

FIRST AMERICAN CORP
Form 10-Q
July 30, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009

OR

.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-13585

THE FIRST AMERICAN CORPORATION

(Exact name of registrant as specified in its charter)

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| | |
|--|--|
| Incorporated in California (State or other jurisdiction of incorporation or organization) | 95-1068610 (I.R.S. Employer Identification No.) |
| 1 First American Way, Santa Ana, California (Address of principal executive offices) | 92707-5913 (Zip Code) |
| (714) 250-3000 (Registrant's telephone number, including area code) | |

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated Filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY

PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

On July 28, 2009, there were 93,366,157 Common shares outstanding.

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THE FIRST AMERICAN CORPORATION
AND SUBSIDIARY COMPANIES
INFORMATION INCLUDED IN REPORT

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

CERTAIN STATEMENTS IN THIS QUARTERLY REPORT ON FORM 10-Q, INCLUDING BUT NOT LIMITED TO THOSE RELATING TO:

THE CONSUMMATION OF THE PROPOSED SPIN-OFF TRANSACTION ANNOUNCED JANUARY 15, 2008 AND THE FORM AND TIMING THEREOF;

THE TEMPORARY NATURE OF THE DOWNTURN IN THE FINANCIAL SERVICES SECTOR AND THE COMPANY'S ABILITY AND INTENT TO HOLD CERTAIN SECURITIES UNTIL A RECOVERY OCCURS;

ESTIMATED AMORTIZATION EXPENSE FOR CERTAIN FINITE-LIVED INTANGIBLE ASSETS;

FUTURE COMPANY CONTRIBUTIONS TO ITS PENSION PLAN;

THE EFFECT OF LAWSUITS, REGULATORY AUDITS AND INVESTIGATIONS AND OTHER LEGAL PROCEEDINGS ON THE COMPANY'S FINANCIAL CONDITION, RESULTS OF OPERATIONS OR CASH FLOWS;

CHANGES IN UNRECOGNIZED TAX POSITIONS AND THE EFFECT THEREOF ON THE COMPANY'S EFFECTIVE TAX RATE;

THE EFFECT OF PENDING AND RECENT ACCOUNTING PRONOUNCEMENTS ON THE COMPANY'S FINANCIAL STATEMENTS

THE EFFECT OF THE ISSUES FACING THE COMPANY'S CUSTOMERS;

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THE IMPACT OF THE UNCERTAINTY IN THE OVERALL ECONOMY, INCLUDING UNEMPLOYMENT AND THE REAL ESTATE AND MORTGAGE MARKETS, ON THE COMPANY'S LINES OF BUSINESS;

THE COMPANY'S COST CONTROL INITIATIVES, AGENCY RELATIONSHIPS, OFFSHORE LEVERAGE, SALES EFFORTS AND DEVELOPMENT OF NEW PRODUCTS AND SERVICE OFFERINGS;

THE NON-RECURRENCE OF INCREASES IN CLAIMS ASSOCIATED WITH THE COMPANY'S TAX SERVICE OUTSOURCING BUSINESS;

THE INCREASE IN PROFIT MARGINS OF THE INFORMATION AND OUTSOURCING SOLUTIONS SEGMENT AS REVENUES INCREASE;

THE EFFECT ON REVENUES OF RECENT CLARITY ON THE ROLE THE GOVERNMENT WILL BE PLAYING IN THE MORTGAGE FINANCE FIELD;

THE REALIZATION OF TAX BENEFITS ASSOCIATED WITH CERTAIN LOSSES;

THE SUFFICIENCY OF THE COMPANY'S RESOURCES TO SATISFY OPERATIONAL CASH REQUIREMENTS;

FUTURE PAYMENT OF DIVIDENDS; AND

POTENTIAL WRITE-DOWNS OF THE COMPANY'S INVESTMENTS AND THE EFFECTS THEREOF; ARE FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF SECTION 27A OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. THESE FORWARD-LOOKING STATEMENTS MAY CONTAIN THE WORDS BELIEVE, ANTICIPATE, EXPECT, PLAN, PREDICT, ESTIMATE, PROJECT, WILL BE, WILL CONTINUE, WILL LIKELY RESULT, OR OTHER SIMILAR WORDS AND PHRASES.

RISKS AND UNCERTAINTIES EXIST THAT MAY CAUSE RESULTS TO DIFFER MATERIALLY FROM THOSE SET FORTH IN THESE FORWARD-LOOKING STATEMENTS. FACTORS THAT COULD CAUSE THE ANTICIPATED RESULTS TO DIFFER FROM THOSE DESCRIBED IN THE FORWARD-LOOKING STATEMENTS INCLUDE:

INTEREST RATE FLUCTUATIONS;

CHANGES IN THE PERFORMANCE OF THE REAL ESTATE MARKETS;

LIMITATIONS ON ACCESS TO PUBLIC RECORDS AND OTHER DATA;

GENERAL VOLATILITY IN THE CAPITAL MARKETS;

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CHANGES IN APPLICABLE GOVERNMENT REGULATIONS;

HEIGHTENED SCRUTINY BY LEGISLATORS AND REGULATORS OF THE COMPANY S TITLE INSURANCE AND SERVICES SEGMENT AND CERTAIN OTHER OF THE COMPANY S BUSINESSES;

THE INABILITY TO CONSUMMATE THE SPIN-OFF TRANSACTION OR TO CONSUMMATE IT IN THE FORM ORIGINALLY PROPOSED AS A RESULT OF, AMONG OTHER FACTORS, THE INABILITY TO OBTAIN NECESSARY REGULATORY APPROVALS, THE FAILURE TO OBTAIN THE FINAL APPROVAL OF THE COMPANY S BOARD OF DIRECTORS, THE INABILITY TO OBTAIN THIRD PARTY CONSENTS OR UNDESIRABLE CONCESSIONS OR ACCOMMODATIONS REQUIRED TO BE MADE TO OBTAIN SUCH CONSENTS, THE LANDSCAPE OF THE REAL ESTATE AND MORTGAGE CREDIT MARKETS, MARKET CONDITIONS, THE INABILITY TO TRANSFER ASSETS INTO THE ENTITY BEING SPUN-OFF OR UNFAVORABLE REACTIONS FROM CUSTOMERS, RATINGS AGENCIES, INVESTORS OR OTHER INTERESTED PERSONS;

THE INABILITY TO REALIZE THE BENEFITS OF THE PROPOSED SPIN-OFF TRANSACTION AS A RESULT OF THE FACTORS DESCRIBED IMMEDIATELY ABOVE, AS WELL AS, AMONG OTHER FACTORS, INCREASED BORROWING COSTS, COMPETITION BETWEEN THE RESULTING COMPANIES, UNFAVORABLE REACTIONS FROM EMPLOYEES, THE INABILITY OF THE FINANCIAL SERVICES COMPANY TO PAY THE ANTICIPATED LEVEL OF DIVIDENDS, THE TRIGGERING OF RIGHTS AND OBLIGATIONS BY THE TRANSACTION OR ANY LITIGATION ARISING OUT OF OR RELATED TO THE SEPARATION;

CONSOLIDATION AMONG THE COMPANY S SIGNIFICANT CUSTOMERS AND COMPETITORS;

CHANGES IN THE COMPANY S ABILITY TO INTEGRATE BUSINESSES WHICH IT ACQUIRES;

UNFAVORABLE ECONOMIC CONDITIONS;

IMPAIRMENTS IN THE COMPANY S GOODWILL OR OTHER INTANGIBLE ASSETS;

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LOSSES IN THE COMPANY'S INVESTMENT PORTFOLIO;

EXPENSES OF AND FUNDING OBLIGATIONS TO THE COMPANY'S PENSION PLAN;

WEAKNESS IN THE COMMERCIAL REAL ESTATE MARKET AND INCREASES IN THE AMOUNT OR SEVERITY OF COMMERCIAL REAL ESTATE TRANSACTION CLAIMS; AND

OTHER FACTORS DESCRIBED IN PART I, ITEM 1A OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2008, AS UPDATED IN PART II, ITEM 1A OF THE COMPANY'S QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2009, AND AS FURTHER UPDATED HEREIN.

THE FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE THEY ARE MADE. THE COMPANY DOES NOT UNDERTAKE TO UPDATE FORWARD-LOOKING STATEMENTS TO REFLECT CIRCUMSTANCES OR EVENTS THAT OCCUR AFTER THE DATE THE FORWARD-LOOKING STATEMENTS ARE MADE.

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PART I: FINANCIAL INFORMATION

Item 1. Financial Statements.

THE FIRST AMERICAN CORPORATION

AND SUBSIDIARY COMPANIESCondensed Consolidated Balance Sheets

(in thousands)

(unaudited)

| | June 30, 2009 | December 31, 2008 |
|---|--------------------------|------------------------------|
| Assets | | |
| Cash and cash equivalents | \$ 1,022,931 | \$ 934,945 |
| Accounts and accrued income receivable, net | 537,913 | 558,946 |
| Income tax receivable | 45,013 | 61,678 |
| Investments: | | |
| Deposits with savings and loan associations and banks | 118,523 | 182,117 |
| Debt securities | 1,608,650 | 1,718,320 |
| Equity securities | 140,192 | 110,126 |
| Other long-term investments | 378,802 | 371,157 |
| | 2,246,167 | 2,381,720 |
| Loans receivable, net | 152,494 | 151,692 |
| Property and equipment, net | 629,141 | 665,305 |
| Title plants and other indexes | 690,511 | 685,090 |
| Deferred income taxes | 100,923 | 149,473 |
| Goodwill | 2,620,582 | 2,594,738 |
| Other intangible assets, net | 276,562 | 298,411 |
| Other assets | 244,485 | 248,057 |
| | \$ 8,566,722 | \$ 8,730,055 |
| Liabilities and Equity | | |
| Demand deposits | \$ 1,167,857 | \$ 1,298,221 |
| Accounts payable and accrued liabilities | 890,973 | 994,093 |

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| | | |
|--|--------------|--------------|
| Deferred revenue | 702,738 | 728,844 |
| Reserve for known and incurred but not reported claims | 1,310,524 | 1,355,392 |
| Notes and contracts payable | 833,553 | 868,274 |
| Deferrable interest subordinated notes | 100,000 | 100,000 |
| | 5,005,645 | 5,344,824 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, \$1 par value Authorized 500 shares; outstanding none | | |
| Common stock, \$1 par value: | | |
| Authorized 180,000 shares | | |
| Outstanding 93,357 and 92,963 shares | 93,357 | 92,963 |
| Additional paid-in capital | 817,388 | 801,228 |
| Retained earnings | 2,166,054 | 2,099,654 |
| Accumulated other comprehensive loss | (221,236) | (290,362) |
| The First American Corporation (FAC) stockholders' equity | 2,855,563 | 2,703,483 |
| Noncontrolling interests | 705,514 | 681,748 |
| Total equity | 3,561,077 | 3,385,231 |
| | \$ 8,566,722 | \$ 8,730,055 |

See notes to condensed consolidated financial statements.

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THE FIRST AMERICAN CORPORATION

AND SUBSIDIARY COMPANIESCondensed Consolidated Statements of Income

(in thousands, except per share amounts)

(unaudited)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|--|--------------|--------------------------------------|--------------|
| | 2009 | 2008 | 2009 | 2008 |
| Revenues | | | | |
| Operating revenues | \$ 1,503,799 | \$ 1,668,548 | \$ 2,822,968 | \$ 3,263,817 |
| Investment and other income | 55,342 | 56,516 | 112,955 | 126,248 |
| Gain on stock issued by subsidiary | | 1,325 | | 1,325 |
| Net realized investment losses | (21,759) | (41,338) | (20,729) | (47,214) |
| | 1,537,382 | 1,685,051 | 2,915,194 | 3,344,176 |
| Expenses | | | | |
| Salaries and other personnel costs | 475,943 | 562,900 | 938,803 | 1,140,514 |
| Premiums retained by agents | 278,604 | 377,062 | 518,163 | 741,113 |
| Other operating expenses | 449,911 | 478,980 | 877,041 | 928,620 |
| Provision for policy losses and other claims | 104,616 | 114,883 | 194,007 | 221,982 |
| Depreciation and amortization | 51,532 | 59,703 | 103,534 | 117,226 |
| Premium taxes | 8,650 | 12,270 | 16,416 | 24,286 |
| Interest | 15,713 | 15,644 | 31,804 | 37,252 |
| | 1,384,969 | 1,621,442 | 2,679,768 | 3,210,993 |
| Income before income taxes | 152,413 | 63,609 | 235,426 | 133,183 |
| Income taxes provision | 58,478 | 26,876 | 86,533 | 48,993 |
| Net income | 93,935 | 36,733 | 148,893 | 84,190 |
| Less: Net income attributable to noncontrolling interests | 23,663 | 17,128 | 42,596 | 35,267 |
| Net income attributable to FAC | \$ 70,272 | \$ 19,605 | \$ 106,297 | \$ 48,923 |
| Net income attributable to FAC stockholders (Note 7): | | | | |
| Basic | \$ 0.75 | \$ 0.21 | \$ 1.14 | \$ 0.53 |
| Diluted | \$ 0.75 | \$ 0.21 | \$ 1.13 | \$ 0.53 |
| Cash dividends per share | \$ 0.22 | \$ 0.22 | \$ 0.44 | \$ 0.44 |
| Weighted-average number of shares (Note 7): | | | | |
| Basic | 93,260 | 92,503 | 93,141 | 92,252 |
| Diluted | 94,005 | 93,205 | 93,758 | 92,951 |

See notes to condensed consolidated financial statements.

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THE FIRST AMERICAN CORPORATION

AND SUBSIDIARY COMPANIESCondensed Consolidated Statements of Comprehensive Income

(in thousands)

(unaudited)

| | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|---|--|-----------|--------------------------------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| Net income | \$ 93,935 | \$ 36,733 | \$ 148,893 | \$ 84,190 |
| Other comprehensive income (loss), net of tax | | | | |
| Unrealized gain (loss) on securities | 49,625 | (23,483) | 50,249 | (50,809) |
| Unrealized gain (loss) on securities for which credit-related portion was recognized in net realized investment gains (losses) | 3,521 | | (1,199) | |
| Foreign currency translation adjustments | 22,152 | 3,156 | 17,575 | 3,900 |
| Minimum pension liability adjustment | 3,771 | 2,083 | 7,378 | 4,166 |
| Total other comprehensive income (loss), net of tax | 79,069 | (18,244) | 74,003 | (42,743) |
| Comprehensive income | 173,004 | 18,489 | 222,896 | 41,447 |
| Less: Comprehensive income attributable to noncontrolling interests | 26,897 | 13,171 | 47,473 | 26,240 |
| Comprehensive income attributable to FAC | \$ 146,107 | \$ 5,318 | \$ 175,423 | \$ 15,207 |

See notes to condensed consolidated financial statements

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THE FIRST AMERICAN CORPORATION

AND SUBSIDIARY COMPANIESCondensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

| | For the Six Months Ended June 30, | |
|---|--|-------------|
| | 2009 | 2008 |
| Cash flows from operating activities: | | |
| Net income | \$ 148,893 | \$ 84,190 |
| Adjustments to reconcile net income to cash provided by (used for) operating activities- | | |
| Provision for policy losses and other claims | 194,007 | 221,982 |
| Depreciation and amortization | 103,534 | 117,226 |
| Net realized investment losses | 20,729 | 45,889 |
| Share-based compensation | 17,309 | 14,653 |
| Equity in earnings of affiliates | (49,716) | (28,257) |
| Changes in assets and liabilities excluding effects of company acquisitions and noncash transactions- | | |
| Claims paid, including assets acquired, net of recoveries | (244,991) | (241,326) |
| Net change in income tax accounts | 41,007 | (85,065) |
| Decrease (increase) in accounts and accrued income receivable | 25,718 | (66,633) |
| Decrease in accounts payable and accrued liabilities | (88,743) | (121,627) |
| Decrease in deferred revenue | (26,106) | (21,962) |
| Other, net | 10,978 | (2,192) |
| Cash provided by (used for) operating activities | 152,619 | (83,122) |
| Cash flows from investing activities: | | |
| Net cash effect of company acquisitions | (25,849) | (110,410) |
| Purchase of subsidiary shares from noncontrolling interests | (9,873) | |
| Sale of subsidiary shares to/other changes in noncontrolling interest | 5,113 | |
| Net decrease (increase) in deposits with banks | 63,594 | (191,515) |
| Net increase in loans receivable | (802) | (6,424) |
| Purchases of debt and equity securities | (298,213) | (414,121) |
| Proceeds from sales of debt and equity securities | 228,199 | 131,018 |
| Proceeds from maturities of debt securities | 194,789 | 126,560 |
| Net decrease in other long-term investments | 42,720 | 21,905 |
| Capital expenditures | (35,320) | (77,455) |
| Purchases of capitalized data | (12,584) | (16,267) |
| Proceeds from sale of property and equipment | 9,219 | 12,650 |
| Cash provided by (used for) investing activities | 160,993 | (524,059) |
| Cash flows from financing activities: | | |
| Net change in demand deposits | (130,364) | 409,846 |
| Proceeds from issuance of debt | 54,011 | 214,888 |
| Repayment of debt | (94,085) | (198,790) |
| Proceeds from exercise of stock options | 2,169 | 12,569 |
| Proceeds from the issuance of stock to employee benefit plans | 2,429 | 4,005 |
| Contributions from noncontrolling interests | 891 | |

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| | | |
|--|--------------|------------|
| Distributions to noncontrolling interests | (19,838) | (22,368) |
| Excess tax benefits from share-based compensation | 115 | 491 |
| Cash dividends | (40,954) | (40,492) |
| Cash (used for) provided by financing activities | (225,626) | 380,149 |
| Net increase (decrease) in cash and cash equivalents | 87,986 | (227,032) |
| Cash and cash equivalents Beginning of period | 934,945 | 1,162,569 |
| Cash and cash equivalents End of period | \$ 1,022,931 | \$ 935,537 |

Supplemental information:

Cash paid during the quarter for:

| | | |
|--|-----------|------------|
| Interest | \$ 31,887 | \$ 34,979 |
| Premium taxes | \$ 18,796 | \$ 33,043 |
| Income taxes | \$ 34,253 | \$ 122,041 |
| Noncash investing and financing activities: | | |
| Liabilities incurred in connection with Company acquisitions | \$ 1,547 | \$ 1,049 |

See notes to condensed consolidated financial statements.

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THE FIRST AMERICAN CORPORATION

AND SUBSIDIARY COMPANIESCondensed Consolidated Statement of Equity

(in thousands)

(unaudited)

| | First American Corporation Stockholders | | | | | | Total |
|---|---|--------------|----------------------------|-------------------|--------------------------------------|--------------------------|--------------|
| | Shares | Common Stock | Additional paid-in capital | Retained earnings | Accumulated other comprehensive loss | Non-controlling interest | |
| Balance at December 31, 2008 | 92,963 | \$ 92,963 | \$ 801,228 | \$ 2,099,654 | \$ (290,362) | \$ 681,748 | \$ 3,385,231 |
| Net income for six months ended June 30, 2009 | | | | 106,297 | | 42,596 | 148,893 |
| Dividends on common shares | | | | (41,040) | | | (41,040) |
| Shares issued in connection with option, benefit and savings plans | 394 | 394 | 2,895 | | | | 3,289 |
| Share-based compensation | | | 12,764 | | | | 12,764 |
| Restricted stock unit dividend equivalents | | | 501 | (501) | | | |
| Dividends paid deduction | | | | 1,644 | | | 1,644 |
| Purchase of subsidiary shares from noncontrolling interest | | | | | | (9,873) | (9,873) |
| Sale of subsidiary shares to / other changes in noncontrolling interest | | | | | | 5,113 | 5,113 |
| Contributions from noncontrolling interest | | | | | | 891 | 891 |
| Distributions to noncontrolling interest | | | | | | (19,838) | (19,838) |
| Other comprehensive income | | | | | 69,126 | 4,877 | 74,003 |
| Balance at June 30, 2009 | 93,357 | \$ 93,357 | \$ 817,388 | \$ 2,166,054 | \$ (221,236) | \$ 705,514 | \$ 3,561,077 |

See notes to condensed consolidated financial statements.

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THE FIRST AMERICAN CORPORATION

AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1 Basis of Condensed Consolidated Financial Statements

The condensed consolidated financial information included in this report has been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Securities and Exchange Commission (SEC) Form 10-Q and Article 10 of SEC Regulation S-X. The principles for condensed interim financial information do not require the inclusion of all the information and footnotes required by generally accepted accounting principles for complete financial statements. Therefore, these financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2008. The condensed consolidated financial statements included herein are unaudited; however, in the opinion of management, they contain all normal recurring adjustments necessary for a fair statement of the consolidated results for the interim periods. Certain 2008 amounts have been reclassified to conform to the 2009 presentation.

The Company has adopted Financial Accounting Standards Board (FASB) Staff Position 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), issued February 2008. FSP 157-2 delayed the effective date of FAS 157 for non-financial assets and non-financial liabilities until January 1, 2009. The provisions of FAS 157 for non-financial assets and non-financial liabilities were applied as of January 1, 2009, and had no material effect on the Company's consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). This statement permits companies to choose to measure many financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The Company adopted SFAS 159 effective January 1, 2008. The Company did not apply SFAS 159 to any assets or liabilities and, therefore, the adoption had no effect on its consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), Business Combinations (SFAS 141(R)). Effective January 1, 2009, the Company adopted the provisions of SFAS 141(R). This statement retains the fundamental requirements in Statement of Financial Accounting Standards No. 141 Business Combinations (SFAS 141), that the acquisition method of accounting, previously known as the purchase method, be used for all business combinations and for an acquirer to be identified for each business combination. SFAS 141(R) establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) requires contingent consideration to be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value to be recognized in earnings until settled. SFAS 141(R) also requires acquisition-related transaction and restructuring costs to be expensed rather than treated as part of the cost of the acquisition. The adoption of SFAS 141(R) had no material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position FAS 141(R)-a, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FSP 141(R)-a). The FASB carried forward the requirements in SFAS 141 for acquired contingencies, which would require that such contingencies be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the allocation period. Otherwise, companies would typically account for the acquired contingencies in accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies (SFAS 5). As a result of the requirement to use the guidance in SFAS 141, the accounting for preacquisition contingencies may be an exception to the recognition and fair value measurement principles of SFAS 141(R). Additionally, the FASB changed the accounting for an acquiree's pre-existing contingent consideration arrangement that was assumed by the acquirer as part of the business combination. Such arrangements will now be accounted for as contingent consideration by the acquirer. FSP 141(R)-a had the same effective date as SFAS 141(R), and was effective for all business combinations for which the acquisition date was on or after January 1, 2009. The adoption of SFAS 141(R)-a had no impact on the Company's consolidated financial statements.

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THE FIRST AMERICAN CORPORATION

AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interest in Consolidated Financial Statements an amendment of ARB No. 51 (SFAS 160). The Company adopted the provisions of SFAS 160 effective January 1, 2009. SFAS 160 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS 160 also establishes reporting requirements that provide disclosures that identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS 160 are to be applied prospectively. Except for the required presentation and disclosures, the adoption of SFAS 160 had no material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP 115-2 and FSP 124-2). FSP 115-2 and FSP 124-2 collectively establish a new method of recognizing and reporting other-than-temporary impairments of debt securities. FSP 115-2 and FSP 124-2 also contain additional disclosure requirements related to debt and equity securities. FSP 115-2 and FSP 124-2 change existing impairment guidance under Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS 115). For debt securities, the ability and intent to hold provision is eliminated, and impairment is considered to be other-than-temporary if an entity (i) intends to sell the security, (ii) more likely than not will be required to sell the security before recovering its cost, or (iii) does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). This new framework does not apply to equity securities (i.e., impaired equity securities will continue to be evaluated under previously existing guidance). The probability standard relating to the collectability of cash flows is eliminated, and impairment is now considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security. FSP 115-2 and FSP 124-2 also provide that for debt securities which (i) an entity does not intend to sell and (ii) it is not more likely than not that the entity will be required to sell before the anticipated recovery of its remaining amortized cost basis, the impairment is separated into the amount related to estimated credit losses and the amount related to all other factors. The amount of the total impairment related to all other factors is recorded in other comprehensive loss and the amount related to estimated credit loss is recognized as a charge against current period earnings. FSP 115-2 and FSP 124-2 are effective for interim and annual periods ending after June 15, 2009, with early adoption permitted. The Company elected to adopt FSP 115-2 and FSP 124-2 in the first quarter of 2009. See the discussion in Note 4 regarding the impact of adoption.

In April 2009, the FASB issued FASB Staff Position FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4). FSP 157-4 indicates that if an entity determines that either the volume and/or level of activity for an asset or liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and management judgment will be required to estimate fair value. FSP 157-4 is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted. FSP 157-4 must be applied prospectively. The Company elected to adopt FSP 157-4 in the first quarter of 2009. The adoption of FSP 157-4 had no material impact on the Company's consolidated financial statements.

In April 2009, the SEC issued Staff Accounting Bulletin No. 111 (SAB 111) on Other-Than-Temporary Impairments. SAB 111 amends Topic 5.M. in the Staff Accounting Bulletin Series entitled Other-Than-Temporary Impairment of Certain Investments in Debt and Equity Securities (Topic 5.M.). SAB 111 maintains the SEC staff's previous views related to equity securities and amends Topic 5.M. to exclude debt securities from its scope. The Company elected to adopt SAB 111 in the first quarter of 2009. SAB 111 did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP 107-1). FSP 107-1 relates to fair value disclosures in public entity financial statements for financial instruments that are within the scope of Statement of Financial Accounting Standards No. 107, Disclosures about Fair Value of Financial Instruments . This guidance increases the frequency of those disclosures, requiring public entities to provide the disclosures on a quarterly basis, rather than annually. FSP 107-1 is effective for interim and annual periods ending after June 15, 2009. The Company adopted FSP 107-1 in the second quarter of 2009. Except for the disclosure requirements, the adoption of FSP 107-1 did not have a material impact on the Company's consolidated financial statements.

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In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, Subsequent Events (SFAS 165). SFAS 165 is modeled after the same principles as the subsequent event guidance in auditing literature with some terminology changes and

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AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

additional disclosures. SFAS 165 is effective for interim and annual periods ending after June 15, 2009, and is required to be applied prospectively. The Company has adopted SFAS 165 in the second quarter of 2009. Except for the disclosure requirements, the adoption of SFAS 165 had no material impact on the Company's consolidated financial statements.

Note 2 Spin-off

On January 15, 2008, the Company announced its intention to separate its financial services companies from its information solutions companies via a spin-off transaction, resulting in two separate publicly traded entities. Because of negative trends and continued uncertainty in the real estate and mortgage credit markets and the Company's desire to focus on responding to these conditions, among other factors, the Company's Board of Directors determined on July 30, 2008, to delay the consummation of the transaction.

The Company continues to proceed with preparations for the anticipated separation and to monitor market conditions, and currently expects the separation to occur during the first half of 2010.

The transaction remains subject to customary conditions, including final approval by the Board of Directors, filing and effectiveness of a Form 10 Registration Statement with the SEC, receipt of a tax ruling from the Internal Revenue Service and the approval of applicable regulatory authorities.

Note 3 Escrow and Trust Deposits

The Company administers escrow and trust deposits as a service to its customers. Escrow deposits totaled \$3.9 billion and \$3.8 billion at June 30, 2009 and December 31, 2008, respectively, of which \$888.9 million and \$1.04 billion were held at the Company's federal savings bank subsidiary and the Company's thrift company. The escrow deposits held at the bank and thrift company are included in the accompanying consolidated balance sheets, with \$165.9 million included in cash and cash equivalents and \$723.0 million included in debt and equity securities at June 30, 2009, and \$135.2 million included in cash and cash equivalents and \$909.3 million included in debt and equity securities at December 31, 2008, with offsetting liabilities included in demand deposits. The remaining escrow deposits were held at third-party financial institutions.

Trust deposits totaled \$2.8 billion and \$3.4 billion at June 30, 2009 and December 31, 2008, respectively, and were held at the Company's federal savings bank. Trust deposits, as well as escrow deposits held at third party financial institutions, are not considered assets of the Company and, therefore, are not included in the accompanying consolidated balance sheets. However, the Company could be held contingently liable for the disposition of these assets.

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AND SUBSIDIARY COMPANIESNotes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

Note 4 Debt and Equity Securities

The amortized cost and estimated fair value of investments in debt securities are as follows:

| <i>(in thousands)</i> | Amortized cost | Gross unrealized gains | losses | Estimated fair value |
|---|-------------------|---------------------------|-------------|-------------------------|
| June 30, 2009 | | | | |
| U.S. Treasury bonds | \$ 32,110 | \$ 2,105 | \$ | \$ 34,215 |
| Municipal bonds | 93,968 | 1,783 | (1,522) | 94,229 |
| Foreign bonds | 114,582 | 1,936 | (17) | 116,501 |
| Governmental agency bonds | 192,034 | 3,757 | (1,112) | 194,679 |
| Governmental agency mortgage-backed and asset-backed securities | 1,015,968 | 11,547 | (10,033) | 1,017,482 |
| Non-agency mortgage-backed and asset-backed securities | 121,020 | 8 | (52,638) | 68,390 |
| Corporate debt securities | 87,367 | 978 | (5,191) | 83,154 |
| | \$ 1,657,049 | \$ 22,114 | \$ (70,513) | \$ 1,608,650 |
| December 31, 2008 | | | | |
| U.S. Treasury bonds | \$ 39,574 | \$ 3,436 | \$ (4) | \$ 43,006 |
| Municipal bonds | 80,136 | 1,610 | (2,448) | 79,298 |
| Foreign bonds | 97,371 | 3,300 | (78) | 100,593 |
| Governmental agency bonds | 128,403 | 3,448 | (381) | 131,470 |
| Governmental agency mortgage-backed and asset-backed securities | 1,196,381 | 9,233 | (33,225) | 1,172,389 |
| Non-agency mortgage-backed and asset-backed securities | 137,696 | | (52,188) | 85,508 |
| Corporate debt securities | 114,208 | 1,643 | (9,795) | 106,056 |
| | \$ 1,793,769 | \$ 22,670 | \$ (98,119) | \$ 1,718,320 |

The cost and estimated fair value of investments in equity securities are as follows:

| <i>(in thousands)</i> | Cost | Gross unrealized gains | losses | Estimated fair value |
|--------------------------|------------|---------------------------|-------------|-------------------------|
| June 30, 2009 | | | | |
| Preferred stocks | \$ 49,541 | \$ 239 | \$ (5,841) | \$ 43,939 |
| Common stocks | 79,717 | 17,994 | (1,458) | 96,253 |
| | \$ 129,258 | \$ 18,233 | \$ (7,299) | \$ 140,192 |
| December 31, 2008 | | | | |
| Preferred stocks | \$ 52,056 | \$ 63 | \$ (15,206) | \$ 36,913 |
| Common stocks | 89,443 | 4,201 | (20,431) | 73,213 |

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\$ 141,499 \$ 4,264 \$ (35,637) \$ 110,126

Sales of debt and equity securities resulted in realized gains of \$5.3 million and \$2.7 million and realized losses of \$1.1 million and \$0.7 million for the three months ended June 30, 2009 and 2008, respectively. Sales of debt and equity securities resulted in realized gains of \$7.2 million and \$4.7 million and realized losses of \$2.2 million and \$2.1 million for the six months ended June 30, 2009 and 2008, respectively.

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AND SUBSIDIARY COMPANIESNotes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

The Company had the following gross unrealized losses as of June 30, 2009 and December 31, 2008:

| <i>(in thousands)</i> | Less than 12 months | | 12 months or longer | | Total | |
|---|---------------------|-------------------|---------------------|-------------------|--------------|-------------------|
| | Fair value | Unrealized losses | Fair value | Unrealized losses | Fair value | Unrealized losses |
| June 30, 2009 | | | | | | |
| Debt securities | | | | | | |
| U.S. Treasury bonds | \$ | \$ | \$ | \$ | \$ | \$ |
| Municipal bonds | 28,786 | (1,301) | 6,013 | (221) | 34,799 | (1,522) |
| Foreign bonds | 39,857 | (14) | 2,354 | (3) | 42,211 | (17) |
| Governmental agency bonds | 55,764 | (1,109) | 497 | (3) | 56,261 | (1,112) |
| Governmental agency mortgage-backed and asset-backed securities | 177,190 | (1,772) | 368,183 | (8,261) | 545,373 | (10,033) |
| Non-agency mortgage-backed and asset-backed securities | 1,994 | (363) | 65,542 | (52,275) | 67,536 | (52,638) |
| Corporate debt securities | 16,643 | (1,155) | 27,394 | (4,036) | 44,037 | (5,191) |
| Total debt securities | 320,234 | (5,714) | 469,983 | (64,799) | 790,217 | (70,513) |
| Equity securities | 25,727 | (5,802) | 9,111 | (1,497) | 34,838 | (7,299) |
| Total | \$ 345,961 | \$ (11,516) | \$ 479,094 | \$ (66,296) | \$ 825,055 | \$ (77,812) |
| December 31, 2008 | | | | | | |
| Debt securities | | | | | | |
| U.S. Treasury bonds | \$ 246 | \$ (4) | \$ | \$ | \$ 246 | \$ (4) |
| Municipal bonds | 1,149 | (8) | 20,550 | (2,440) | 21,699 | (2,448) |
| Foreign bonds | 2,798 | (1) | 6,329 | (77) | 9,127 | (78) |
| Governmental agency bonds | 13,099 | (75) | 296 | (306) | 13,395 | (381) |
| Governmental agency mortgage-backed and asset-backed securities | 361,154 | (10,854) | 399,210 | (22,371) | 760,364 | (33,225) |
| Non-agency mortgage-backed and asset-backed securities | 29,263 | (19,800) | 56,246 | (32,388) | 85,509 | (52,188) |
| Corporate debt securities | 13,568 | (1,029) | 61,078 | (8,766) | 74,646 | (9,795) |
| Total debt securities | 421,277 | (31,771) | 543,709 | (66,348) | 964,986 | (98,119) |
| Equity securities | 37,915 | (16,248) | 23,096 | (19,389) | 61,011 | (35,637) |
| Total | \$ 459,192 | \$ (48,019) | \$ 566,805 | \$ (85,737) | \$ 1,025,997 | \$ (133,756) |

Recent dislocations in the capital and credit markets have resulted in extreme volatility and disruption in the financial markets. These and other factors including the tightening of credit markets, failures of significant financial institutions, declines in real estate values, uncertainty regarding the timing and effectiveness of governmental solutions, and a general slowdown in economic activity have contributed to decreases in the fair value of the investment portfolio as of June 30, 2009. It is possible that the Company could recognize impairment losses on some securities it owns at June 30, 2009 if future events or information cause the Company to determine that a decline in value is other-than-temporary.

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The Company determines the fair value of its debt and equity in accordance with Statement of Financial Accounting Standards No. 157 Fair Value Measurements (SFAS 157). SFAS 157 provides a three-level hierarchy for fair value measurements that distinguishes between market participant assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs) and the reporting entity's own assumptions about market participant assumptions developed based on the information available in the circumstances (unobservable inputs). The hierarchy level assigned to each security in the Company's available-for-sale portfolio is based on management's assessment of the transparency and reliability of the inputs used in the valuation of such instrument at the measurement date. The three hierarchy levels are defined as follows:

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AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

Level 1 Valuations based on unadjusted quoted market prices in active markets for identical securities. The fair value of equity securities included in the Level 1 category was based on quoted prices that are readily and regularly available in an active market.

Level 2 Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly. The fair value of fixed maturity and short-term investments included in the Level 2 category was based on the market values obtained from an independent pricing service that were evaluated using pricing models that vary by asset class and incorporate available trade, bid and other market information and price quotes from well-established independent brokerdealers. This pricing service, which is a provider of financial market data, analytics and related services to financial institutions, provides management one price for each security. The independent pricing service monitors market indicators, industry and economic events, and for broker-quoted only securities, obtains quotes from market makers or broker-dealers that it recognizes to be market participants. The Level 2 category includes foreign bonds, governmental agency bonds, governmental agency mortgage-backed and asset-backed securities and corporate debt securities, many of which are actively traded and have market prices that are readily verifiable. Level 2 also includes non-agency mortgage-backed and asset-backed securities and municipal bonds which are currently not actively traded securities. When the value from an independent pricing service is utilized, management obtains an understanding of the valuation models and assumptions utilized by the service and has controls in place to determine that the values provided represent current values. Typical inputs and assumptions to pricing models used to value securities include, but are not limited to, benchmark yields, reported trades, broker-dealer quotes, issue spreads, benchmark securities, bids, offers, reference data and industry and economic events. For mortgage and asset-backed securities, inputs and assumptions may also include characteristics of the issuer, collateral attributes, prepayment speeds and credit ratings. The Company's validation procedures include assessing the reasonableness of the changes relative to prior periods given the prevailing market conditions, comparison of the prices received from the pricing service to quotes received from other third party sources for securities with market prices that are readily verifiable, changes in the issuers' credit worthiness, performance of any underlying collateral and prices of the instrument relative to similar issuances. To date, the Company has not made any adjustments to the results provided by the pricing service.

Level 3 Valuations based on inputs that are unobservable and significant to the overall fair value measurement, and involve management judgment. Currently the Company does not have any items classified as Level 3.

If the inputs used to measure fair value fall in different levels of the fair value hierarchy, a financial security's hierarchy level is based upon the lowest level of input that is significant to the fair value measurement. A number of the Company's investment grade corporate bonds are frequently traded in active markets and market prices for these securities existed at June 30, 2009 and December 31, 2008. These securities were classified as Level 2 at June 30, 2009 and December 31, 2008 because the valuation models use observable market inputs in addition to traded prices.

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THE FIRST AMERICAN CORPORATION

AND SUBSIDIARY COMPANIESNotes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

The following table presents the Company's available-for-sale investments measured at fair value on a recurring basis as of June 30, 2009 and December 31, 2008, classified using the SFAS 157 valuation hierarchy:

| <i>(in thousands)</i> | Carrying Value as of June 30, 2009 | Level 1 | Level 2 |
|---|---|------------|--------------|
| Debt securities | | | |
| U.S. Treasury bonds | \$ 34,215 | \$ | \$ 34,215 |
| Municipal bonds | 94,229 | | 94,229 |
| Foreign bonds | 116,501 | | 116,501 |
| Governmental agency bonds | 194,679 | | 194,679 |
| Governmental agency mortgage-backed and asset-backed securities | 1,017,482 | | 1,017,482 |
| Non-agency mortgage-backed and asset-backed securities | 68,390 | | 68,390 |
| Corporate debt securities | 83,154 | | 83,154 |
| | 1,608,650 | | 1,608,650 |
| Equity securities | | | |
| Preferred stocks | 43,939 | 43,939 | |
| Common stocks | 96,253 | 96,253 | |
| | 140,192 | 140,192 | |
| | \$ 1,748,842 | \$ 140,192 | \$ 1,608,650 |
| | | | |
| <i>(in thousands)</i> | Carrying Value as of December 31, 2008 | Level 1 | Level 2 |
| Debt securities | | | |
| U.S. Treasury bonds | \$ 43,006 | \$ | \$ 43,006 |
| Municipal bonds | 79,298 | | 79,298 |
| Foreign bonds | 100,593 | | 100,593 |
| Governmental agency bonds | 131,470 | | 131,470 |
| Governmental agency mortgage-backed and asset-backed securities | 1,172,389 | | 1,172,389 |
| Non-agency mortgage-backed and asset-backed securities | 85,508 | | 85,508 |
| Corporate debt securities | 106,056 | | 106,056 |
| | 1,718,320 | | 1,718,320 |
| Equity securities | | | |
| Preferred stocks | 36,913 | 36,913 | |
| Common stocks | 73,213 | 73,213 | |
| | 110,126 | 110,126 | |

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\$ 1,828,446 \$ 110,126 \$ 1,718,320

The Company had no securities at June 30, 2009 and December 31, 2008 that were valued at Level 3 of the valuation hierarchy.

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THE FIRST AMERICAN CORPORATION

AND SUBSIDIARY COMPANIES

Notes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

In the first quarter of 2009, the Company adopted the provisions of FSP 115-2 and FSP 124-2 and assessed the unrealized losses in its portfolio under this guidance, primarily the non-agency mortgage-backed and asset-backed securities portfolios. In determining whether a credit loss exists, the Company evaluated individual securities by estimating projected cash flows that the Company is likely to collect based on an assessment of all available information about each individual security, the structure of the security and certain assumptions such as the remaining payment terms of the security, prepayment speeds, default rates, and loss severity on the collateral supporting the security. In developing these assumptions, management utilized publicly available information related to individual assets, analysts' expectations on the expected performance of similar underlying collateral and the Company's securities data and market analytic tools. The expected cash flows were discounted using the credit adjusted effective yield to maturity. As a result of management's security-level review and other economic factors, management has recognized \$5.5 million of losses associated with non-agency mortgage-backed and asset-backed securities in the second quarter of 2009, which amount relates to the present value of estimated credit losses on the securities. Non-credit related unrealized losses of \$35.3 million related to these securities are included in accumulated other comprehensive loss at June 30, 2009. For discussion of the methodology previously utilized to evaluate the non-agency mortgage-backed and asset-backed securities portfolio refer to Note 1 to the consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

When, in the opinion of management, a decline in the fair value of an equity security, including common and preferred stock, is considered to be other-than-temporary, such equity security is written down to its fair value. When assessing if a decline in value is other-than-temporary, the factors considered include the length of time and extent to which fair value has been below cost, the probability that the Company will be unable to collect all amounts due under the contractual terms of the security, the seniority and duration of the securities (including estimates of prepayments and credit losses and sensitivity analysis of those estimates), issuer-specific news and other developments, the financial condition and prospects of the issuer (including credit ratings), macro-economic changes (including the outlook for industry sectors, which includes government policy initiatives) and the Company's ability and intent to hold the investment for a period of time sufficient to allow for any anticipated recovery.

When an equity security has been in an unrealized loss position for greater than twelve months, the Company's review of the security includes the above noted factors as well as what evidence, if any, exists to support that the security will recover its value in the foreseeable future, typically within the next twelve months. If objective, substantial evidence does not indicate a likely recovery during that timeframe, the Company's policy is that such losses are considered other-than-temporary and therefore an impairment loss is recorded. For the second quarter of 2009, the Company concluded that such evidence was not available on 41 common equity securities and 14 preferred equity securities. Accordingly, an other-than-temporary impairment charge of \$15.6 million and \$2.2 million, relating to its common and preferred equity securities, respectively, was recorded as a component of net realized investment losses.

In addition, in July 2009, the Company elected to convert its preferred stock in Citigroup Inc. into common stock of that entity under the terms of Citigroup's publicly announced exchange offer. Based on the terms of the exchange offer and the level at which Citigroup's common stock was trading, the Company concluded that the investment was other-than-temporarily impaired by \$3.5 million. The Company concluded that this was a recognized subsequent event and recorded the impairment loss at June 30, 2009.

Most of the Company's preferred equity securities are in the financial services sector, which the Company believes to be in a temporary, though potentially protracted, downturn. While the duration of disruption in the financial services sector, and accompanying depressed market values of industry participants' preferred equity securities, are unknown, the Company believes a full recovery is likely and the Company has the ability and intent to hold the equity preferred securities that are currently in an unrealized loss position until that recovery occurs. The Company believes that the United States government's adopted policy of stabilizing the financial services sector is an important factor in its determination that the sector will return to a more normal operating environment. The Company also assessed the historic and current credit ratings of the individual issuers, the capital adequacy and anticipated profitability of each issuer, and any changes to the investments' fair value subsequent to the balance sheet date. Based on these factors, the Company has concluded that none of the individual investments, except those referenced above, were other-than-temporarily impaired as of June 30, 2009.

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AND SUBSIDIARY COMPANIESNotes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

The following table presents the change in other-than-temporary credit related impairment charges on fixed non-agency mortgage-backed and asset-backed securities for which a portion of the other-than-temporary impairments related to other factors was recognized in other comprehensive loss:

| | (in thousands) |
|--|----------------|
| Credit related impairments on non-agency mortgage-backed and asset-backed securities as of December 31, 2008 | \$ |
| Credit related impairments not previously recognized | 7,770 |
| Credit related impairments on non-agency mortgage-backed and asset-backed securities as of June 30, 2009 | \$ 7,770 |

Note 5 Goodwill

A reconciliation of the changes in the carrying amount of goodwill, by operating segment, for the six months ended June 30, 2009, is as follows:

| (in thousands) | Balance as of December 31, 2008 | Acquisitions | Dispositions | Other/ post acquisition adjustments | Balance as of June 30, 2009 |
|--|---------------------------------------|--------------|--------------|---|-----------------------------------|
| Financial Services: | | | | | |
| Title Insurance and Services | \$ 700,204 | \$ | \$ (6,317) | \$ 3,569 | \$ 697,456 |
| Specialty Insurance | 44,490 | | | | 44,490 |
| Information Solutions: | | | | | |
| Information and Outsourcing Solutions | 649,605 | | | 1,894 | 651,499 |
| Data and Analytic Solutions | 451,626 | 5,472 | | 104 | 457,202 |
| Risk Mitigation and Business Solutions | 748,813 | | | 21,122 | 769,935 |
| | \$ 2,594,738 | \$ 5,472 | \$ (6,317) | \$ 26,689 | \$ 2,620,582 |

The Company's reporting units, for purposes of applying the provisions of SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142), are title insurance, home warranty, property and casualty insurance, trust and other services, data and analytic solutions, information and outsourcing solutions, lender services, data services, dealer services, employer services, multifamily services and investigative and litigation support services.

In accordance with SFAS 142 and consistent with prior years, the Company's policy is to perform an annual goodwill impairment test for each reporting unit in the fourth quarter. Impairment analyses were not performed in the first six months of 2009 or in any interim period in 2008 other than the fourth quarter as no triggering events requiring such an analysis occurred.

Note 6 Other Intangible Assets

Other intangible assets consist of the following:

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| <i>(in thousands)</i> | June 30, 2009 | December 31, 2008 |
|--------------------------|--------------------------|------------------------------|
| Covenants not to compete | \$ 58,762 | \$ 59,884 |
| Customer lists | 360,798 | 359,805 |
| Trademarks and licenses | 61,915 | 61,679 |
| | 481,475 | 481,368 |
| Accumulated amortization | (204,913) | (182,957) |
| | \$ 276,562 | \$ 298,411 |

Amortization expense for other intangible assets, with definite lives ranging from two to twenty years, was \$11.6 million and \$23.1 million for the three and six months ended June 30, 2009 and \$12.9 million and \$25.3 million for the three and six months ended June 30, 2008, respectively.

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AND SUBSIDIARY COMPANIESNotes to Condensed Consolidated Financial Statements (continued)

(Unaudited)

Estimated amortization expense for other finite-lived intangible assets anticipated for the next five years is as follows:

| Year | <i>(in thousands)</i> |
|-------------------|-----------------------|
| Remainder of 2009 | \$ 24,883 |
| 2010 | \$ 43,450 |
| 2011 | \$ 39,106 |
| 2012 | \$ 35,602 |
| 2013 | \$ 31,957 |
| 2014 | \$ 18,860 |

Note 7 Earnings Per Share

| <i>(in thousands, except per share amounts)</i> | For the Three Months Ended | | For the Six Months Ended | |
|---|----------------------------|-----------|--------------------------|-----------|
| | 2009 | 2008 | 2009 | 2008 |
| Numerator for basic net income per share: | | | | |
| Net income attributable to The First American Corporation | \$ 70,272 | \$ 19,605 | \$ 106,297 | \$ 48,923 |
| Effect of dilutive securities: | | | | |
| Convertible debt interest expense (net of tax) | | 6 | | 17 |
| Subsidiary potential dilutive shares | (20) | (28) | (24) | (25) |
| Numerator for diluted net income per share | \$ 70,252 | \$ 19,583 | \$ 106,273 | \$ 48,915 |
| Denominator for basic net income per share: | | | | |
| Weighted-average shares | 93,260 | 92,503 | 93,141 | 92,252 |
| Effect of dilutive securities: | | | | |
| Employee stock options and restricted stock units | 745 | 680 | 617 | 670 |
| Convertible debt | | 22 | | 29 |
| Denominator for diluted net income per share | 94,005 | 93,205 | 93,758 | 92,951 |
| Basic net income per share | \$ 0.75 | \$ 0.21 | \$ 1.14 | \$ 0.53 |
| Diluted net income per share | \$ 0.75 | \$ 0.21 | \$ 1.13 | \$ 0.53 |

For the three and six months ended June 30, 2009, 2.4 million and 2.5 million stock options and restricted stock units (RSUs) were excluded from the computation of diluted earnings per share due to their antidilutive effect. For both the three and six months ended June 30, 2008, 1.8 million stock options and restricted stock units were excluded from the computation of diluted earnings per share due to their antidilutive effect.

Note 8 Employee Benefit Plans

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Net periodic pension cost for the Company's defined benefit pension and supplemental benefit plans includes the following components:

| <i>(in thousands)</i> | For the Three Months Ended June 30, | | For the Six Months Ended June 30, | |
|--|--|-----------------|--------------------------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 |
| Expense: | | | | |
| Service Cost | \$ 1,512 | \$ 1,900 | \$ 3,024 | \$ 3,799 |
| Interest Cost | 8,666 | 8,425 | 17,332 | 16,851 |
| Expected return on plan assets | (5,038) | (6,229) | (10,077) | (12,458) |
| Amortization of prior service cost (benefit) | (323) | (323) | (645) | (646) |
| Amortization of net loss | 5,998 | 3,527 | 11,996 | 7,054 |
| | \$ 10,815 | \$ 7,300 | \$ 21,630 | \$ 14,600 |

The Company contributed \$9.6 million to its pension plans in the six months ended June 30, 2009, and expects to contribute an additional \$13.5 million during the remainder of 2009. These contributions are both those required by funding

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(Unaudited)

regulations as well as discretionary contributions necessary to provide benefit payments to participants of certain of the Company's non-qualified supplemental benefit plans.

Note 9 Fair Value of Financial Instruments

The Statement of Financial Accounting Standards No. 107, Disclosure about Fair Value of Financial Instruments (SFAS 107), requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practical to estimate that value. In the measurement of the fair value of certain financial instruments, other valuation techniques were utilized if quoted market prices were not available. These derived fair value estimates are significantly affected by the assumptions used. Additionally, SFAS 107 excludes certain financial instruments including those related to insurance contracts.

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

Cash and cash equivalents

The carrying amount for cash and cash equivalents is a reasonable estimate of fair value due to the short-term maturity of these investments.

Accounts receivable

The carrying amount for accounts receivable is a reasonable estimate of fair value due to the short-term maturity of these assets.

Investments

The carrying amount of deposits with savings and loan associations and banks is a reasonable estimate of fair value due to their short-term nature.

The methodology for determining the fair value of debt and equity securities is discussed in Note 4.

As other long-term investments are not publicly traded, reasonable estimate of the fair values could not be made without incurring excessive costs.

Loans receivable

The fair value of loans receivable was estimated based on the discounted value of the future cash flows using the current rates being offered for loans with similar terms to borrowers of similar credit quality.

Demand Deposits

The carrying value of escrow and passbook accounts approximates fair value due to the short-term nature of this liability. The fair value of investment certificate accounts was estimated based on the discounted value of future cash flows using a discount rate approximating current market rates for similar liabilities.

Accounts payable and accrued liabilities

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The carrying amount for accounts payable and accrued liabilities is a reasonable estimate of fair value due to the short-term maturity of these liabilities.

Notes Payable

The fair value of notes and contracts payable was estimated based on the current rates offered to the Company for debt of the same remaining maturities.

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(Unaudited)

Deferrable Interest Subordinated Notes

The fair value of the Company's deferrable interest subordinated notes was estimated based on the current rates offered to the Company for debt of the same type and remaining maturity.

The carrying amounts and fair values of the Company's financial instruments as of June 30, 2009 and December 31, 2008 are presented in the following table.

| | June 30, 2009 | | December 31, 2008 | |
|---|-----------------|--------------|-------------------|--------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| <i>(in thousands)</i> | | | | |
| Financial Assets: | | | | |
| Cash and cash equivalents | \$ 1,022,931 | \$ 1,022,931 | \$ 934,945 | \$ 934,945 |
| Accounts receivable | \$ 537,913 | \$ 537,913 | \$ 558,946 | \$ 558,946 |
| Investments: | | | | |
| Deposits with savings and loan associations and banks | \$ 118,523 | \$ 118,523 | \$ 182,117 | \$ 182,117 |
| Debt securities | \$ 1,608,650 | \$ 1,608,650 | \$ 1,718,320 | \$ 1,718,320 |
| Equity securities | \$ 140,192 | \$ 140,192 | \$ 110,126 | \$ 110,126 |
| Other long-term investments | \$ 378,802 | \$ 378,802 | \$ 371,157 | \$ 371,157 |
| Loans receivable, net | \$ 152,494 | \$ 158,403 | \$ 151,692 | \$ 167,532 |
| Financial Liabilities: | | | | |
| Demand deposits | \$ 1,167,857 | \$ 1,167,857 | \$ 1,298,221 | \$ 1,298,602 |
| Accounts payable and accrued liabilities | \$ 890,973 | \$ 890,973 | \$ 994,093 | \$ 994,093 |
| Notes payable and contracts | \$ 833,553 | \$ 778,710 | \$ 868,274 | \$ 778,009 |
| Deferrable interest subordinated notes | \$ 100,000 | \$ 103,915 | \$ 100,000 | \$ 102,054 |
| <u>Note 10 Share-Based Compensation</u> | | | | |

The Company currently utilizes RSUs as its share-based compensation for employees and directors. The fair value of any RSU grant is based on the market value of the Company's shares on the date of grant and is generally recognized as compensation expense over the vesting period. RSUs receive dividend RSUs having the same vesting requirements as the RSUs initially granted.

The following table sets forth the share-based compensation expense recognized for the three and six months ended June 30, 2009 and 2008.

| | For the Three Months Ended | | For the Six Months Ended | |
|------------------------------|----------------------------|----------|--------------------------|----------|
| | June 30, | | June 30, | |
| <i>(in thousands)</i> | 2009 | 2008 | 2009 | 2008 |
| Stock options | \$ 420 | \$ 178 | \$ 876 | \$ 682 |
| Restricted stock units | 3,113 | 3,345 | 11,460 | 7,478 |
| Employee stock purchase plan | 202 | 282 | 429 | 707 |
| | \$ 3,735 | \$ 3,805 | \$ 12,765 | \$ 8,867 |

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In addition to the share-based compensation above, the Company's consolidated financial statements include share-based compensation related to the Company's publicly traded subsidiary, First Advantage Corporation and the Company's subsidiary, First American CoreLogic Holdings, Inc., of \$2.3 million and \$4.5 million for the three and six months ending as of June 30, 2009, respectively, and \$3.1 million and \$5.8 million for the three and six months ending as of June 30, 2008.

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(Unaudited)

RSU activity for the six months ended June 30, 2009, is as follows:

| <i>(in thousands, except weighted-average grant-date fair value)</i> | Shares | Weighted-average grant-date fair value |
|--|--------|--|
| Restricted stock units unvested at December 31, 2008 | 981 | \$ 37.32 |
| Granted during 2009 | 987 | \$ 25.43 |
| Vested during 2009 | (248) | \$ 37.50 |
| Forfeited during 2009 | (14) | \$ 34.36 |
| Restricted stock units unvested at June 30, 2009 | 1,706 | \$ 30.43 |

The following table summarizes stock option activity related to the Company's plans:

| <i>(in thousands, except weighted-average exercise price and contractual term)</i> | Number outstanding | Weighted-average exercise price | Weighted-average remaining contractual term | Aggregate intrinsic value |
|--|-----------------------|------------------------------------|---|---------------------------------|
| Balance at December 31, 2008 | 3,050 | \$ 30.59 | | |
| Exercised during 2009 | (111) | \$ 16.68 | | |
| Forfeited during 2009 | (53) | \$ 34.37 | | |
| Balance at June 30, 2009 | 2,886 | \$ 31.06 | 4.5 | \$ 6,969 |
| Vested and expected to vest at June 30, 2009 | 2,875 | \$ 31.00 | 4.5 | \$ 6,969 |
| Exercisable at June 30, 2009 | 2,432 | \$ 29.20 | 4.2 | \$ 6,969 |

Note 11 Business Combinations

During the six months ended June 30, 2009, the Company completed two acquisitions. These acquisitions were not material, individually or in the aggregate. Of these two acquisitions, one has been included in the Company's data and analytic solutions segment and one in the information and outsourcing solutions segment. The aggregate purchase price for the acquisitions was \$7.1 million in cash. The purchase price of each acquisition was allocated to the assets acquired and liabilities assumed using a variety of valuation techniques including discounted cash flow analysis. As a result of the two acquisitions, the Company recorded approximately \$5.5 million of goodwill and \$0.3 million of intangible assets with finite lives.

During the six months ended June 30, 2009, the Company purchased the remaining noncontrolling interests in four companies already included in the Company's consolidated financial statements. The total purchase price of these transactions was \$5.1 million in cash.

On June 26, 2009, the Company made an offer to acquire the issued and outstanding common stock of its publicly traded subsidiary, First Advantage Corporation (First Advantage). Under the terms of the offer, First Advantage's shareholders would receive, at a fixed exchange ratio,

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0.5375 of a share of First American common stock for each share of First Advantage common stock. The proposed exchange ratio represents an offer price of \$14.04 per share and a 10.2 percent premium to First Advantage's stock price, based on First American's and First Advantage's closing stock prices on Friday, June 26, 2009. First American's proposed acquisition is subject to customary conditions, including the execution of a definitive agreement and the receipt of necessary approvals.

During the six months ended June 30, 2008, the Company completed one acquisition. This acquisition was not material and was included in the Company's risk mitigation and business solutions segment. The purchase price for the acquisition was \$16.3 million in cash and was allocated to the assets acquired and liabilities assumed using a variety of valuation techniques including discounted cash flow analysis. As a result of the acquisition, the Company recorded approximately \$13.1 million of goodwill and \$2.1 million of intangible assets with finite lives.

In addition, during the six months ended June 30, 2008, the Company purchased minority interests in five companies already included in the Company's consolidated financial statements. The total purchase price of these transactions was \$65.2 million in cash. As a result of these five transactions, the Company recorded approximately \$30.2 million of goodwill.

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Note 12 Segment Information

The Company currently presents the following business groups and underlying segments.

Financial Services Group

Title Insurance and Services: The title insurance and services segment issues residential and commercial title insurance policies and provides related escrow services, accommodates tax-deferred exchanges and provides investment advisory services, trust services, lending and deposit products and other related products and services. The Company, through First American Title Insurance Company and its affiliates, transacts the business of title insurance through a network of direct operations and agents. Through this network, the Company issues policies in all states (except Iowa) and the District of Columbia. In Iowa, the Company provides abstracts of title only, because title insurance is not permitted by law. The Company also offers title or related services, either directly or through joint ventures, in Guam, Puerto Rico, the U.S. Virgin Islands, the Bahamas, Australia, Canada, Chile, China, Ireland, Latin America, Mexico, New Zealand, South Korea, the United Kingdom, Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania, the Slovak Republic, Turkey, Spain and other territories and countries. The international operations account for an immaterial amount of the Company's income before income taxes and noncontrolling interests.

Specialty Insurance: The specialty insurance segment issues property and casualty insurance policies and sells home warranty products. Home warranty services are provided in 34 states throughout the United States and the District of Columbia. Property and casualty insurance is offered in 43 states.

Information Solutions Group

Information and Outsourcing Solutions: The information and outsourcing solutions segment focuses on providing a wide-range of products and services including tax monitoring, flood zone certification and monitoring, default management services, loan administration and production services, business process outsourcing, asset valuation and management services, and building and maintaining geospatial proprietary software and databases. The products are provided nationwide.

Data and Analytic Solutions: The data and analytic solutions segment provides licenses and analyzes data relating to mortgage securities and loans and real property, offers risk management and collateral assessment analytics and provides database access tools and automated appraisal services.

Risk Mitigation and Business Solutions: The risk mitigation and business solutions segment, which is comprised entirely of the Company's publicly traded First Advantage Corporation subsidiary, provides consumer credit reporting solutions for mortgage and home equity needs, transportation credit reporting, motor vehicle record reporting, criminal records reselling, specialty finance credit reporting, consumer credit reporting, lead generation services, consolidated consumer credit reports and automotive lead development services for the automotive dealer marketplace, employment background screening, hiring management solutions,

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occupational health services, tax incentive services, payroll and human resource management, resident screening services, property management software, renters insurance services, computer forensics, electronic discovery, data recovery, due diligence reporting and corporate and litigation investigative services.

Corporate consists primarily of investment gains and losses, personnel and other operating expenses associated with the Company's corporate facilities, certain technology initiatives and unallocated interest expense. Eliminations consist of inter-segment revenues included in the results of the operating segments.

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(Unaudited)

Selected financial information by reporting segment is as follows:

For the three months ended June 30, 2009:

| <i>(in thousands)</i> | Revenues | Income (loss) before income taxes and noncontrolling interests | Depreciation and amortization | Capital expenditures |
|--|--------------|--|-------------------------------------|-------------------------|
| Financial Services: | | | | |
| Title Insurance and Services | \$ 935,345 | \$ 62,183 | \$ 16,246 | \$ 4,838 |
| Specialty Insurance | 64,402 | 1,312 | 865 | 1,131 |
| | 999,747 | 63,495 | 17,111 | 5,969 |
| Information Solutions: | | | | |
| Information and Outsourcing Solutions | 259,747 | 64,592 | 6,027 | 923 |
| Data and Analytic Solutions | 133,016 | 28,979 | 15,259 | 4,703 |
| Risk Mitigation and Business Solutions | 177,967 | 21,697 | 10,886 | 4,526 |
| | 570,730 | 115,268 | 32,172 | 10,152 |
| | 1,570,477 | 178,763 | 49,283 | 16,121 |
| Corporate Eliminations | (599) | (26,350) | 2,324 | 428 |
| | (32,496) | | (75) | |
| | \$ 1,537,382 | \$ 152,413 | \$ 51,532 | \$ 16,549 |

For the three months ended June 30, 2008:

| <i>(in thousands)</i> | Revenues | Income (loss) before income taxes and noncontrolling interests | Depreciation and amortization | Capital expenditures |
|------------------------------|--------------|--|-------------------------------------|-------------------------|
| Financial Services: | | | | |
| Title Insurance and Services | \$ 1,107,561 | \$ (1,022) | \$ 20,486 | \$ 9,263 |
| Specialty Insurance | 76,537 | 8,685 | 819 | 1,927 |
| | 1,184,098 | 7,663 | 21,305 | 11,190 |

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| Information Solutions: | | | | |
|--|--------------|-----------|-----------|-----------|
| Information and Outsourcing Solutions | 193,863 | 45,037 | 6,307 | 6,053 |
| Data and Analytic Solutions | 137,543 | 24,622 | 16,821 | 7,693 |
| Risk Mitigation and Business Solutions | 196,644 | 20,950 | 11,341 | 7,874 |
| | 528,050 | 90,609 | 34,469 | 21,620 |
| | 1,712,148 | 98,272 | 55,774 | 32,810 |
| Corporate | 2,002 | (34,663) | 3,929 | 814 |
| Eliminations | (29,099) | | | |
| | \$ 1,685,051 | \$ 63,609 | \$ 59,703 | \$ 33,624 |

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(Unaudited)

For the six months ended June 30, 2009:

| <i>(in thousands)</i> | Revenues | Income (loss) before income taxes and noncontrolling interests | Depreciation and amortization | Capital expenditures |
|--|--------------|--|-------------------------------------|-------------------------|
| Financial Services: | | | | |
| Title Insurance and Services | \$ 1,727,338 | \$ 62,355 | \$ 33,783 | \$ 11,847 |
| Specialty Insurance | 134,618 | 9,424 | 1,820 | 2,545 |
| | 1,861,956 | 71,779 | 35,603 | 14,392 |
| Information Solutions: | | | | |
| Information and Outsourcing Solutions | 466,618 | 120,500 | 11,626 | 2,974 |
| Data and Analytic Solutions | 265,080 | 56,488 | 29,959 | 7,870 |
| Risk Mitigation and Business Solutions | 381,156 | 40,376 | 21,565 | 9,656 |
| | 1,112,854 | 217,364 | 63,150 | 20,500 |
| | 2,974,810 | 289,143 | 98,753 | 34,892 |
| Corporate | 2,380 | (53,717) | 4,856 | 428 |
| Eliminations | (61,996) | | (75) | |
| | \$ 2,915,194 | \$ 235,426 | \$ 103,534 | \$ 35,320 |

For the six months ended June 30, 2008:

| <i>(in thousands)</i> | Revenues | Income (loss) before income taxes and noncontrolling interests | Depreciation and amortization | Capital expenditures |
|---------------------------------------|--------------|--|-------------------------------------|-------------------------|
| Financial Services: | | | | |
| Title Insurance and Services | \$ 2,181,375 | \$ 6,196 | \$ 39,104 | \$ 22,972 |
| Specialty Insurance | 152,618 | 17,175 | 1,450 | 4,100 |
| | 2,333,993 | 23,371 | 40,554 | 27,072 |
| Information Solutions: | | | | |
| Information and Outsourcing Solutions | 390,558 | 93,682 | 12,293 | 11,445 |

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| | | | | |
|--|--------------|------------|------------|-----------|
| Data and Analytic Solutions | 274,748 | 44,480 | 34,781 | 18,321 |
| Risk Mitigation and Business Solutions | 400,264 | 43,088 | 21,786 | 18,762 |
| | 1,065,570 | 181,250 | 68,860 | 48,528 |
| | 3,399,563 | 204,621 | 109,414 | 75,600 |
| Corporate | 597 | (71,438) | 7,812 | 1,855 |
| Eliminations | (55,984) | | | |
| | \$ 3,344,176 | \$ 133,183 | \$ 117,226 | \$ 77,455 |

Note 13 Litigation and Regulatory Contingencies

The Company and its subsidiaries have been named in various lawsuits, most of which relate to their title insurance operations. In cases where the Company has determined that a loss is both probable and reasonably estimable, the Company has recorded a liability representing its best estimate of the financial exposure based on facts known to the Company. In accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies (SFAS 5), the Company maintained a reserve for these lawsuits totaling \$16.6 million at June 30, 2009. Actual losses may materially differ from the amounts recorded. The Company does not believe that the ultimate resolution of these cases, either individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

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(Unaudited)

The Company's title insurance, property and casualty insurance, home warranty, thrift, trust and investment advisory businesses are regulated by various federal, state and local governmental agencies. Many of the Company's other businesses operate within statutory guidelines. Consequently, the Company may from time to time be subject to audit or investigation by such governmental agencies. Currently, governmental agencies are auditing or investigating certain of the Company's operations. These audits or investigations include inquiries into, among other matters, pricing and rate setting practices in the title insurance industry, competition in the title insurance industry and title insurance customer acquisition and retention practices. With respect to matters where the Company has determined that a loss is both probable and reasonably estimable, the Company has recorded a liability representing its best estimate of the financial exposure based on facts known to the Company. In accordance with SFAS 5, the Company maintained a reserve for these matters totaling \$1.1 million at June 30, 2009. While the ultimate disposition of each such audit or investigation is not yet determinable, the Company does not believe that individually or in the aggregate, they will have a material adverse effect on the Company's financial condition, results of operations or cash flows. These audits or investigations could result in changes to the Company's business practices which could ultimately have a material adverse impact on the Company's financial condition, results of operations or cash flows.

The Company also is involved in numerous ongoing routine legal and regulatory proceedings related to its operations. While the ultimate disposition of each proceeding is not determinable, the Company does not believe that any of such proceedings, individually or in the aggregate, will have a material adverse effect on its financial condition, results of operations or cash flows.

Note 14 Loss Reserves

A summary of the Company's loss reserves, broken down into its components of known title claims, incurred but not reported claims and non-title claims, follows:

| <i>(in thousands except percentages)</i> | June 30, 2009 | | December 31, 2008 | |
|--|----------------------|--------|--------------------------|--------|
| Known title claims | \$ 226,756 | 17.3% | \$ 234,311 | 17.3% |
| IBNR | 1,009,351 | 77.0% | 1,035,779 | 76.4% |
| Total title claims | 1,236,107 | 94.3% | 1,270,090 | 93.7% |
| Non-title claims | 74,417 | 5.7% | 85,302 | 6.3% |
| Total loss reserves | \$ 1,310,524 | 100.0% | \$ 1,355,392 | 100.0% |

Note 15 Income Taxes

As of June 30, 2009, the liability for income taxes associated with uncertain tax positions was \$29.3 million. This liability can be reduced by \$4.1 million of offsetting tax benefits associated with the correlative effects of potential transfer pricing adjustments, state income taxes and timing adjustments. The net amount of \$25.2 million, if recognized, would favorably affect the company's effective tax rate.

The Company's continuing practice is to recognize interest and penalties, if any, related to uncertain tax positions in tax expense. As of June 30, 2009, the Company had accrued \$5.5 million of interest (net of tax benefit) and penalties related to uncertain tax positions.

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

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It is reasonably possible that the amount of the unrecognized tax benefit with respect to certain of the Company's unrecognized tax positions will significantly increase or decrease within the next 12 months. These changes may be the result of items such as ongoing audits, competent authority proceedings related to transfer pricing, or the expiration of federal and state statutes of limitation for the assessment of taxes. The Company estimates that decreases in unrecognized tax benefits within the next 12 months will total approximately \$8 million.

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(Unaudited)

The effective income tax rate (income tax expense as a percentage of income before income taxes) was 36.8% for the six months ended June 30, 2009 and 36.8% for the same period of the prior year. The decrease in the effective rate was primarily attributable to changes in the ratio of permanent differences to income before income taxes and the effect of interest and penalties recognized in the quarter relating to FIN 48.

Note 16 Stockholders Equity

The Company has a plan authorizing the repurchase of \$800.0 million of its common shares. Under the plan, which has no expiration date, the Company has repurchased and retired 10.5 million of its common shares for a total purchase price of \$439.6 million and has the authority to repurchase an additional \$360.4 million. No purchases have been made subsequent to December 31, 2007.

Note 17 Other Comprehensive Income (Loss)

Comprehensive income is a more inclusive financial reporting methodology that includes disclosure of certain financial information that historically has not been recognized in the calculation of net income.

Components of other comprehensive income (loss) are as follows:

For the three months ended June 30, 2009:

| <i>(in thousands)</i> | Net unrealized gains (losses) on securities | Foreign currency translation adjustment | Pension benefit adjustment | Accumulated other comprehensive income (loss) |
|---|---|--|----------------------------------|--|
| Balance at March 31, 2009 | \$ (81,158) | \$ (33,984) | \$ (191,893) | \$ (307,035) |
| Pretax change | 71,899 | 22,152 | 5,801 | 99,852 |
| Pretax change in other-than-temporary impairments for which credit-related portion was recognized in net realized investment gains (losses) | 5,417 | | | 5,417 |
| Tax effect | (24,170) | | (2,030) | (26,200) |
| Balance at June 30, 2009 | \$ (28,012) | \$ (11,832) | \$ (188,122) | \$ (227,966) |

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(Unaudited)

For the six months ended June 30, 2009:

| <i>(in thousands)</i> | Net unrealized gains (losses) on securities | Foreign currency translation adjustment | Pension benefit adjustment | Accumulated other comprehensive income (loss) |
|---|---|--|----------------------------------|--|
| Balance at December 31, 2008 | \$ (77,062) | \$ (29,407) | \$ (195,500) | \$ (301,969) |
| Pretax change | 72,676 | 17,575 | 11,350 | 101,601 |
| Pretax change in other-than-temporary impairments for which credit-related portion was recognized in net realized investment gains (losses) | (1,845) | | | (1,845) |
| Tax effect | (21,781) | | (3,972) | (25,753) |
| Balance at June 30, 2009 | \$ (28,012) | \$ (11,832) | \$ (188,122) | \$ (227,966) |
| Allocated to The First American Corporation | \$ (30,035) | \$ (3,079) | \$ (188,122) | \$ (221,236) |
| Allocated to noncontrolling interests | 2,023 | (8,753) | | (6,730) |
| Balance at June 30, 2009 | \$ (28,012) | \$ (11,832) | \$ (188,122) | \$ (227,966) |

Note 18 Pending Accounting Pronouncements

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, Accounting for Transfers of Financial Assets an amendment of FASB Statement No. 140 (SFAS 166). SFAS 166 removes the concept of a qualifying special-purpose entity from SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities, establishes a new participating interest definition that must be met for transfers of portions of financial assets to be eligible for sale accounting, clarifies and amends the derecognition criteria for a transfer to be accounted for as a sale, and changes the amount that can be recognized as a gain or loss on a transfer accounted for as a sale when beneficial interests are received by the transferor. Enhanced disclosures are also required to provide information about transfers of financial assets and a transferor's continuing involvement with transferred financial assets. This statement must be applied as of the beginning of an entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. Management is currently evaluating the effect that adoption of this standard will have on the Company's consolidated financial position and results of operations when it becomes effective in 2010.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, Amendments to FASB Interpretation No. 46(R) (SFAS 167). SFAS 167 amends FASB Interpretation No. 46 (revised December 2003), Consolidation of Variable Interest Entities (FIN 46(R)) to require an enterprise to qualitatively assess the determination of the primary beneficiary of a variable interest entity (VIE) based on whether the entity (1) has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. Also, SFAS 167 requires an ongoing reconsideration of the primary beneficiary, and amends the events that trigger a reassessment of whether an entity is a VIE. Enhanced disclosures are also required to provide information about an enterprise's involvement in a VIE. This statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. Management is currently evaluating the effect that adoption of this standard will have on the Company's consolidated financial position and results of operations when it becomes effective in 2010.

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In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162 (SFAS 168). SFAS 168 replaces SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles and establishes the FASB Accounting Standards CodificationTM (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles in the United States. All guidance contained in the Codification carries an equal level of authority. On the effective date of SFAS 168, the Codification will supersede all then-

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(Unaudited)

existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company evaluated this new statement, and has determined that it will not have a significant impact on the determination or reporting of the Company's consolidated financial statements.

Note 19 Subsequent Events

In June 2009, the Company adopted Statement of Financial Accounting Standards No. 165, Subsequent Events (SFAS 165). SFAS 165 is modeled after the subsequent event guidance in auditing literature, with some terminology changes and additional required disclosures. Subsequent events have been reviewed through July 30, 2009, the date of issuance of these financial statements. See Note 4 for discussion regarding losses on a preferred equity security due to a subsequent event. There were no other subsequent events requiring adjustment to or disclosure in the Company's consolidated financial statements.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Management's Discussion and Analysis contains certain financial measures, in particular presentation of certain balances excluding the impact of acquisitions and other non-recurring items that are not presented in accordance with generally accepted accounting principles (GAAP). The Company is presenting these non-GAAP financial measures because they provide the Company's management and readers of the Quarterly Report on Form 10-Q with additional insight into the operational performance of the Company relative to earlier periods and relative to the Company's competitors. The Company does not intend for these non-GAAP financial measures to be a substitute for any GAAP financial information. Readers of this Quarterly Report on Form 10-Q should use these non-GAAP financial measures only in conjunction with the comparable GAAP financial measures.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Critical accounting policies are those policies used in the preparation of the Company's financial statements that require management to make estimates and judgments that affect the reported amounts of certain assets, liabilities, revenues, expenses and related disclosure of contingencies. A summary of these policies can be found in the Management's Discussion and Analysis section of the Company's Annual Report on Form 10-K for the year ended December 31, 2008.

Recent Accounting Pronouncements

The Company has adopted Financial Accounting Standards Board (FASB) Staff Position 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), issued February 2008. FSP 157-2 delayed the effective date of FAS 157 for non-financial assets and non-financial liabilities until January 1, 2009. The provisions of FAS 157 for non-financial assets and non-financial liabilities were applied as of January 1, 2009, and had no material effect on the Company's consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159). This statement permits companies to choose to measure many financial assets and liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The Company adopted SFAS 159 effective January 1, 2008. The Company did not apply SFAS 159 to any assets or liabilities and, therefore, the adoption had no effect on its consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R), Business Combinations (SFAS 141(R)). Effective January 1, 2009, the Company adopted the provisions of SFAS 141(R). This statement retains the fundamental requirements in Statement of Financial Accounting Standards No. 141 Business Combinations (SFAS 141), that the acquisition method of accounting, previously known as the purchase method, be used for all business combinations and for an acquirer to be identified for each business combination. SFAS 141(R) establishes principles and requirements for how the acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141(R) requires contingent consideration to be recognized at its fair value on the acquisition date and, for certain arrangements, changes in fair value to be recognized in earnings until settled. SFAS 141(R) also requires acquisition-related transaction and restructuring costs to be expensed rather than treated as part of the cost of the acquisition. The adoption of SFAS 141(R) had no material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position FAS 141(R)-a, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FSP 141(R)-a). The FASB carried forward the requirements in SFAS 141, for acquired contingencies, which would require that such contingencies be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the allocation period. Otherwise, companies would typically account for the

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acquired contingencies in accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies (SFAS 5). As a result of the requirement to use the guidance in SFAS 141, the accounting for preacquisition contingencies may be an exception to the recognition and fair value measurement principles of SFAS 141(R). Additionally, the FASB changed the accounting for an acquirer's pre-existing contingent consideration arrangement that was assumed by the acquirer as part of the business combination. Such arrangements will now be accounted for as contingent consideration by the acquirer. FSP 141(R)-a had the same effective date as SFAS 141(R), and was effective for all business combinations for which the acquisition date was on or after January 1, 2009. The adoption of SFAS 141(R)-a had no impact on the Company's consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160, Noncontrolling Interest in Consolidated Financial Statements - an amendment of ARB No. 51 (SFAS 160). The Company adopted the provisions of SFAS 160 effective January 1, 2009. SFAS 160 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. SFAS 160 also establishes reporting requirements that provide disclosures that identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS 160 requires retroactive adoption of the presentation and disclosure requirements for existing minority interests. All other requirements of SFAS 160 are to be applied prospectively. Except for the required presentation and disclosures, the adoption of SFAS 160 had no material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments (FSP 115-2 and FSP 124-2). FSP 115-2 and FSP 124-2 collectively establish a new method of recognizing and reporting other-than-temporary impairments of debt securities. FSP 115-2 and FSP 124-2 also contain additional disclosure requirements related to debt and equity securities. FSP 115-2 and FSP 124-2 change existing impairment guidance under Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities (SFAS 115). For debt securities, the ability and intent to hold provision is eliminated, and impairment is considered to be other-than-temporary if an entity (i) intends to sell the security, (ii) more likely than not will be required to sell the security before recovering its cost, or (iii) does not expect to recover the security's entire amortized cost basis (even if the entity does not intend to sell). This new framework does not apply to equity securities (i.e., impaired equity securities will continue to be evaluated under previously existing guidance). The probability standard relating to the collectability of cash flows is eliminated, and impairment is now considered to be other-than-temporary if the present value of cash flows expected to be collected from the debt security is less than the amortized cost basis of the security. FSP 115-2 and FSP 124-2 also provide that for debt securities which (i) an entity does not intend to sell and (ii) it is not more likely than not that the entity will be required to sell before the anticipated recovery of its remaining amortized cost basis, the impairment is separated into the amount related to estimated credit losses and the amount related to all other factors. The amount of the total impairment related to all other factors is recorded in other comprehensive loss and the amount related to estimated credit loss is recognized as a charge against current period earnings. FSP 115-2 and FSP 124-2 are effective for interim and annual periods ending after June 15, 2009, with early adoption permitted. The Company elected to adopt FSP 115-2 and FSP 124-2 in the first quarter of 2009. See the discussion in Note 4 regarding the impact of adoption.

In April 2009, the FASB issued FASB Staff Position FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly (FSP 157-4). FSP 157-4 indicates that if an entity determines that either the volume and/or level of activity for an asset or liability has significantly decreased (from normal conditions for that asset or liability) or price quotations or observable inputs are not associated with orderly transactions, increased analysis and management judgment will be required to estimate fair value. FSP 157-4 is effective for interim and annual periods ending after June 15, 2009, with early adoption permitted. FSP 157-4 must be applied prospectively. The Company elected to adopt FSP 157-4 in the first quarter of 2009. The adoption of FSP 157-4 had no material impact on the Company's consolidated financial statements.

In April 2009, the SEC issued Staff Accounting Bulletin No. 111 (SAB 111) on Other-Than-Temporary Impairments. SAB 111 amends Topic 5.M. in the Staff Accounting Bulletin Series entitled Other-Than-Temporary Impairment of Certain Investments in Debt and Equity Securities (Topic 5.M.). SAB 111 maintains the SEC staff's previous views related to equity securities and amends Topic 5.M. to exclude debt securities from its scope. The Company elected to adopt SAB 111 in the first quarter of 2009. SAB 111 did not have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP 107-1). FSP 107-1 relates to fair value disclosures in public entity financial statements for financial instruments that are within the scope of Statement of Financial Accounting Standards No. 107, Disclosures about Fair Value of Financial Instruments . This guidance increases the frequency of those disclosures, requiring public entities to provide the disclosures on a quarterly basis, rather than annually. FSP 107-1 is effective for interim and annual periods

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ending after June 15, 2009. The Company adopted FSP 107-1 in the second quarter of 2009. Except for the disclosure requirements, the adoption of FSP 107-1 did not have a material impact on the Company's consolidated financial statements.

In May 2009, the FASB issued Statement of Financial Accounting Standards No. 165, *Subsequent Events* (SFAS 165). SFAS 165 is modeled after the same principles as the subsequent event guidance in auditing literature with some terminology changes and additional disclosures. SFAS 165 is effective for interim and annual periods ending after June 15, 2009, and is required to be applied prospectively. The Company has adopted SFAS 165 in the second quarter of 2009. Except for the disclosure requirements, the adoption of SFAS 165 had no material impact on the Company's consolidated financial statements.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 166, *Accounting for Transfers of Financial Assets* an amendment of FASB Statement No. 140 (SFAS 166). SFAS 166 removes the concept of a qualifying special-purpose entity from SFAS 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities*, establishes a new participating interest definition that must be met for transfers of portions of financial assets to be eligible for sale accounting, clarifies and amends the derecognition criteria for a transfer to be accounted for as a sale, and changes the amount that can be recognized as a gain or loss on a transfer accounted for as a sale when beneficial interests are received by the transferor. Enhanced disclosures are also required to provide information about transfers of financial assets and a transferor's continuing involvement with transferred financial assets. This statement must be applied as of the beginning of an entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. Management is currently evaluating the effect that adoption of this standard will have on the Company's consolidated financial position and results of operations when it becomes effective in 2010.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS 167). SFAS 167 amends FASB Interpretation No. 46 (revised December 2003), *Consolidation of Variable Interest Entities* (FIN 46(R)) to require an enterprise to qualitatively assess the determination of the primary beneficiary of a variable interest entity (VIE) based on whether the entity (1) has the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (2) has the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. Also, SFAS 167 requires an ongoing reconsideration of the primary beneficiary, and amends the events that trigger a reassessment of whether an entity is a VIE. Enhanced disclosures are also required to provide information about an enterprise's involvement in a VIE. This statement shall be effective as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period, and for interim and annual reporting periods thereafter. Earlier application is prohibited. Management is currently evaluating the effect that adoption of this standard will have on the Company's consolidated financial position and results of operations when it becomes effective in 2010.

In June 2009, the FASB issued Statement of Financial Accounting Standards No. 168, *The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles* a replacement of FASB Statement No. 162 (SFAS 168). SFAS 168 replaces SFAS No. 162, *The Hierarchy of Generally Accepted Accounting Principles* and establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles in the United States. All guidance contained in the Codification carries an equal level of authority. On the effective date of SFAS 168, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other nongrandfathered non-SEC accounting literature not included in the Codification will become nonauthoritative. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The Company evaluated this new statement, and has determined that it will not have a significant impact on the determination or reporting of the Company's consolidated financial statements.

OVERVIEW

Corporate Update

On January 15, 2008, the Company announced its intention to separate its financial services companies from the information solutions companies via a spin-off transaction, resulting in two separate publicly traded entities. Because of negative trends and continued uncertainty in the real estate and mortgage credit markets and the Company's desire to focus on responding to these conditions, among other factors, the Company's Board of Directors determined on July 30, 2008, to delay the consummation of the transaction.

The Company continues to proceed with preparations for the anticipated separation, and to monitor market conditions, and currently expects the separation to occur during the first half of 2010.

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Declines in real estate prices, as well as a continued tightening of mortgage credit for non-conforming loans and decreases in general economic conditions continue to impact the demand for many of the Company's products and services. These conditions have also had an impact on, and continue to impact, the performance and financial condition of some of the Company's customers in many of the segments in which the Company operates; should these parties continue to encounter significant issues, those issues may lead to negative impacts on the Company's revenue, claims, earnings and liquidity. Additionally, the Company sees continued stress in the commercial real estate market. This may result in the instability or failure of developers and other participants in the commercial real estate business, which increases the probability of claims on commercial title insurance policies issued or reinsured by the Company.

Results of Operations

Summary of Second Quarter

The dollar amount of mortgage originations increased 62.0% in the second quarter of 2009, when compared with the same period of the prior year according to the Mortgage Bankers Association's July 10, 2009, Long-term Mortgage Finance Forecast (the "MBA Forecast"). This increase in mortgage originations reflected a relatively strong refinance market. According to the MBA Forecast, the dollar amount of refinance originations increased 123.4% in the second quarter of 2009 when compared with the same quarter of the prior year, while purchase originations remained relatively flat. However, as a result of the relatively soft commercial real estate market, depressed international real estate activity, and declining home values, operating revenues for the Company's financial services group decreased 16.3% in the second quarter 2009 when compared with the same period of the prior year.

Growth in default-related revenues, revenues from origination-related products and the relatively consistent revenues generated by subscription-based businesses, resulted in operating revenues for the information solutions group increasing 6.1% in the second quarter 2009 when compared with the same period of the prior year. On a consolidated basis, operating revenues decreased 9.9% in the second quarter 2009 when compared with the same period of the prior year.

During the second quarter, the Company concluded that \$17.8 million of unrealized losses on investments in preferred and common equity securities were other-than-temporary and recorded realized investment losses for that amount.

Total expenses for the Company, before income taxes, decreased 14.6% for the three months ended June 30, 2009, when compared with the same period of the prior year. For the financial services group, the decrease was 20.4%, with a partial offsetting increase of 4.1% at the information solutions group. The benefits from cost saving initiatives at the information solutions group were partially offset by increased costs of goods sold associated with the increased default-related and lead generation revenues. The Company-wide decrease in total expenses in the second quarter 2009 primarily reflected a decline in title insurance agent retention due in large part to the decline in title insurance agent revenues, reductions in employee compensation expense, primarily reflecting employee reductions, a decline in other operating expenses due to overall cost-containment programs and a reduction in claims expense.

Net income attributable to the Company for the three months ended June 30, 2009, was \$70.3 million, or \$0.75 per diluted share, compared with \$19.6 million, or \$0.21 per diluted share for the same period of the prior year.

FINANCIAL SERVICES GROUP

The Company expects that the uncertainty in the real estate and mortgage markets will continue to impact many of the financial services group's lines of business. However, certain governmental programs and a relatively low interest rate environment have, to some extent, provided an improved operating environment. The financial services group is maintaining its focus on controlling costs by centralizing agency and administrative functions, optimizing management structure and rationalizing its brand strategy. The financial services group plans to continue these efforts where appropriate. In addition, the financial services group will continue to scrutinize the profitability of its agency relationships, to increase its offshore leverage and to develop new sales opportunities. Beginning at the end of 2008, the title insurance and services segment also initiated an effort to optimize its claims handling process through, among other things, the centralization of claims handling, enhanced corporate control over the claims process and claims process standardization.

Table of Contents**Title Insurance and Services**

| <i>(in thousands except percentages)</i> | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|--|-----------------------------|------------|-------------|----------|---------------------------|--------------|--------------|----------|
| | 2009 | 2008 | \$ Change | % Change | 2009 | 2008 | \$ Change | % Change |
| Revenues | | | | | | | | |
| Direct operating revenues | \$ 570,446 | \$ 633,561 | \$ (63,115) | (10.0) | \$ 1,031,202 | \$ 1,205,261 | \$ (174,059) | (14.4) |
| Agent operating revenues | 351,047 | 475,640 | (124,593) | (26.2) | 649,367 | 932,096 | (282,729) | (30.3) |
| Investment and other income | 29,377 | 37,782 | (8,405) | (22.2) | 60,804 | 82,810 | (22,006) | (26.6) |
| Net realized investment (losses) gains | (15,525) | (39,422) | 23,897 | 60.6 | (14,035) | (38,792) | 24,757 | 63.8 |
| | 935,345 | 1,107,561 | (172,216) | (15.5) | 1,727,338 | 2,181,375 | (454,037) | (20.8) |
| Expenses | | | | | | | | |
| Salaries and other personnel costs | 283,476 | 345,011 | (61,535) | (17.8) | 551,276 | 693,742 | (142,466) | (20.5) |
| Premiums retained by agents | 278,604 | 377,062 | (98,458) | (26.1) | 518,163 | 741,113 | (222,950) | (30.1) |
| Other operating expenses | 223,045 | 280,755 | (57,710) | (20.6) | 429,185 | 530,883 | (101,698) | (19.2) |
| Provision for policy losses and other claims | 59,897 | 70,372 | (10,475) | (14.9) | 109,237 | 133,872 | (24,635) | (18.4) |
| Depreciation and amortization | 16,246 | 20,486 | (4,240) | (20.7) | 33,783 | 39,104 | (5,321) | (13.6) |
| Premium taxes | 7,593 | 11,171 | (3,578) | (32.0) | 14,273 | 22,114 | (7,841) | (35.5) |
| Interest | 4,301 | 3,726 | 575 | 15.4 | 9,066 | 14,351 | (5,285) | (36.8) |
| | 873,162 | 1,108,583 | (235,421) | (21.2) | 1,664,983 | 2,175,179 | (510,196) | (23.5) |
| Income (loss) before income taxes | \$ 62,183 | (1,022) | \$ 63,205 | 6,184.4 | \$ 62,355 | \$ 6,196 | \$ 56,159 | 906.4 |
| Margins | 6.6% | (0.1)% | 6.7% | 7,304.7 | 3.6% | 0.3% | 3.3% | 1,170.9 |

Operating revenues from direct title operations were \$570.4 million and \$1,031.2 million for the three and six months ended June 30, 2009, respectively, decreases of \$63.1 million, or 10.0%, and \$174.1 million, or 14.4%, when compared with the respective periods of the prior year. These decreases were due to a decline in the average revenues per order closed, offset by an increase in the number of title orders closed by the Company's direct operations. The average revenues per order closed were \$1,302 and \$1,277 for the three and six months ended June 30, 2009, respectively, decreases of 17.6% and 16.2% when compared with the respective periods of the prior year. These decreases reflected the relatively soft commercial and international real estate markets, as well the increased mix of lower-premium refinance transactions. The Company's direct operations closed 438,100 and 807,300 title orders during the current three and six month periods, respectively, increases of 9.2% and 2.1% when compared with the respective periods of the prior year. These increases were primarily due to the relatively strong refinance market.

Operating revenues from agency operations were \$351.0 million and \$649.4 million for the three and six months ended June 30, 2009, respectively, decreases of \$124.6 million, or 26.2%, and \$282.7 million, or 30.3%, for the three and six months ended June 30, 2009, when compared with the respective periods of the prior year. These decreases were primarily due to the same factors impacting direct operations and the cancellation of certain agency relationships. Management continued to analyze the terms and profitability of its title agent relationships and is working to amend certain agency agreements.

Total operating revenues for the title insurance segment contributed by new acquisitions were \$4.4 million and \$7.8 million for the three and six months ended June 30, 2009, respectively.

Investment and other income totaled \$29.4 million and \$60.8 million for the three and six months ended June 30, 2009, respectively, decreases of \$8.4 million, or 22.2%, and \$22.0 million, or 26.6%, for the three and six months ended June 30, 2009, when compared with the respective periods of the prior year. These decreases primarily reflected declining yields earned from the Company's investment portfolio, a decrease in interest earned on certain escrow deposits and decreased net interest income at the Company's trust division.

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The Company's net realized investment losses totaled \$15.5 million and \$14.0 million for the three and six months ended June 30, 2009, respectively. The Company's net realized investment losses totaled \$39.4 million and \$38.8 million for the three and six months ended June 30, 2008, respectively. The current three and six-month period totals included \$19.3 million and \$21.5 million impairment losses taken on certain debt, preferred equity and common equity securities. These losses were offset in part by realized gains on the sales of certain investments. The prior three and six-month period losses were primarily driven by a \$37.3 million write-down taken to reflect the permanent impairment of one of the title segment's long-term investments.

Salaries and other personnel costs for the title insurance segment were \$283.5 million and \$551.3 million for the three and six months ended June 30, 2009, respectively, decreases of \$61.5 million, or 17.8%, and \$142.5 million, or 20.5%, when compared with the respective periods of the prior year. Total salaries and other personnel for the title insurance segment contributed by new acquisitions were \$1.8 million and \$3.4 million for the three and six months ended June 30, 2009, respectively. These decreases were primarily due to a reduction in base salary expense and bonus expense resulting from staff reductions. Staff reductions were approximately 3,050 since the end of the second quarter 2008. Employee separation costs included in salaries and other personnel costs for the current quarter totaled \$1.7 million.

Agents retained \$278.6 million and \$518.2 million of title premiums generated by agency operations for the three and six months ended June 30, 2009, which compares with \$377.1 million and \$741.1 million for the respective periods of the prior year. The percentage of title premiums retained by agents was 79.4% and 79.8% for the three and six months ended June 30, 2009, up from 79.3% and 79.5% for the same periods of the prior year. This change primarily was due to increases in activity with agents operating in regions with less favorable premium splits.

Other operating expenses for the title insurance and services segment were \$223.0 million and \$429.2 million for the three and six months ended June 30, 2009, respectively, decreases of \$57.7 million, or 20.6%, and \$101.7 million, or 19.2%, when compared with the same periods of the prior year. Acquisitions contributed \$2.3 million and \$4.0 million to other operating expenses for the three and six months ended June 30, 2009, respectively. The decreases in other operating expenses were primarily due to a decline in title production costs associated with the decline in open orders, lower occupancy costs as a result of the consolidation of certain title branches and other cost-containment programs.

The provision for title insurance policy losses as a percentage of title insurance operating revenues was 6.5% for the current six-month period and 6.3% for the same period of the prior year. The current period rate reflects the expected claims experience for policy year 2009, with no reserve estimate adjustments required for prior policy years.

Premium taxes were \$14.3 million and \$22.1 million for the six months ended June 30, 2009 and 2008, respectively. Premium taxes as a percentage of operating revenues were 0.8% and 1.0% for the current six-month period and for the same period of the prior year, respectively.

In general, the title insurance business is a lower profit margin business when compared to the Company's other segments. The lower profit margins reflect the high cost of producing title evidence whereas the corresponding revenues are subject to regulatory and competitive pricing restraints. Due to this relatively high proportion of fixed costs, title insurance profit margins generally improve as closed order volumes increase. Title insurance profit margins are affected by the composition (residential or commercial) and type (resale, refinancing or new construction) of real estate activity. In addition, profit margins from refinance transactions vary depending on whether they are centrally processed or locally processed. Profit margins from resale, new construction and centrally processed refinance transactions are generally higher than from locally processed refinancing transactions because in many states there are premium discounts on, and cancellation rates are higher for, refinance transactions. Title insurance profit margins are also affected by the percentage of operating revenues generated by agency operations. Profit margins from direct operations are generally higher than from agency operations due primarily to the large portion of the premium that is retained by the agent. Pre-tax margins were 6.6% and 3.6% for the three and six-month period ending June 30, 2009, compared with (0.1)% and 0.3% for the three and six-month period ending June 30, 2008, respectively.

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| <i>(in thousands except percentages)</i> | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|--|-----------------------------|-----------|------------|----------|---------------------------|------------|------------|----------|
| | 2009 | 2008 | \$ Change | % Change | 2009 | 2008 | \$ Change | % Change |
| Revenues | | | | | | | | |
| Operating revenues | \$ 67,350 | \$ 72,573 | \$ (5,223) | (7.2) | \$ 134,442 | \$ 144,180 | \$ (9,738) | (6.8) |
| Investment and other income | 3,348 | 3,848 | (500) | (13.0) | 6,875 | 8,068 | (1,193) | (14.8) |
| Net realized investment (losses) gains | (6,296) | 116 | (6,412) | NM | (6,699) | 370 | (7,069) | NM |
| | 64,402 | 76,537 | (12,135) | (15.9) | 134,618 | 152,618 | (18,000) | (11.8) |
| Expenses | | | | | | | | |
| Salaries and other personnel costs | 14,213 | 15,608 | (1,395) | (8.9) | 27,973 | 29,908 | (1,935) | (6.5) |
| Other operating expenses | 10,961 | 12,009 | (1,048) | (8.7) | 23,670 | 24,664 | (994) | (4.0) |
| Provision for policy losses and other claims | 35,984 | 38,317 | (2,333) | (6.1) | 69,578 | 77,249 | (7,671) | (9.9) |
| Depreciation and amortization | 865 | 819 | 46 | 5.6 | 1,820 | 1,450 | 370 | 25.5 |
| Premium taxes | 1,057 | 1,099 | (42) | (3.8) | 2,143 | 2,172 | (29) | (1.3) |
| Interest | 10 | | 10 | | 10 | | 10 | NM |
| | 63,090 | 67,852 | (4,762) | (7.0) | 125,194 | 135,443 | (10,249) | (7.6) |
| Income (loss) before income taxes | \$ 1,312 | \$ 8,685 | \$ (7,373) | (84.9) | \$ 9,424 | \$ 17,175 | \$ (7,751) | (45.1) |
| Margins | 2.0% | 11.3% | (9.3)% | (82.0) | 7.0% | 11.3% | (4.3)% | (37.8) |

Operating revenues for the specialty insurance segment were \$67.4 million and \$134.4 million for the three and six months ended June 30, 2009, respectively, decreases of \$5.2 million, or 7.2% and \$9.7 million, or 6.8%, when compared with the same periods of the prior year. These decreases primarily reflected a decline in business volume impacting both the property and casualty insurance division and the home warranty division.

Investment and other income for the segment totaled \$3.3 million and \$6.9 million for the three and six months ended June 30, 2009, respectively, decreases of \$0.5 million, or 13.0% and \$1.2 million, or 14.8%, when compared with the same periods of the prior year. These decreases primarily reflected the decreased yields earned from the investment portfolio.

Net realized investment losses for the specialty insurance segment totaled \$6.3 million and \$6.7 million for the three and six months ended June 30, 2009, respectively, compared with net realized investment gains of \$0.1 million and \$0.4 million for the respective periods of the prior year. The current three and six month period totals included \$6.3 million impairment losses taken on certain debt, preferred equity and common equity securities.

Personnel and other operating expenses were \$25.2 million and \$51.6 million for the three and six months ended June 30, 2009, respectively, decreases of \$2.4 million, or 8.8%, and \$2.9 million, or 5.4%, when compared with the same periods of the prior year. These decreases primarily reflected staff reductions as well as other cost containment programs.

For the home warranty business, the claims provision as a percentage of home warranty operating revenues was 55.6% for the current six-month period and 54.4% for the same period of the prior year. The increase in rate was primarily due to an increase in contractor and supplier claims coupled with reduced operating revenues. For the property and casualty business, the claims provision as a percentage of property and casualty insurance operating revenues was 45.9% for the current six-month period, a decrease when compared with 52.4% for the same period of the prior year. This decrease was primarily due to a decline in core or routine losses.

Premium taxes were \$2.1 million and \$2.2 million for the six months ended June 30, 2009 and 2008, respectively. Premium taxes as a percentage of operating revenues were 1.6% and 1.5% for the current six-month period and for the same period of the prior year, respectively.

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A large part of the revenues for the specialty insurance businesses are not dependent on the level of real estate activity, with a large portion generated from renewals. With the exception of loss expense, the majority of the expenses for this segment are variable in nature and therefore generally fluctuate consistent with revenue fluctuations. Accordingly, profit margins for this segment (before loss expense) are relatively constant, although as a result of some fixed expenses, profit margins (before loss expense) should nominally improve as revenues increase. Pre-tax margins for the current three and six-month periods of 2009 were 2.0% and 7.0%, down from 11.3% for the comparable periods of the prior year.

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The Company expects that the uncertainty in the overall economy, including unemployment as well as the real estate and mortgage markets, will continue to impact many of the information solutions group's lines of business. However, the recently announced governmental programs and relatively low interest rate environment have, to some extent, provided an improved operating environment, although the sustainability of these improvements is unclear. The information solutions group is maintaining its focus on controlling costs by consolidating/exiting facilities, centralizing administrative functions, increasing its offshore leverage, streamlining its management structure and improving the level of process automation. The information solutions group plans to continue these efforts where appropriate. In addition, the information solutions group will continue to focus on increasing its offshore leverage, developing new products and service offerings to meet the changing market needs and aggressively pursuing opportunities for market share growth present within the marketplace.

Information and Outsourcing Solutions

| <i>(in thousands except percentages)</i> | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|--|-----------------------------|------------|--------------|----------|---------------------------|------------|--------------|----------|
| | 2009 | 2008 | \$ Change | % Change | 2009 | 2008 | \$ Change | % Change |
| Revenues | | | | | | | | |
| Operating revenues | \$ 239,951 | \$ 180,322 | \$ 59,629 | 33.1 | \$ 428,032 | \$ 361,664 | \$ 66,368 | 18.4 |
| Investment and other income | 20,173 | 13,540 | 6,633 | 49.0 | 39,277 | 28,932 | 10,345 | 35.8 |
| Net realized investment (losses) gains | (377) | 1 | (378) | NM | (691) | (38) | (653) | NM |
| | 259,747 | 193,863 | 65,884 | 34.0 | 466,618 | 390,558 | 76,060 | 19.5 |
| Expenses | | | | | | | | |
| Salaries and other personnel costs | 51,426 | 50,332 | 1,094 | 2.2 | 99,171 | 103,416 | (4,245) | (4.1) |
| Other operating expenses | 130,635 | 87,658 | 42,977 | 49.0 | 223,428 | 173,525 | 49,903 | 28.8 |
| Provision for policy losses and other claims | 8,613 | 6,048 | 2,565 | 42.4 | 14,947 | 10,592 | 4,355 | 41.1 |
| Depreciation and amortization | 6,027 | 6,307 | (280) | (4.4) | 11,626 | 12,293 | (667) | (5.4) |
| Interest | (1,546) | (1,519) | (27) | (1.8) | (3,054) | (2,950) | (104) | (3.5) |
| | 195,155 | 148,826 | 46,329 | 31.1 | 346,118 | 296,876 | 49,242 | 16.6 |
| Income (loss) before income taxes | \$ 64,592 | \$ 45,037 | \$ 19,555 | 43.4 | \$ 120,500 | \$ 93,682 | \$ 26,818 | 28.6 |
| Margins | 24.9% | 23.2% | 1.6% | 7.0 | 25.8% | 24.0% | 1.8% | 7.7 |

The information and outsourcing solutions segment had total operating revenues of \$240.0 million and \$428.0 million, increases of \$59.6 million, or 33.1% and \$66.4 million, or 18.4% for the three and six months ended June 30, 2009 respectively, when compared with the same periods of the prior year. Excluding acquisition activity, information and outsourcing solutions operating revenues increased \$22.0 million, or 12.2%, and \$28.8 million, or 8.0%, in the current three and six-month periods. The current period acquisition related to the Company's acquisition of the previously un-owned equity in a national joint venture. These increases primarily reflected market share gains in many lines of business, an increase in volume at the appraisal and the default-related businesses due to the higher level of increased loan loss mitigation and foreclosure related activity occurring in the market. There were also increased sales at flood and tax service due to the increase in mortgage originations in the second quarter, (with a higher percentage of revenues coming from refinancing, leading to an overall lower average revenue per transaction), as well as increased appraisal revenues due to the recently implemented Home Valuation Code of Conduct. The information and outsourcing solutions segment provides services at different stages of the loan origination cycle, with revenues from valuation and flood certifications occurring earlier in the origination cycle and with tax service revenues generally being recognized after the loan has been closed by the lender. As a result, the tax service revenues for this segment typically lag the normal loan origination cycle.

Information and outsourcing solutions investment and other income was \$20.2 million and \$39.3 million for the three and six months ended June 30, 2009, increases of \$6.6 million, or 49.0%, and \$10.3 million, or 35.8%, when compared with the same periods of the prior year. The increases in investment income primarily reflect the continued strong results of the segment's national joint ventures.

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Information and outsourcing solutions salaries and other personnel were \$51.4 million and \$99.2 million for the three and six months ended June 30, 2009, an increase of \$1.1 million, or 2.2% when compared with the same quarter of the prior

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year, and a decrease of \$4.3 million, or 4.1%, when compared with the same period of the prior year. Acquisitions contributed \$1.9 million to salaries and other personnel costs for the three and six months ended June 30, 2009, respectively. Excluding acquisition activity, information and outsourcing solutions salaries and other personnel costs decreased \$0.8 million, or 1.5%, and \$6.1 million, or 5.9%, in the current three and six-month periods. The decrease was primarily due to general expense reductions actions taken throughout 2008 and early 2009 and continued off shoring initiatives. The reductions were offset in part by increased expenses at the appraisal and default-related businesses due to increased revenues at those entities due to the current market conditions as well as hiring at the servicing-related businesses to effectively service the increased volumes arising from the higher levels of originations and new client wins.

Information and outsourcing solutions other operating expenses were \$130.6 million and \$223.4 million for the three and six months ended June 30, 2009, increases of \$43.0 million, or 49.0%, and \$49.9 million, or 28.8%, when compared with the same periods of the prior year. Acquisitions contributed \$30.9 million to other operating expenses for the three and six months ended June 30, 2009. Excluding acquisition activity, information and outsourcing solutions other operating expenses increased \$12.0 million, or 13.7%, and \$19.0 million, or 10.9%, in the current three and six-month periods. The increases were primarily driven by higher cost of goods sold associated with the higher volume of appraisal and default-related revenues, which offset the impact of the 2008 cost savings initiatives. Excluding the increase in cost of goods sold of \$42.5 million, other operating expenses for the segment were up 4.3% in the current year with increased bad debt expense and other variable costs of sales offsetting the impact of the cost saving initiatives implemented by management.

Information and outsourcing solutions provision for policy losses and other claims increased 42.4% and 41.1% for the three and six months periods ending June 30, 2009, when compared with the same periods of the prior year. The current year increases in the provision for policy losses and other claims was driven by an increase in claims associated with the segment's tax service outsourcing business. Management does not anticipate the level of increases in claims to be recurring in future periods.

Most of the businesses included in the information and outsourcing solutions segment are database intensive, with a relatively high proportion of fixed costs. This segment's tax service, appraisal and default-related businesses, in contrast, are less database intensive and, thus, have a higher level of variable costs. Profit margins generally increase as revenues increase. Revenues for the information and outsourcing solutions segment are primarily dependent on the level of mortgage origination and servicing activity. The information and outsourcing solutions segment had pre-tax margins for the current three and six-month periods of 24.9% and 25.8%, up from 23.2% and 24.0% margins for the prior year three and six-month periods, respectively. The margins were impacted by an increase in revenues from legacy businesses and a decrease in controllable costs within the segment relative to 2008, offset slightly by growth in several valuation and default-related products which have lower associated margins.

Data and Analytic Solutions

| <i>(in thousands except percentages)</i> | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|--|-----------------------------|------------|------------|----------|---------------------------|------------|-------------|----------|
| | 2009 | 2008 | \$ Change | % Change | 2009 | 2008 | \$ Change | % Change |
| Revenues | | | | | | | | |
| Operating revenues | \$ 129,748 | \$ 136,821 | \$ (7,073) | (5.2) | \$ 261,654 | \$ 272,480 | \$ (10,826) | (4.0) |
| Investment and other income | 1,210 | 739 | 471 | 63.7 | 1,610 | 2,223 | (613) | (27.6) |
| Net realized investment gains (losses) | 2,058 | (17) | 2,075 | NM | 1,816 | 45 | 1,771 | NM |
| | 133,016 | 137,543 | (4,527) | (3.3) | 265,080 | 274,748 | (9,668) | (3.5) |
| Expenses | | | | | | | | |
| Salaries and other personnel costs | 70,559 | 76,965 | (6,406) | (8.3) | 140,213 | 156,620 | (16,407) | (10.5) |
| Other operating expenses | 16,623 | 17,166 | (543) | (3.2) | 35,204 | 34,870 | 334 | 1.0 |
| Provision for policy losses and other claims | 122 | 146 | (24) | (16.4) | 245 | 269 | (24) | (8.9) |
| Depreciation and amortization | 15,259 | 16,821 | (1,562) | (9.3) | 29,959 | 34,781 | (4,822) | (13.9) |
| Interest | 1,474 | 1,823 | (349) | (19.1) | 2,971 | 3,728 | (757) | (20.3) |
| | 104,037 | 112,921 | (8,884) | (7.9) | 208,592 | 230,268 | (21,676) | (9.4) |
| Income (loss) before income taxes | \$ 28,979 | \$ 24,622 | \$ 4,357 | 17.7 | \$ 56,488 | \$ 44,480 | \$ 12,008 | 27.0 |

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| | | | | | | | | |
|---------|-------|-------|------|------|-------|-------|------|------|
| Margins | 21.8% | 17.9% | 3.9% | 21.7 | 21.3% | 16.2% | 5.1% | 31.6 |
|---------|-------|-------|------|------|-------|-------|------|------|

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Operating revenues for the data and analytic solutions segment were \$129.7 million and \$261.7 million for the three and six months ended June 30, 2009, respectively, decreases of \$7.1 million, or 5.2%, and \$10.8 million, or 4.0%, for the three and six months ended June 30, 2009, when compared with the respective periods of the prior year. Revenues associated with sales of property information as well as analytic products were down relative to the same period in the prior year. These decreases were primarily due to the continued deterioration of the segment's customer base (primarily mortgage originators) due to economic conditions, the ongoing tightening of the credit markets, and the higher cancellation rate from clients on subscription revenues. Also contributing to the decrease in revenues were deferred buying decisions by many of the segment's investor clients who were waiting for clarity on what role the government would be playing in the mortgage finance field going forward; recent clarity on this topic is expected to provide sources of increased revenues going forward. These decreases were offset in part by increased demand for title and document products due to improved loan origination activity.

Data and analytic solutions salaries and other personnel were \$70.6 million and \$140.2 million for the three and six months ended June 30, 2009, respectively, decreases of \$6.4 million, or 8.3%, and \$16.4 million, or 10.5%, for the three and six months ended June 30, 2009, when compared with the respective periods of the prior year. The decreases were driven by a 3% decrease in domestic headcount relative to the prior year due to management's cost containment initiatives implemented in 2008 and year-to-date in 2009.

Data and analytic solutions other operating expenses were \$16.6 million and \$35.2 million for the three and six months ended June 30, 2009, respectively, a decrease of \$0.5 million, or 3.2%, for the current three-month period and an increase of \$0.3 million, or 1.0%, for the current six-month period when compared with the same periods of the prior year. The improvements generated by management's cost containment initiatives were offset in part by increased foreign currency translation adjustments related to the India operations and a decrease in the amount of other operating expenses that are capitalized data acquisition costs.

Depreciation and amortization expense decreased \$1.6 million, or 9.3%, and \$4.8 million, or 13.9%, for the three and six months ended June 30, 2009, when compared with the respective periods of the prior year due to a one-time adjustment recorded in 2008 related to capitalized software, offset in the second quarter of 2009 by a write-off of software of approximately \$624,000 which arose due to cessation of a product.

Most of the businesses included in the data and analytic solutions segment are database intensive, with a relatively high proportion of fixed costs. As such, profit margins generally decline as revenues decrease. Revenues for the data and analytic solutions segment are, in part, dependent on real estate activity but are less cyclical as a result of a more diversified customer base and a greater percentage of subscription-based revenue. Pre-tax margins for the current three and six-month periods of 2009 were 21.8% and 21.3%, respectively, up from the 17.9% and 16.2% margins for the prior year three and six-month periods. The impact of the lower revenues was offset by the impact of cost savings initiatives implemented in 2008 and year-to-date in 2009, resulting in the improved margins in 2009 relative to 2008.

Table of Contents**Risk Mitigation and Business Solutions**

| <i>(in thousands except percentages)</i> | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|--|-----------------------------|------------|-------------|----------|---------------------------|------------|-------------|----------|
| | 2009 | 2008 | \$ Change | % Change | 2009 | 2008 | \$ Change | % Change |
| Revenues | | | | | | | | |
| Operating revenues | \$ 174,870 | \$ 196,141 | \$ (21,271) | (10.8) | \$ 374,484 | \$ 400,555 | \$ (26,071) | (6.5) |
| Investment and other income | 3,209 | 2,404 | 805 | 33.5 | 6,826 | 5,533 | 1,293 | 23.4 |
| Net realized investment (losses) gains | (112) | (1,901) | 1,789 | 94.1 | (154) | (5,824) | 5,670 | 97.4 |
| | 177,967 | 196,644 | (18,677) | (9.5) | 381,156 | 400,264 | (19,108) | (4.8) |
| Expenses | | | | | | | | |
| Salaries and other personnel costs | 48,149 | 64,922 | (16,773) | (25.8) | 101,364 | 133,793 | (32,429) | (24.2) |
| Other operating expenses | 96,942 | 98,356 | (1,414) | (1.4) | 217,182 | 200,096 | 17,086 | 8.5 |
| Depreciation and amortization | 10,886 | 11,341 | (455) | (4.0) | 21,565 | 21,786 | (221) | (1.0) |
| Interest | 293 | 1,075 | (782) | (72.7) | 669 | 1,501 | (832) | (55.4) |
| | 156,270 | 175,694 | (19,424) | (11.1) | 340,780 | 357,176 | (16,396) | (4.6) |
| Income (loss) before income taxes | \$ 21,697 | \$ 20,950 | 747 | 3.6 | \$ 40,376 | \$ 43,088 | (2,712) | (6.3) |
| Margins | 12.2% | 10.7% | 1.5% | 14.4 | 10.6% | 10.8% | (0.2)% | (1.6) |

Risk mitigation and business solutions operating revenues were \$174.9 million and \$374.5 million for the three and six months ended June 30, 2009, respectively, decreases of \$21.3 million, or 10.8%, and \$26.1 million, or 6.5%, for the three and six months ended June 30, 2009, when compared with the respective periods of the prior year. The overall decrease in service revenue is directly related to the downturn in domestic and international hiring, the decline in the mortgage industry, weakness in the credit markets, and overall economic slowdown, which lead to declines in revenues in the credit, employer, multi-family and investigative/ litigation support lines of business. These declines were offset to an extent by increased revenues in 2009 due to improvements in the segment's lead generation business.

Risk mitigation and business solutions investment and other income totaled \$3.2 million and \$6.8 million for the three and six months ended June 30, 2009, respectively, increases of \$0.8 million, or 33.5%, and \$1.3 million, or 23.4%, for the three and six months ended June 30, 2009, when compared with the respective periods of the prior year.

Risk mitigation and business solutions net realized investment losses totaled \$0.1 million and \$0.2 million for the three and six months ended June 30, 2009, respectively, decreases of \$1.8 million, or 94.1%, and \$5.7 million, or 97.4%, for the three and six months ended June 30, 2009, when compared with the respective periods of the prior year. Prior year losses were mainly attributed to losses associated with the segment's discontinued operations.

Risk mitigation and business solutions salaries and other personnel costs were \$48.1 million and \$101.4 million for the three and six months ended June 30, 2009, respectively, decreases of \$16.8 million, or 25.8%, and \$32.4 million, or 24.2%, for the three and six months ended June 30, 2009, when compared with the respective periods of the prior year. The overall decrease in salaries and other personnel expenses was attributed to strategic reductions in employees, office consolidations, a decline in compensation related to revenue and profitability and a reduction in 401(k) match expense.

Risk mitigation and business solutions other operating expenses were \$96.9 million and \$217.2 million for the three and six months ended June 30, 2009, respectively, a decrease of \$1.4 million, or 1.4%, for the current three-month period and an increase of \$17.1 million, or 8.5%, for the current six-month period when compared with the same periods of the prior year. The overall decrease in other operating expenses was primarily attributed to office consolidations and general cost reduction measures. Offsetting these improvements were higher cost of goods sold related to higher revenues in the lead generation business and bad debt expense associated with the lead generation business. Excluding the increase in cost of goods sold of \$32.4 million, other operating expenses were down 7.7% in the current year due to the recognized benefits from

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the 2008 and 2009 cost containment initiatives.

Many of the expenses incurred by the risk mitigation and business solutions segment are variable in nature and therefore generally decrease as revenues decrease. Most of the revenues for the risk mitigation and business solutions segment are unaffected by real estate activity, with the exception of the mortgage credit business, which is dependent on real

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estate activity. Pre-tax margins for the current three and six-month periods of 2009 were 12.2% and 10.6%, respectively, compared with the 10.7% and 10.8% for the prior year three and six-month periods.

Corporate

| <i>(in thousands except percentages)</i> | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|--|-----------------------------|-------------|-----------|----------|---------------------------|-------------|-----------|----------|
| | 2009 | 2008 | \$ Change | % Change | 2009 | 2008 | \$ Change | % Change |
| Revenues | | | | | | | | |
| Investment and other (losses) income | \$ 908 | \$ 792 | \$ 116 | 14.6 | \$ 3,346 | \$ 2,247 | \$ 1,099 | 48.9 |
| Gain on stock issued by a subsidiary | | 1,325 | (1,325) | (100.0) | | 1,325 | (1,325) | (100.0) |
| Net realized investment (losses) gains | (1,507) | (115) | (1,392) | NM | (966) | (2,975) | 2,009 | 67.5 |
| | (599) | 2,002 | (2,601) | (129.9) | 2,380 | 597 | 1,783 | 298.7 |
| Expenses | | | | | | | | |
| Salaries and other personnel costs | 8,120 | 10,062 | (1,942) | (19.3) | 18,806 | 23,035 | (4,229) | (18.4) |
| Other operating expenses | 1,295 | 9,546 | (8,251) | (86.4) | 4,612 | 17,001 | (12,389) | (72.9) |
| Depreciation and amortization | 2,324 | 3,929 | (1,605) | (40.9) | 4,856 | 7,812 | (2,956) | (37.8) |
| Interest | 14,012 | 13,128 | 884 | 6.7 | 27,823 | 24,187 | 3,636 | 15.0 |
| | 25,751 | 36,665 | (10,914) | (29.8) | 56,097 | 72,035 | (15,938) | (22.1) |
| Loss before income taxes | \$ (26,350) | \$ (34,663) | \$ 8,313 | 24.0 | \$ (53,717) | \$ (71,438) | \$ 17,721 | 24.8 |

Corporate total salaries and other personnel costs and other operating expenses totaled \$9.4 million and \$23.4 million for the three and six months ended June 30, 2009, respectively, decreases of \$10.2 million, or 52.0%, and \$16.6 million, or 41.5%, for the three and six months ended June 30, 2009, when compared with the respective periods of the prior year. These decreases were primarily due to changes in technology initiatives, salary reductions, employee reductions and the impact of other corporate-wide cost saving initiatives that have been implemented by the Company.

Interest expense was \$14.0 million and \$27.8 million for the three and six months ended June 30, 2009, respectively, increases of \$0.9 million, or 6.7%, and \$3.6 million, or 15.0%, for the three and six months ended June 30, 2009, when compared with the respective periods of the prior year. Interest expense includes interest associated with inter-company notes issued to the home warranty business (a component of the specialty insurance segment) and the title insurance business. These amounts totaled \$2.8 million and \$5.7 million for the three and six months ended June 30, 2009, respectively, and \$2.6 million and \$3.6 million for the three and six months ended June 30, 2008, respectively. Excluding inter-company interest expense, corporate interest expense for the six months ended June 30, 2009 increased relative to the prior periods due to incremental draws on the Company's credit facility made during 2008. There were no draws made during the current quarter. The inter-company interest expense at the corporate level and related interest income which is included in the title insurance and specialty insurance segments are eliminated in the consolidated financial statements.

Eliminations

| <i>(in thousands except percentages)</i> | Three Months Ended June 30, | | | | Six Months Ended June 30, | | | |
|--|-----------------------------|-------------|------------|----------|---------------------------|-------------|------------|----------|
| | 2009 | 2008 | \$ Change | % Change | 2009 | 2008 | \$ Change | % Change |
| Revenues | | | | | | | | |
| Operating revenues | \$ (29,613) | \$ (26,510) | \$ (3,103) | (11.7) | \$ (56,213) | \$ (52,419) | \$ (3,794) | (7.2) |
| Investment and other income | (2,883) | (2,589) | (294) | (11.4) | (5,783) | (3,565) | (2,218) | (62.2) |
| | (32,496) | (29,099) | (3,397) | (11.7) | (61,996) | (55,984) | (6,012) | (10.7) |
| Expenses | | | | | | | | |

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| | | | | | | | | |
|----------------------------|----------|----------|---------|--------|----------|----------|---------|--------|
| Other operating expenses | (29,590) | (26,510) | (3,080) | (11.6) | (56,240) | (52,419) | (3,821) | (7.3) |
| Depreciation expense | (75) | | (75) | | (75) | | (75) | |
| Interest expense | (2,831) | (2,589) | (242) | (9.3) | (5,681) | (3,565) | (2,116) | (59.4) |
| | (32,496) | (29,099) | (3,397) | (11.7) | (61,996) | (55,984) | (6,012) | (10.7) |
| Income before income taxes | \$ | \$ | \$ | | \$ | \$ | \$ | |

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Eliminations represent revenues and related expenses associated with inter-segment sales of services and products, as well as interest expense and related interest income associated with inter-company notes which are eliminated in the consolidated financial statements.

INCOME TAXES

The effective income tax rate (income tax expense as a percentage of income before income taxes) was 36.8% for the six months ended June 30, 2009 and 36.8% for the same period of the prior year. The effective income tax rate includes a provision for state income and franchise taxes for noninsurance subsidiaries. A large portion of the Company's income from non-controlling interests is attributable to a limited liability company subsidiary, which for tax purposes, is treated as a partnership. Accordingly, no income taxes have been provided for that portion of the income attributable to non-controlling interests.

The Company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are the Company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the deferred tax assets. Failure to achieve forecasted taxable income in the applicable taxing jurisdictions could affect the ultimate realization of deferred tax assets and could result in an increase in the Company's effective tax rate on future earnings. The Company continues to monitor the realizability of recognized, impairment, and unrecognized losses recorded through June 30, 2009. The Company believes it is more likely than not that the tax benefits associated with those losses will be realized. However, this determination is a judgment and could be impacted by further market fluctuations.

NET INCOME AND NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS

Net income was \$93.9 million and \$148.9 million for the three and six months ended June 30, 2009. Net income was \$36.7 million and \$84.2 million for the three and six months ended June 30, 2008. Net income attributable to the Company for the three and six months ended June 30, 2009, was \$70.3 million, or \$0.75 per diluted share and \$106.3 million, or \$1.13 per diluted share. Net income attributable to the Company for the three and six months ended June 30, 2008, was \$19.6 million, or \$0.21 per diluted share and \$48.9 million, or \$0.53 per diluted share. Net income attributable to noncontrolling interests was \$23.7 million and \$42.6 million for the three and six months ended June 30, 2009. Net income attributable to noncontrolling interests was \$17.1 million and \$35.3 million for the three and six months ended June 30, 2008.

LIQUIDITY AND CAPITAL RESOURCES

Total cash and cash equivalents increased \$88.0 million for the six months ended June 30, 2009, and decreased \$227.0 million for the six months ended June 30, 2008. The increase for the current year period was due primarily to positive cash flow from operations, a decrease in deposits with banks and proceeds from sales and maturities of debt securities. The increases were offset by purchases of debt securities, cash paid for acquisitions, a decrease in demand deposits and capital expenditures. The decrease for the prior year period was due primarily to net cash used in operations, an increase in deposits with banks, net purchases of debt securities, cash paid for acquisitions and capital expenditures. The uses were offset by an increase in demand deposits and net borrowings.

Notes and contracts payable as a percentage of total capitalization was 20.8% at June 30, 2009 and 22.2% at December 31, 2008.

The Company has a plan authorizing the repurchase of \$800.0 million of its common shares. Under the plan, which has no expiration date, the Company has repurchased and retired 10.5 million of its common shares for a total purchase price of \$439.6 million and has the authority to repurchase an additional \$360.4 million. No purchases have been made subsequent to December 31, 2007.

As of June 30, 2009, the Company's debt and equity investment securities portfolio consists of approximately 92% of fixed income securities. As of that date, over 83% of the Company's fixed income investments are held in securities that are United States government-backed or rated AAA by Standard & Poor's Ratings Group, and approximately 98% of the fixed income portfolio is rated or classified as investment grade by one or more of the major ratings agencies or the National Association of Insurance Commissioners.

The table below outlines the composition of the investment portfolio currently in an unrealized loss position by credit rating (percentages are based on the amortized cost basis of the investments). Categorizations are based on S&P and Moody's

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published ratings and are exclusive of insurance effects. If a security was rated by both rating agencies, the lower of the two ratings was selected:

| <i>(in thousands)</i> | <i>A-Ratings or Higher</i> | <i>BBB+ to BBB Ratings</i> | <i>Non- Investment Grade</i> |
|---|------------------------------------|------------------------------------|--------------------------------------|
| June 30, 2009 | | | |
| U.S. Treasury bonds | 100.0% | 0.0% | 0.0% |
| Municipal bonds | 89.8% | 10.2% | 0.0% |
| Foreign bonds | 100.0% | 0.0% | 0.0% |
| Governmental agency bonds | 100.0% | 0.0% | 0.0% |
| Governmental agency mortgage-backed and asset-backed securities | 100.0% | 0.0% | 0.0% |
| Non-agency mortgage-backed and asset-backed securities | 10.3% | 13.9% | 75.8% |
| Corporate debt securities | 75.4% | 9.2% | 15.4% |
| Preferred stock | 8.4% | 24.2% | 67.4% |
| | 84.2% | 3.3% | 12.5% |

Approximately 68% of the Company's municipal bond portfolio has third party insurance in effect.

The Company has assessed its non-agency mortgage-backed and asset-backed securities portfolio to determine what portion of the portfolio, if any, is other-than-temporarily impaired at June 30, 2009. During the quarter ended June 30, 2009, the Company concluded that a \$5.5 million other-than-temporary charge was appropriate. This amount represents the present value of the estimated credit losses inherent within six individual securities. Management's analysis of the remaining portfolio included management's expectations of the future performance of the underlying collateral, including, but not limited to, prepayments, defaults, and loss severity assumptions. In developing these expectations, management utilized publicly available information related to individual assets, analysts' expectations on the expected performance of similar underlying collateral and the Company's securities data and market analytic tools. Based on this analysis, the remaining unrealized loss of \$52.6 million at June 30, 2009 is considered temporary impairment and the Company concluded that no additional impairment charges were considered necessary.

In addition to its debt and equity investment securities portfolio, the Company maintains certain money-market and other short-term investments.

Due to the Company's liquid-asset position and its ability to generate cash flows from operations, management believes that its resources are sufficient to satisfy its anticipated operational cash requirements and obligations. While, prior to the spin-off transaction, the Company expects to continue its policy of paying regular quarterly cash dividends, future dividends will be dependent on future earnings, financial condition and capital requirements.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company's primary exposure to market risk relates to interest rate risk associated with certain financial instruments. Although the Company monitors its risk associated with fluctuations in interest rates, it does not currently use derivative financial instruments on any significant scale to hedge these risks.

Although the Company is subject to foreign currency exchange rate risk as a result of its operations in certain foreign countries, the foreign exchange exposure related to these operations, in the aggregate, is not material to the Company's financial condition or results of operations, and therefore, such risk is immaterial.

There have been no material changes in the Company's market risks since the filing of its Form 10-K for the year ended December 31, 2008.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

The Company's chief executive officer and chief financial officer have concluded that, as of the end of the quarterly period covered by this Quarterly Report on Form 10-Q, the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, were effective, based on the evaluation of these controls and procedures required by Rule 13a-15(b) thereunder.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2009, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings.

The Company and its subsidiaries have been named in various lawsuits, most of which relate to their title insurance operations. In cases where the Company has determined that a loss is both probable and reasonably estimable, the Company has recorded a liability representing its best estimate of the financial exposure based on facts known to the Company. In accordance with Statement of Financial Accounting Standards No. 5, Accounting for Contingencies (SFAS 5), the Company maintained a reserve for these lawsuits totaling \$16.6 million at June 30, 2009. Actual losses may materially differ from the amounts recorded. The Company does not believe that the ultimate resolution of these cases, either individually or in the aggregate, will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

The Company's title insurance, property and casualty insurance, home warranty, thrift, trust and investment advisory businesses are regulated by various federal, state and local governmental agencies. Many of the Company's other businesses operate within statutory guidelines. Consequently, the Company may from time to time be subject to audit or investigation by such governmental agencies. Currently, governmental agencies are auditing or investigating certain of the Company's operations. These audits or investigations include inquiries into, among other matters, pricing and rate setting practices in the title insurance industry, competition in the title insurance industry and title insurance customer acquisition and retention practices. With respect to matters where the Company has determined that a loss is both probable and reasonably estimable, the Company has recorded a liability representing its best estimate of the financial exposure based on facts known to the Company. In accordance with SFAS 5, the Company maintained a reserve for these matters totaling \$1.1 million at June 30, 2009. While the ultimate disposition of each such audit or investigation is not yet determinable, the Company does not believe that individually or in the aggregate, they will have a material adverse effect on the Company's financial condition, results of operations or cash flows. These audits or investigations could result in changes to the Company's business practices which could ultimately have a material adverse impact on the Company's financial condition, results of operations or cash flows.

The Company also is involved in numerous ongoing routine legal and regulatory proceedings related to its operations. While the ultimate disposition of each proceeding is not determinable, the Company does not believe that any of such proceedings, individually or in the aggregate, will have a material adverse effect on its financial condition, results of operations or cash flows.

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Item 1A. Risk Factors.

The Company has amended its first risk factor and added a twentieth risk factor as set forth below. You should carefully consider the risk factors set forth in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2008, as updated in Part II, Item 1A of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 and as further updated hereby, as well as the other information contained in the Company's Annual Report, as updated or modified in subsequent filings. The Company faces risks other than those listed in the Annual Report, as updated, including those that are unknown and others of which the Company may be aware but, at present, considers immaterial. Because of the factors set forth in Part I, Item 1A of the Company's Annual Report, as updated, as well as other variables affecting the Company's financial condition, results of operations or cash flows, past financial performance may not be a reliable indicator of future performance, and historical trends should not be used to anticipate results or trends in future periods.

1. Conditions in the real estate market generally impact the demand for a substantial portion of the Company's products and services

Demand for a substantial portion of the Company's products and services generally decreases as the number of real estate transactions in which the Company's products and services are purchased decreases. The Company has found that the number of real estate transactions in which the Company's products and services are purchased decreases in the following situations:

when mortgage interest rates are high;

when the availability of credit, including commercial and residential mortgage funding, is limited; and

when real estate values are declining.

20. Weakness in the commercial real estate market or an increase in the amount or severity of claims in connection with commercial real estate transactions could adversely affect the Company's results of operations.

The Company, through its title insurance subsidiaries, issues title insurance policies in connection with commercial real estate transactions. Premiums paid and limits on these policies are large relative to policies issued on residential transactions. Because a claim under a single policy could be significant, title insurers often seek reinsurance or coinsurance from other insurance companies, both within and outside the industry. The Company both receives and provides such coverage. Additionally, the pretax margin derived from these policies generally is higher than on other policies. Disruptions in the commercial real estate market, including limitations on available credit and defaults on loans secured by commercial real estate, may result in a decrease in the number of commercial policies issued by the Company and/or an increase in the number of claims on these policies. A decrease in the number of commercial policies issued by the Company or an increase in the amount or severity of claims on those policies could adversely affect the Company's results of operations.

Table of Contents**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

The following table describes purchases by the Company of the Company's Common shares which settled during each period set forth in the table. Prices in column (b) include commissions. Purchases described in column (c) were made pursuant to the share repurchase program initially announced by the Company on May 18, 2004, which was amended to add additional amounts to the repurchase authorization on May 19, 2005, June 26, 2006, and January 15, 2008. The amounts in column (d) reflect the effect of these amendments. Under this plan, which has no expiration date, the Company may repurchase up to \$800 million of the Company's issued and outstanding Common shares. During the quarter ended June 30, 2009, the Company did not repurchase any shares under this plan and cumulatively the Company has repurchased \$439.6 million (including commissions) of its shares and had the authority to repurchase an additional \$360.4 million (including commissions) under the plan.

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs |
|---------------------------|---|---|---|---|
| April 1 to April 30, 2009 | | | | \$ 360,369,939 |
| May 1 to May 31, 2009 | | | | \$ 360,369,939 |
| June 1 to June 30, 2009 | | | | \$ 360,369,939 |
| Total | | | | \$ 360,369,939 |

Item 6. Exhibits.

See Exhibit Index.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE FIRST AMERICAN CORPORATION
(Registrant)

By /s/ Parker S. Kennedy
Parker S. Kennedy

Chairman and Chief Executive Officer

(Principal Executive Officer)

By /s/ Anthony S. Pizsel
Anthony S. Pizsel

Chief Financial Officer and Treasurer

(Principal Financial Officer)

Date: July 30, 2009

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EXHIBIT INDEX

| Exhibit No. | Description | Location |
|--------------------|--|--|
| 10(a) | Arrangement regarding bonus plan for named executive officers, approved April 6, 2009. | Incorporated by reference herein to the description contained in the Current Report on Form 8-K dated April 6, 2009. |
| (31)(a) | Certification by Chief Executive Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. | Attached. |
| (31)(b) | Certification by Chief Financial Officer Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934. | Attached. |
| (32)(a) | Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350. | Attached. |
| (32)(b) | Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350. | Attached. |