emerge;

the legal environment whereby court decisions and reinterpretations of title insurance policy language to broaden coverage could increase total obligations and influence claim payout patterns;

events such as fraud, defalcation, and multiple property title defects, that can substantially and unexpectedly cause increases in both the amount and timing of estimated title insurance loss payments;

loss cost trends whereby increases or decreases in inflationary factors (including the value of real estate) will influence the ultimate amount of title insurance loss payments; and

claims staffing levels whereby claims may be settled at a different rate based on the future staffing levels of the claims department.

**Off-Balance Sheet Arrangements**

In conducting our operations, we routinely hold customers' assets in escrow, pending completion of real estate transactions. Certain of these amounts are maintained in segregated bank accounts and have not been included in the Combined Balance Sheets. As a result of holding these customers' assets in escrow, we have ongoing programs for realizing economic benefits during the year through favorable borrowing and vendor arrangements with various banks. There were no investments or loans outstanding as of December 31, 2004 related to these arrangements.

**Recent Accounting Pronouncements**

In December 2004, the FASB issued FASB Statement No. 123R ( SFAS No. 123R ), Share-Based Payment, which requires that compensation cost relating to share-based payments be recognized in FNT's financial statements. During 2003, we adopted the fair value recognition provision of Statement of Financial Accounting Standards No. 123,

Accounting for Stock-Based Compensation ( SFAS No. 123 ), for stock-based employee compensation, effective as of the beginning of 2003. We had elected to use the prospective method of transition, as permitted by Statement of Financial Accounting Standards No. 148, Accounting for Stock-Based Compensation Transition and Disclosure ( SFAS No. 148 ). Under this method, stock-

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based employee compensation cost is recognized from the beginning of 2003 as if the fair value method of accounting had been used to account for all employee awards granted, modified, or settled in years beginning after December 31, 2002. SFAS No. 123R does not allow for the prospective method, but requires the recording of expense relating to the vesting of all unvested options beginning in the first quarter of 2006. Since we adopted SFAS No. 123 in 2003, the impact of recording additional expense in 2006 under SFAS No. 123R relating to options granted prior to January 1, 2003 is not significant.

**Market Risks**

Market risk refers to the risk that a change in the level of one or more market factors, such as interest rates or equity prices, will result in losses for financial instruments that we hold or arrangements to which we are a party.

***Interest Rate Risk***

Our fixed maturity investments and borrowings are subject to interest rate risk. Increases and decreases in prevailing interest rates generally translate into decreases and increases in fair values of those instruments. Additionally, fair values of interest rate sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument and other general market conditions.

***Equity Price Risk***

The carrying values of investments subject to equity price risks are based on quoted market prices as of the balance sheet date. Market prices are subject to fluctuation and, consequently, the amount realized in the subsequent sale of an investment may significantly differ from the reported market value. Fluctuation in the market price of a security may result from perceived changes in the underlying economic characteristics of the investee, the relative price of alternative investments and general market conditions. Furthermore, amounts realized in the sale of a particular security may be affected by the relative quantity of the security being sold.

Caution should be used in evaluating our overall market risk from the information below, since actual results could differ materially because the information was developed using estimates and assumptions as described below, and because our reserve for claim losses (representing 41.1% of total liabilities) is not included in the hypothetical effects.

The hypothetical effects of changes in market rates or prices on the fair values of financial instruments would have been as follows as of or for the year ended December 31, 2004:

An approximate \$58.1 million net increase (decrease) in the fair value of fixed maturity securities would have occurred if interest rates were 100 basis points (lower) higher as of December 31, 2004. The change in fair values was determined by estimating the present value of future cash flows using various models, primarily duration modeling.

An approximate \$23.0 million net increase (decrease) in the fair value of equity securities would have occurred if there was a 20% price increase (decrease) in market prices.

It is not anticipated that there would be a significant change in the fair value of other long-term investments or short-term investments if there was a change in market conditions, based on the nature and duration of the financial instruments involved.

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**INDUSTRY BACKGROUND**

**Title Insurance Policies**

Generally, real estate buyers and mortgage lenders purchase title insurance to insure good and marketable title to real estate. A brief generalized description of the process of issuing a title insurance policy is as follows:

The customer, typically a real estate salesperson or broker, escrow agent, attorney or lender, places an order for a title policy.

Company personnel note the specifics of the title policy order and place a request with the title company or its agents for a preliminary report or commitment.

After the relevant historical data on the property is compiled, the title officer prepares a preliminary report that documents the current status of title to the property, any exclusions, exceptions and/or limitations that the title company might include in the policy, and specific issues that need to be addressed and resolved by the parties to the transaction before the title policy will be issued.

The preliminary report is circulated to all the parties for satisfaction of any specific issues.

After the specific issues identified in the preliminary report are satisfied, an escrow agent closes the transaction in accordance with the instructions of the parties and the title company's conditions.

Once the transaction is closed and all monies have been released, the title company issues a title insurance policy.

In a real estate transaction financed with a mortgage, virtually all real property mortgage lenders require their borrowers to obtain a title insurance policy at the time a mortgage loan is made. This lender's policy insures the lender against any defect affecting the priority of the mortgage in an amount equal to the outstanding balance of the related mortgage loan. An owner's policy is typically also issued, insuring the buyer against defects in title in an amount equal to the purchase price. On a refinancing transaction, only a lender's policy is generally purchased because ownership of the property has not changed. In the case of an all-cash real estate purchase, no lender's policy is issued but typically an owner's title policy is issued.

Title insurance premiums paid in connection with a title insurance policy are based on (and typically a percentage of) either the amount of the mortgage loan or the purchase price of the property insured. Title insurance premiums are due in full at the closing of the real estate transaction. The lender's policy generally terminates upon the refinancing or resale of the property.

The amount of the insured risk or face amount of insurance under a title insurance policy is generally equal to either the amount of the loan secured by the property or the purchase price of the property (subject to adjustment if the policy includes inflation adjustment provisions). The title insurer is also responsible for the cost of defending the insured title against covered claims. The insurer's actual exposure at any given time, however, generally is less than the total face amount of policies outstanding because the coverage of a lender's policy is reduced and eventually terminated as a result of payment of the mortgage loan. Because of these factors, the total liability of a title underwriter on outstanding policies cannot be precisely determined.

Title insurance companies typically issue title insurance policies directly through branch offices or through title agencies which are subsidiaries of the title insurance company, and indirectly through independent third party agencies unaffiliated with the title insurance company. Where the policy is issued through a branch or wholly-owned subsidiary agency operation, the title company typically performs or directs the search, and the premiums collected are retained by the title company. Where the policy is issued through an independent agent, the agent generally performs the search (in some areas searches are performed by approved attorneys), examines the title, collects the premium and retains a majority of the premium. The remainder of the premium is remitted to the title company as compensation, part of which is for bearing the risk of loss in the event a claim is made under the policy. The percentage of the premium retained by an agent varies from region to region and is sometimes regulated by the states.



The title company is obligated to

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pay title claims in accordance with the terms of its policies, regardless of whether the title company issues policies through its direct operations or through independent agents.

Prior to issuing policies, title insurers and their agents attempt to reduce the risk of future claim losses by accurately performing searches and examinations. A title company's predominant expense relates to such searches and examinations, the preparation of preliminary title reports, policies or commitments and the maintenance of title plants, which are indexed compilations of public records, maps and other relevant historical documents. Claim losses generally result from errors made in the title search and examination process and from hidden defects such as fraud, forgery, incapacity, or missing heirs of the property.

Residential real estate business results from the construction, sale, resale and refinancing of residential properties, while commercial real estate business results from similar activities with respect to properties with a business or commercial use. Commercial real estate title insurance policies insure title to commercial real property, and generally involve higher coverage amounts and yield higher premiums. The volume of residential real estate transaction volume is primarily affected by macroeconomic and seasonal factors while commercial real estate transactions are affected primarily by fluctuations in local supply and demand conditions for commercial space.

### **Product Market**

The title insurance market in the United States is large and has grown in the last 10 years. According to Demotech, total operating income for the entire U.S. title insurance industry grew from \$4.8 billion in 1995 to \$15.5 billion in 2004. Growth in the industry is closely tied to various macroeconomic factors, including, but not limited to, growth in the gross national product, inflation, interest rates and sales of and prices for new and existing homes, as well as the refinancing of previously issued mortgages.

Most real estate transactions consummated in the U.S. require the use of title insurance by a lending institution before a transaction can be completed. Generally, revenues from title insurance policies are directly correlated with the value of the property underlying the title policy, and appreciation in the overall value of the real estate market helps drive growth in total industry revenues. Industry revenues are also driven by changes in interest rates, which affect demand for new mortgage loans and refinancing transactions.

The U.S. title insurance industry is concentrated among a handful of industry participants. According to Demotech, the top five title insurance companies accounted for 90.2% of net premiums collected in 2004. Over 40 independent title insurance companies accounted for the remaining 9.8% of net premiums collected in 2004. Over the years, the title insurance industry has been consolidating, beginning with the merger of Lawyers Title Insurance and Commonwealth Land Title Insurance in 1998 to create LandAmerica Financial Group, Inc., followed by FNF's acquisition of Chicago Title in March 2000. Consolidation has created opportunities for increased financial and operating efficiencies for the industry's largest participants and should continue to drive profitability and market share in the industry.

### **Trends and Opportunities**

Title insurance companies today face significant challenges resulting from consolidation among traditional title companies and new entrants, technological innovation and evolving customer preferences and behavior. As a result of these challenges, we believe that the title insurance industry is experiencing or will be subject to the following significant trends:

Title insurance companies remain subject to consolidation within the industry. This creates the potential for an increased customer base and continued economies of scale.

In order to achieve lower costs, title insurance companies may increasingly outsource search and examination functions of the title process.

If mortgage interest rates begin to rise, the volume and average value of real estate related transactions may decline and affect revenue.

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**BUSINESS**

**Company Overview**

We are the largest title insurance company in the United States. Our title insurance underwriters Fidelity National Title, Chicago Title, Ticor Title, Security Union Title and Alamo Title together issued approximately 30.5% of all title insurance policies issued nationally during 2004, as measured by premiums. Our title business consists of providing title insurance and escrow and other title-related products and services arising from the real estate closing process. Our operations are conducted on a direct basis through our own employees who act as title and escrow agents and through independent agents. In addition to our independent agents, our customers are lenders, mortgage brokers, attorneys, real estate agents, home builders and commercial real estate developers. We do not focus our marketing efforts on the homeowner.

**History**

The predecessors to FNT have primarily been title insurance companies, some of which have been in operation since the late 1800s. Many of these title insurance companies have been acquired in the last two decades. In 1984, FNF acquired a controlling interest in Fidelity National Title Insurance Company. During the 1990s, FNF acquired Alamo Title, Nations Title Inc., Western Title Company of Washington and First Title Corp. In 2000, FNF completed the acquisition of Chicago Title Corp., creating the largest title insurance organization in the world, and in 2004, FNF acquired American Pioneer Title Insurance Company, which now operates under our Ticor Title brand. Chicago Title had previously acquired Security Union Title in 1987 and Ticor Title Insurance Company in 1991. Our businesses have historically been operated as wholly-owned subsidiaries of FNF.

**Competitive Strengths**

We believe that our competitive strengths include the following:

*Leading title insurance company.* We are the largest title insurance company in the United States and a leading provider of title insurance and escrow services for real estate transactions. We currently have the leading market share for title insurance in California, New York, Texas and Florida, which are the four largest markets for title insurance in the United States, which account for approximately 48% of all title insurance business in the United States. We have approximately 1,500 locations throughout the United States providing our title insurance services.

*Established relationships with our customers.* We have strong relationships with the customers who use our title services. Our agent distribution network, which includes over 9,500 agents, is among the largest in the United States. We also benefit from strong brand recognition in our five FNT title brands that allows us to access a broader client base than if we operated under a single consolidated brand and provides our customers with a choice among FNT brands.

*Strong value proposition for our customers.* We provide our customers with title insurance and escrow and other closing services that support their ability to effectively close real estate transactions. We help make the real estate closing more efficient for our customers by offering a single point of access to a broad platform of title-related products and resources necessary to close real estate transactions.

*Proven management team.* The managers of our operating businesses have successfully built our title business over an extended period of time, resulting in our business attaining the size, scope and presence in the industry that it has today. Our managers have demonstrated their leadership ability during numerous acquisitions through which we have grown and throughout a number of business cycles and significant periods of industry change.

*Competitive cost structure.* We have been able to maintain competitive operating margins in part by monitoring our businesses in a disciplined manner through continual evaluation and management of our cost structure. When compared to other industry competitors, we also believe that our management structure has fewer layers of managers which allows us to operate with lower overhead costs.

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*Commercial title insurance.* While residential title insurance comprises the majority of our business, we believe we are the largest provider of commercial real estate title insurance in the United States. Our network of agents, attorneys, underwriters and closers that service the commercial real estate markets is one of the largest in the industry. Our commercial network combined with our financial strength makes our title insurance operations attractive to large national lenders who require the underwriting and issuing of larger commercial title policies.

*Corporate principles.* A cornerstone of our management philosophy and operating success is the five fundamental precepts upon which FNF was founded:

Bias for action

Autonomy and entrepreneurship

Employee ownership

Minimal bureaucracy

Close customer relationships

These five precepts are emphasized to our employees from the first day of employment and are integral to many of our strategies described below.

**Strategy**

Our strategy in the title insurance business is to maximize operating profits by increasing our market share and managing operating expenses throughout the real estate business cycle. To accomplish our goals, we intend to:

*Continue to operate each of our five title brands independently.* We believe that in order to maintain and strengthen our title insurance customer base, we must leave the Fidelity National Title, Chicago Title, Ticor Title, Security Union Title and Alamo Title brands intact and operate these brands independently. In most of our largest markets, we operate two, and in a few cases, three brands. This approach allows us to continue to attract customers who identify with one brand over another and allows us to utilize a broader base of local agents and local operations than we would have with a single consolidated brand.

*Consistently deliver superior customer service.* We believe customer service and consistent product delivery are the most important factors in attracting and retaining customers. Our ability to provide superior customer service and provide consistent product delivery requires continued focus on providing high quality service and products at competitive prices. Our goal is to continue to improve the experience of our customers in all aspects of our business.

*Manage our operations successfully through business cycles.* We operate in a cyclical business and our ability to diversify our revenue base within our core title insurance business and manage the duration of our investments may allow us to better operate in this cyclical business. Maintaining a broad geographic revenue base, utilizing both direct and independent agency operations and pursuing both residential and commercial title insurance business help diversify our title insurance revenues. Maintaining shorter durations on our investment portfolio allows us to increase our investment revenue in a rising interest rate environment, which may offset some of the decline in premiums and service revenues we would expect in such an environment. For a more detailed discussion of our investment strategies, see Investment Policies and Investment Portfolio.

*Continue to improve our products and technology.* As a national provider of real estate transaction products and services, we participate in an industry that is subject to significant change, frequent new product and service introductions and evolving industry standards. We believe that our future success will depend in part on our ability to anticipate industry changes and offer products and services that meet evolving industry standards. In connection with our service offerings, we are currently upgrading our operating system to improve the process of ordering title services and improve the delivery of our products to our customers.

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*Maintain values supporting our strategy.* We believe that continuing to focus on and support our long-established corporate culture will reinforce and support our business strategy. Our goal is to foster and support a corporate culture where our agents and employees seek to operate independently and profitably at the local level while forming close customer relationships by meeting customer needs and improving customer service. Utilizing a relatively flat managerial structure and providing our employees with a sense of individual ownership supports this goal.

*Effectively manage costs based on economic factors.* We believe that our focus on our operating margins is essential to our continued success in the title insurance business. Regardless of the business cycle in which we may be operating, we seek to continue to evaluate and manage our cost structure and make appropriate adjustments where economic conditions dictate. This continual focus on our cost structure helps us to better maintain our operating margins.

**Title Insurance**

We provide title insurance services through our direct operations and through independent title insurance agents who issue title policies on behalf of our title insurance companies. Our title insurance companies determine the terms and conditions upon which they will insure title to the real property according to their underwriting standards, policies and procedures.

*Direct Operations.* In our direct operations, the title insurer issues the title insurance policy and retains the entire premium paid in connection with the transaction. Our direct operations provide the following benefits:

higher margins because we retain the entire premium from each transaction instead of paying a commission to an independent agent;

continuity of service levels to a broad range of customers; and

additional sources of income through escrow and closing services.

We have approximately 1,500 offices throughout the U.S. primarily providing residential real estate title insurance. Our commercial real estate title insurance business is operated almost exclusively through our direct operations. We maintain direct operations for our commercial title insurance business in all the major real estate markets including New York, Los Angeles, Chicago, Atlanta, Dallas, Philadelphia, Phoenix, Seattle and Houston.

*Agency Operations.* In our agency operations, the search and examination function is performed by an independent agent or the agent may purchase the search and examination from us. In either case, the agent is responsible to ensure that the search and examination is completed. The agent thus retains the majority of the title premium collected, with the balance remitted to the title underwriter for bearing the risk of loss in the event that a claim is made under the title insurance policy. Independent agents may select among several title underwriters based upon their relationship with the underwriter, the amount of the premium split offered by the underwriter, the overall terms and conditions of the agency agreement and the scope of services offered to the agent. Premium splits vary by geographic region. Our relationship with each agent is governed by an agency agreement defining how the agent issues a title insurance policy on our behalf. The agency agreement also sets forth the agent's liability to us for policy losses attributable to the agent's errors. An agency agreement is usually terminable without cause upon 30 days' notice or immediately for cause. In determining whether to engage or retain an independent agent, we consider the agent's experience, financial condition and loss history. For each agent with whom we enter into an agency agreement we maintain financial and loss experience records. We also conduct periodic audits of our agents.

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*Fees and Premiums.* One means of analyzing our business is by examining the level of premiums generated by direct and agency operations. The following table presents the percentages of our title insurance premiums generated by direct and agency operations:

	Six Months Ended June 30,				Year Ended December 31,					
	2005		2004		2004		2003		2002	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	(In thousands)				(In thousands)					
Direct	\$ 1,017,396	43.8%	\$ 987,019	42.3%	\$ 2,003,447	42.5%	\$ 2,105,317	44.8%	\$ 1,557,769	43.9%
Agency	1,304,200	56.2%	1,348,430	57.7%	2,714,770	57.5%	2,595,433	55.2%	1,989,958	56.1%
Total title insurance premiums	\$ 2,321,596	100.0%	\$ 2,335,449	100.0%	\$ 4,718,217	100.0%	\$ 4,700,750	100.0%	\$ 3,547,727	100.0%

The premium for title insurance is due in full when the real estate transaction is closed. We recognize title insurance premium revenues from direct operations upon the closing of the transaction, whereas premium revenues from agency operations include an accrual based on estimates of the volume of transactions that have closed in a particular period for which premiums have not yet been reported to us. The accrual for agency premiums is necessary because of the lag between the closing of these transactions and the reporting of these policies to us by the agent and is based on estimates utilizing historical information.

*Geographic Operations.* Our direct operations are divided into approximately 228 profit centers consisting of more than 1,500 direct offices. Each profit center processes title insurance transactions within its geographical area, which is usually identified by a county, a group of counties forming a region, or a state, depending on the management structure in that part of the country. We also transact title insurance business through a network of over 9,500 agents, primarily in those areas in which agents are the more prevalent title insurance provider.

The following table sets forth the approximate dollar and percentage volumes of our title insurance premium revenue by state.

	Year Ended December 31,					
	2004		2003		2002	
	Amount	%	Amount	%	Amount	%
	(In thousands)					
California	\$ 1,055,296	22.4%	\$ 1,183,643	25.2%	\$ 895,698	25.2%
Texas	514,417	10.9%	527,583	11.2%	429,740	12.1%
Florida	483,860	10.3%	310,545	6.6%	215,367	6.1%
New York	400,827	8.5%	378,341	8.0%	295,636	8.3%
Illinois	202,277	4.3%	222,534	4.7%	173,651	4.9%
All others	2,061,540	43.6%	2,078,104	44.3%	1,537,635	43.4%
Totals	\$ 4,718,217	100.0%	\$ 4,700,750	100.0%	\$ 3,547,727	100.0%



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The following table sets forth the approximate dollar and percentage volumes of title insurance premium for the industry for 2004 by state according to Demotech.

	<b>Year Ended December 31, 2004</b>	
	<b>Amount</b>	<b>%</b>
	<b>(In thousands)</b>	
California	\$ 3,068,170	19.8%
Florida	1,804,513	11.6%
Texas	1,491,295	9.6%
New York	1,146,752	7.4%
Pennsylvania	592,232	3.8%
All others	7,431,878	47.8%
<b>Totals</b>	<b>\$ 15,534,840</b>	<b>100.0%</b>

**Escrow and Other Title-Related Services**

In addition to fees for underwriting title insurance policies, we derive a significant amount of our revenues from escrow and other title-related services, including closing services. The escrow and other services provided by us include all of those typically required in connection with residential and commercial real estate purchase and refinance activities. Escrow and other title-related fees represented approximately 18.4% of our revenues in the first six months of 2005 and 17.7% and 17.7% of our revenues for 2004 and 2003, respectively. Escrow and other title-related fees are primarily generated by our direct title operations and increases or decreases in the amount of revenue we receive from these services are closely related to increases or decreases in revenues from our direct title operations.

**Sales and Marketing**

We market and distribute our title and escrow products and services to customers in the residential and commercial market sectors of the real estate industry through customer solicitation by sales personnel. Although in many instances the individual homeowner is the beneficiary of a title insurance policy, we do not focus our marketing efforts on the homeowner. We actively encourage our sales personnel to develop new business relationships with persons in the real estate community, such as real estate sales agents and brokers, financial institutions, independent escrow companies and title agents, real estate developers, mortgage brokers and attorneys who order title insurance policies for their clients. While our smaller, local clients remain important, large customers, such as national residential mortgage lenders, real estate investment trusts and developers have become an increasingly important part of our business. The buying criteria of locally based clients differ from those of large, geographically diverse customers in that the former tend to emphasize personal relationships and ease of transaction execution, while the latter generally place more emphasis on consistent product delivery across diverse geographical regions and ability of service providers to meet their information systems requirements for electronic product delivery.

**Reinsurance and Coinsurance**

In a limited number of situations we limit our maximum loss exposure by reinsuring certain risks with other title insurers under agent fidelity, excess of loss and case-by-case reinsurance agreements. We also earn a small amount of additional income, which is reflected in our direct premiums, by assuming reinsurance for certain risks of other title insurers. Reinsurance agreements provide generally that the reinsurer is liable for loss and loss adjustment expense payments exceeding the amount retained by the ceding company. However, the ceding company remains primarily liable in the event the reinsurer does not meet its contractual obligations.

We also use coinsurance in our commercial title business to provide coverage in amounts greater than we would be willing or able to provide individually. In coinsurance transactions, each individual underwriting





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company issues a separate policy and assumes a portion of the overall total risk. As a coinsurer we are only liable for the portion of the risk we assumed.

### **Losses and Reserves**

While most other forms of insurance provide for the assumption of risk of loss arising out of unforeseen events, title insurance serves to protect the policyholder from risk of loss from events that predate the issuance of the policy. As a result, claim losses associated with issuing title policies are less expensive when compared to other insurance underwriters. The maximum amount of liability under a title insurance policy is generally the face amount of the policy plus the cost of defending the insured's title against an adverse claim.

Reserves for claim losses are established based upon known claims, as well as losses incurred but not yet reported to us based upon historical experience and other factors, including industry trends, claim loss history, legal environment, geographic considerations, expected recoupments and the types of policies written. We also reserve for losses arising from escrow, closing and disbursement functions due to fraud or operational error.

Although most claims against title insurance policies are reported relatively soon after the policy has been issued, claims may be reported many years later. By their nature, claims are often complex, vary greatly in dollar amounts and are affected by economic and market conditions and the legal environment existing at the time of settlement of the claims. Estimating future title loss payments is difficult because of the complex nature of title claims, the long periods of time over which claims are paid, significantly varying dollar amounts of individual claims and other factors.

A title insurance company can minimize its losses by having strict quality control systems and underwriting standards in place. These controls increase the likelihood that the appropriate level of diligence is conducted in completing a title search so that the possibility of potential claims is significantly mitigated. In the case of independent agents who conduct their own title searches, the agency agreement between the agent and the title insurance underwriter gives the underwriter the ability to proceed against the agent when a loss arises from a flawed title search. We take an aggressive stance in pursuing claims against independent agents for losses that arise from fraud, misrepresentation, deceptive trade practices or other wrongful acts commonly referred to as bad faith.

Courts and juries sometimes award damages against insurance companies, including title insurance companies, in excess of policy limits. Such awards are typically based on allegations of fraud, misrepresentation, deceptive trade practices or other wrongful acts. The possibility of such bad faith damage awards may cause us to experience increased costs and difficulty in settling title claims.

The maximum insurable amount under any single title insurance policy is determined by statutorily calculated net worth. The highest self-imposed single policy maximum insurable amount for any of our title insurance subsidiaries is \$375.0 million.

### **Investment Policies and Investment Portfolio**

Our investment policy is designed to maintain a high quality portfolio, maximize income and minimize interest rate risk. We also make investments in certain equity securities in order to take advantage of perceived value and for strategic purposes. Various states regulate what types of assets qualify for purposes of capital and surplus and statutory unearned premium reserves. We manage our investment portfolio and do not utilize third party investment managers.

As of December 31, 2004 and 2003, the carrying amount, which approximates the fair value, of total investments was \$2,174.8 million and \$1,615.7 million, respectively.

We purchase investment grade fixed maturity securities, selected non-investment grade fixed maturity securities and equity securities. The securities in our portfolio are subject to economic conditions and normal market risks and uncertainties.

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The following table presents certain information regarding the investment ratings of our fixed maturity portfolio at December 31, 2004 and 2003.

Ratings(1)	Year Ended December 31,				Year Ended December 31,			
	2004		2004		2003		2003	
	Amortized Cost	% of Total	Fair Value	% of Total	Amortized Cost	% of Total	Fair Value	% of Total
(In thousands)								
AAA	\$ 1,373,836	63.3%	\$ 1,376,727	63.3%	\$ 1,023,385	64.5%	\$ 1,041,271	64.4%
AA	329,417	15.2	332,761	15.3	262,152	16.5	270,912	16.8
A	280,004	12.9	277,556	12.8	201,408	12.7	202,429	12.5
BBB	60,067	2.7	59,252	2.7	45,981	2.9	45,943	2.8
Other	128,362	5.9	128,521	5.9	53,640	3.4	55,149	3.5
	\$ 2,171,686	100.0%	\$ 2,174,817	100.0%	\$ 1,586,566	100.0%	\$ 1,615,704	100.0%

(1) Ratings as assigned by S&P's Ratings Group and Moody's.

The following table presents certain information regarding contractual maturities of our fixed maturity securities at December 31, 2004:

Maturity	December 31, 2004			
	Amortized Cost	% of Total	Fair Value	% of Total
(In thousands)				
One year or less	\$ 342,855	15.8%	\$ 343,171	15.8%
After one year through five years	1,083,385	49.9	1,084,365	49.9
After five years through ten years	405,776	18.7	407,356	18.7
After ten years	256,359	11.8	256,429	11.8
Mortgage-backed securities	83,311	3.8	83,496	3.8
	\$ 2,171,686	100.0%	\$ 2,174,817	100.0%