Dolan Media CO
Form 10-Q
November 12, 2008

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

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

For the Quarterly Period Ended: September 30, 2008

OR

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

For the Transition Period From __________ to __________.

Commission File Number: 001-33603

Dolan Media Company

(Exact name of registrant as specified in its charter)

Delaware	**43-2004527**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

706 Second Avenue South, Suite 1200,
Minneapolis, Minnesota 55402

(Address, including zip code of registrant s principal executive offices)

(612) 317-9420

Registrant s telephone number, including area code

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

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

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ	Smaller reporting company o

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

On November 7, 2008, there were 29,952,921 shares of the registrant s common stock outstanding.

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements

Dolan Media Company
Condensed Consolidated Balance Sheets
(in thousands, except share data)

	September 30, 2008 (unaudited)	December 31, 2007
ASSETS		
Current assets		
Cash	$ 1,999	$ 1,346
Accounts receivable, including unbilled services (net of allowances for doubtful accounts of $1,820 and $1,283 as of September 30, 2008, and December 31, 2007, respectively)	43,589	20,689
Unbilled pass-through costs	9,391	
Prepaid expenses and other current assets	5,912	2,649
Deferred income taxes	273	259
Total current assets	61,164	24,943
Investments	17,234	18,479
Property and equipment, net	24,065	13,066
Finite-life intangible assets, net	258,973	88,946
Goodwill	122,114	79,044
Other assets	1,970	1,889
Total assets	$ 485,520	$ 226,367
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current portion of long-term debt	$ 6,952	$ 4,749
Accounts payable	11,316	6,068
Accrued pass-through liabilities	22,412	
Accrued compensation	7,443	4,677
Accrued liabilities	3,058	2,922
Due to sellers of acquired businesses	1,975	600
Deferred revenue	13,437	11,387
Total current liabilities	66,593	30,403
Long-term debt, less current portion	164,750	56,301
Deferred income taxes	16,830	4,393
Deferred revenue and other liabilities	3,948	3,890
Total liabilities	252,121	94,987
Minority interest in consolidated subsidiary (redemption value of $14,365 as of September 30, 2008)	15,010	2,204

Commitments and contingencies (Note 12)				
Stockholders equity				
Common stock, $0.001 par value; authorized: 70,000,000 shares; outstanding: 29,955,149 and 25,088,718 shares as of September 30, 2008, and December 31, 2007, respectively		30		25
Preferred stock, $0.001 par value; authorized: 5,000,000 shares; no shares outstanding				
Additional paid-in capital		290,715		212,364
Accumulated deficit		(72,356)		(83,213)
Total stockholders equity		218,389		129,176
Total liabilities and stockholders equity	$	485,520	$	226,367

See Notes to Unaudited Condensed Consolidated Interim Financial Statements

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Dolan Media Company
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Nine Months Ended September 30, 2008	Nine Months Ended September 30, 2007
Revenues				
Business Information	$ 22,211	$ 20,962	$ 68,406	$ 62,030
Professional Services	25,673	17,362	62,542	49,044
Total revenues	47,884	38,324	130,948	111,074
Operating expenses				
Direct operating: Business Information	7,961	7,380	23,686	21,258
Direct operating: Professional Services	9,941	6,008	22,688	16,905
Selling, general and administrative	18,950	15,167	51,787	44,157
Amortization	3,050	1,871	7,587	5,585
Depreciation	1,501	1,206	3,790	2,851
Total operating expenses	41,403	31,632	109,538	90,756
Equity in earnings of The Detroit Legal News Publishing, LLC	1,329	1,611	4,355	3,856
Operating income	7,810	8,303	25,765	24,174
Non-operating expense				
Non-cash interest expense related to redeemable preferred stock		(9,872)		(66,132)
Interest expense, net of interest income	(1,931)	(3,190)	(4,669)	(6,618)
Break-up fee and other income (expense), net	(1,489)	(8)	(1,466)	(21)
Total non-operating expense	(3,420)	(13,070)	(6,135)	(72,771)
Income (loss) before income taxes and minority interest	4,390	(4,767)	19,630	(48,597)
Income tax expense	(1,471)	(1,657)	(7,257)	(5,764)
Minority interest in net income of subsidiary	(466)	(1,091)	(1,516)	(2,798)
Net income (loss)	$ 2,453	$ (7,515)	$ 10,857	$ (57,159)
Net income (loss) per share:				
Basic	$ 0.09	$ (0.38)	$ 0.42	$ (4.46)
Diluted	$ 0.09	$ (0.38)	$ 0.42	$ (4.46)
Weighted average shares outstanding:				
Basic	27,926,118	19,675,101	25,940,102	12,812,282
Diluted	28,059,701	19,675,101	26,105,413	12,812,282

See Notes to Unaudited Condensed Consolidated Interim Financial Statements

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Dolan Media Company
Condensed Consolidated Statements of Stockholders Equity (Deficit)
(in thousands, except share data)

	Common Stock		Additional Paid-In	Accumulated	
	Shares	Amount	Capital	Deficit	Total
Balance (deficit) at December 31, 2006	9,324,000	$ 1	$ 303	$ (29,179)	$ (28,875)
Net loss				(54,034)	(54,034)
Stock-based compensation expense, including issuance of restricted stock (shares are net of forfeitures)	171,563		970		970
Preferred stock series C conversion	5,093,155	5	73,844		73,849
Initial public offering proceeds, net of underwriting discount and offering costs	10,500,000	11	137,255		137,266
Other		8	(8)		
Balance (deficit) at December 31, 2007	25,088,718	$ 25	$ 212,364	$ (83,213)	$ 129,176
Net income				10,857	10,857
Private placement of common stock, net of offering costs	4,000,000	4	60,537		60,541
Issuance of common stock in a business acquisition	825,528	1	16,460		16,461
Issuance of common stock pursuant to the exercise of stock options under the 2007 incentive compensation plan	4,714		13		13
Stock-based compensation expense, including issuance of restricted stock (shares are net of forfeitures)	36,189		1,341		1,341
Balance (deficit) at September 30, 2008 (unaudited)	29,955,149	$ 30	$ 290,715	$ (72,356)	$ 218,389

See Notes to Unaudited Condensed Consolidated Interim Financial Statements

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Dolan Media Company
Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	Nine Months Ended September 30,	
	2008	**2007**
Cash flows from operating activities		
Net income (loss)	$ 10,857	$ (57,159)
Distributions received from The Detroit Legal News Publishing, LLC	5,600	4,200
Minority interest distributions paid	(1,351)	(1,814)
Non-cash operating activities:		
Amortization	7,587	5,585
Depreciation	3,790	2,851
Equity in earnings of The Detroit Legal News Publishing, LLC	(4,355)	(3,856)
Minority interest	1,516	2,798
Stock-based compensation expense	1,341	564
Deferred income taxes	(576)	
Change in value of interest rate swap and accretion of interest on note payable	213	698
Non-cash interest related to redeemable preferred stock		66,611
Amortization of debt issuance costs	156	696
Change in accounting estimate related to self-insured medical reserve	(470)	
Changes in operating assets and liabilities, net of effects of business acquisitions:		
Accounts receivable, including pass-through costs (billed and unbilled)	(9,354)	(3,705)
Prepaid expenses and other current assets	(1,840)	(707)
Other assets	90	28
Accounts payable and accrued liabilities	1,048	4,313
Deferred revenue	1,959	(767)
Net cash provided by operating activities	16,211	20,336
Cash flows from investing activities		
Acquisitions and investments	(183,518)	(17,335)
Capital expenditures	(3,957)	(5,724)
Other	100	130
Net cash used in investing activities	(187,375)	(22,929)
Cash flows from financing activities		
Net borrowings on senior revolving note	90,000	
Proceeds from borrowings or conversions on senior term notes (Note 6)	25,000	10,000
Payments on senior long-term debt	(2,746)	(39,750)
Proceeds from private placement of common stock, net of offering costs	60,541	
Proceeds from stock options exercises	3	
Proceeds from initial public offering, net of underwriting discount		141,593
Redemption of preferred stock		(101,089)

Payments of initial public offering costs		(3,985)
Capital contribution from minority partner	1,179	
Payment on unsecured note payable	(1,750)	
Payments of deferred financing costs	(404)	(891)
Other	(6)	(30)
Net cash provided by financing activities	171,817	5,848
Net increase in cash and cash equivalents	653	3,255
Cash and cash equivalents at beginning of the period	1,346	786
Cash and cash equivalents at end of the period	$ 1,999	$ 4,041

See Notes to Unaudited Condensed Consolidated Interim Financial Statements

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Notes to Unaudited Condensed Consolidated Interim Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Basis of Presentation: The condensed consolidated balance sheet as of December 31, 2007, which has been derived from audited financial statements, and the unaudited condensed consolidated interim financial statements of Dolan Media Company, have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and the instructions to the quarterly report on Form 10-Q and Rule 10-01 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to these rules and regulations. Accordingly, these unaudited condensed consolidated interim financial statements should be read in conjunction with the Company s audited consolidated financial statements and related notes for the year ended December 31, 2007 included in the Company s annual report on Form 10-K filed on March 28, 2008, with the Securities and Exchange Commission.

In the opinion of management, these unaudited condensed consolidated interim financial statements reflect all adjustments necessary for a fair presentation of the Company s interim financial results. All such adjustments are of a normal and recurring nature. The results of operations for any interim period are not necessarily indicative of results for the full calendar year. Certain prior year amounts have been reclassified for comparability purposes within the statement of operations, resulting in an adjustment between direct operating and selling, general and administrative expense, with no impact on net income.

The accompanying unaudited condensed consolidated interim financial statements include the accounts of the Company, its wholly-owned subsidiaries and its majority ownership interest in American Processing Company, LLC (APC). The Company accounts for the percentage interest in APC that it does not own as a minority interest. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates in the Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The Company believes the critical accounting policies that require the most significant assumptions and judgments in the preparation of its consolidated financial statements include: purchase accounting; valuation of the Company s equity securities prior to the Company s initial public offering; accounting for and analysis of potential impairment of goodwill and other finite-life intangible assets; accounting for share-based compensation; income tax accounting; and allowances for doubtful accounts.

Revenue Recognition: As a result of the acquisition of National Default Exchange Holdings, LP and affiliates (NDEx) described in Note 3 below, the Company has pass-through items related to NDEx s mortgage default processing services business in California, such as trustee sale guarantees, title policies, and post and pub charges. In determining whether such pass-through items should be recorded as revenue in the Company s unaudited condensed consolidated interim financial statements at the gross amount billed to the customer or at a net amount, the Company follows the guidance of Emerging Issues Task Force 99-19 (EITF 99-19), *Reporting Revenue Gross as a Principal versus Net as an Agent*. Accordingly, it has concluded that such expenses should be recorded at net, and has recorded them as such in its unaudited condensed consolidated interim financial statements. The Company has separately shown the unbilled amount of these pass-through costs and the amount accrued on the face of the balance sheet. Billed pass-through costs are included in accounts receivable, net. Also, as a result of this acquisition, the Company provides real estate title and related services to certain of its law firm customers. It recognizes revenue associated with these services as those services are performed.

New Accounting Pronouncements: In September 2006, the FASB issued Statement of Financial Accounting Standard (SFAS) No. 157, Fair Value Measurements (SFAS No. 157). SFAS No. 157 establishes a common definition for fair value to be applied to U.S. generally accepted accounting principles requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS No. 157 is effective for financial assets and financial liabilities for fiscal years beginning after November 15, 2007. Issued in February 2008, FSP 157-1 Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 removed leasing transactions accounted for under Statement 13 and related guidance from the scope of SFAS No. 157. FSP 157-2 Partial Deferral of the Effective Date of Statement 157 (FSP 157-2), deferred the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008.

The implementation of SFAS No. 157 for financial assets and financial liabilities, effective January 1, 2008, did not have a material impact on the Company s consolidated financial position and results of operations. The Company is currently assessing the impact of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities on its consolidated financial position and results of operations.

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). SFAS No. 157 classifies the inputs used to measure fair value into the following hierarchy:

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities
Level 2	Unadjusted quoted prices in active markets for similar assets or liabilities, or
	Unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or
	Inputs other than quoted prices that are observable for the asset or liability
Level 3	Unobservable inputs for the asset or liability

The Company endeavors to use the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company has determined that its financial liabilities are level 2 in the fair value hierarchy. As of September 30, 2008, the Company s only financial liabilities accounted for at fair value on a recurring basis were its interest rate swaps, included in deferred revenue and other liabilities at $1.3 million.

The Company is exposed to market risks related to interest rates. Other types of market risk, such as foreign currency risk, do not arise in the normal course of its business activities. The Company s exposure to changes in interest rates is limited to borrowings under its credit facility**.** However, as of September 30, 2008, the Company had swap arrangements that convert $40.0 million of its variable rate term loan into a fixed rate obligation. Under its bank credit facility, the Company is required to enter into derivative financial instrument transactions, such as swaps or interest rate caps, in order to manage or reduce its exposure to risk from changes in interest rates. The Company does not enter into derivatives or other financial instrument transactions for speculative purposes. The interest rate swaps are valued using market interest rates. As such, these derivative instruments are classified within level 2.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS No. 159). SFAS No. 159 permits an entity to choose, at specified election dates, to measure eligible financial instruments and certain other items at fair value that are not currently required to be measured at fair value. An entity must report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. Upfront costs and fees related to items for which the fair value option is elected must be recognized in earnings as incurred and not deferred. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement

attributes for similar types of assets and liabilities. SFAS No. 159 was effective beginning January 1, 2008, for the Company. At the effective date, an entity may elect the fair value option for eligible items that exist at that date. The entity must report the effect of the first remeasurement to fair value as a cumulative-effect adjustment to the opening balance of retained earnings. The Company has not elected the fair value option for eligible items that existed as of January 1, 2008.

In December 2007, the FASB issued SFAS No. 141R, Business Combinations (SFAS No. 141R), which changes how the Company will account for business acquisitions. SFAS No. 141R requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination. Certain provisions of this standard will, among other things, impact the determination of acquisition-date fair value of consideration paid in a business combination (including contingent consideration); exclude transaction costs from acquisition accounting; and change accounting practices for acquired contingencies, acquisition-related restructuring costs, in-process research and development, indemnification assets, and tax benefits. For the Company, SFAS No. 141R is effective for business combinations and adjustments to an acquired entity s deferred tax asset and liability balances occurring after December 31, 2008. Upon implementation of SFAS No. 141R, the Company will be required to expense, in the period incurred, acquisition-related costs, rather than including such costs in the purchase price. At September 30, 2008, the Company had less than $50,000 of acquisition-related costs on the balance sheet. The Company is currently evaluating additional future impacts and disclosures of this standard.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling interests in consolidated financial statements, an amendment of ARB No. 51 (SFAS No. 160) which establishes new standards governing the accounting for and reporting of noncontrolling interests (NCIs) in partially owned consolidated subsidiaries and the loss of control of subsidiaries. Certain provisions of this standard indicate, among other things, that NCIs (previously referred to as minority interests), in most cases, be treated as a separate component of equity, not as a liability; that increases and decrease in the parent s ownership interest that leave control intact be treated as equity transactions, rather than as step acquisitions or dilution gains or losses; and that losses of a partially owned consolidated subsidiary be allocated to the NCI even when such allocation might result in a deficit balance. This standard also requires changes to certain presentation and disclosure requirements. For the Company, SFAS No. 160 is effective beginning January 1, 2009. The provisions of the standard are to be applied to all NCIs prospectively, except for the presentation and disclosure requirements, which are to be applied retrospectively to all periods presented. Upon implementation of SFAS No. 160, the Company will be required to adjust its minority interest in consolidated subsidiary (renamed as noncontrolling interest as a result of SFAS No. 160) recorded on the balance sheet to the amount of its redemption value, resulting in an adjustment to the Company s statement of operations. The Company is currently evaluating additional future impacts and disclosures of this standard.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS No. 161). The Statement requires companies to provide enhanced disclosures regarding derivative instruments and hedging activities. It requires companies to better convey the purpose of derivative use in terms of the risks that the company is intending to manage. Disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect a company s financial position, financial performance, and cash flows are required. This Statement retains the same scope as SFAS No. 133 and is effective beginning January 1, 2009 for the Company. The Company is currently evaluating the impact, if any, that the adoption of this Statement will have on the consolidated financial statements of the Company.

In April 2008, the FASB issued FASB Staff Position No. FAS 142-3, Determination of the Useful Life of Intangible Assets (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS No. 142, Goodwill and Other Intangible Assets. The intent of FSP 142-3 is to improve the consistency between the useful life of a recognized intangible asset under SFAS No. 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS No. 141 (revised 2007) and other U.S. generally accepted accounting principles (GAAP). FSP 142-3 is effective for the Company beginning January 1, 2009. The Company is currently evaluating the impact, if any, that the adoption of this Statement will have on the consolidated financial statements of the Company.

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Note 2. Basic and Diluted Income (Loss) Per Share

Basic per share amounts are computed, generally, by dividing net income (loss) by the weighted-average number of common shares outstanding. At September 30, 2008 and 2007, there were no shares of preferred stock issued and outstanding because the Company converted and then redeemed all outstanding shares of its preferred stock in connection with the consummation of its initial public offering on August 7, 2007. See Note 7 for information on the conversion and redemption of the Company s preferred stock. Diluted per share amounts assume the conversion, exercise, or issuance of all potential common stock instruments (see Note 11 for information on stock options) unless their effect is anti-dilutive.

The following table computes basic and diluted net income (loss) per share (*in thousands, except per share amounts*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
Net income (loss)	$ 2,453	$ (7,515)	$ 10,857	$ (57,159)
Basic:				
Weighted average common shares outstanding	28,093	19,675	26,106	12,812
Weighted average common shares of unvested restricted stock	(167)		(166)	
Shares used in the computation of basic net income (loss) per share	27,926	19,675	25,940	12,812
Net income (loss) per share basic	$ 0.09	$ (0.38)	$ 0.42	$ (4.46)
Diluted:				
Shares used in the computation of basic net income (loss) per share	27,926	19,675	25,940	12,812
Stock options and restricted stock	134		165	
Shares used in the computation of dilutive net income (loss) per share	28,060	19,675	26,105	12,812
Net income (loss) per share diluted	$ 0.09	$ (0.38)	$ 0.42	$ (4.46)

For the three months ended September 30, 2008 and 2007, options to purchase approximately 1.2 million and 147,000 weighted shares of common stock, respectively, were excluded from the diluted computation because their effect would have been anti-dilutive. For the nine months ended September 30, 2008 and 2007, options to purchase approximately 13,000 and no weighted shares of common stock, respectively, were excluded from the diluted computation because their effect would have been anti-dilutive.

Note 3. Acquisitions

The Company accounts for acquisitions under the purchase method of accounting, in accordance with SFAS No. 141, Business Combinations. Management is responsible for determining the fair value of the assets acquired and liabilities assumed at the acquisition date. The fair values of the assets acquired and liabilities assumed represent management s estimate of fair values. Management determines valuations through a combination of methods which include internal rate of return calculations, discounted cash flow models, outside valuations and appraisals and market conditions. The Company consummated the acquisitions described below during the nine months ended September 30, 2008. The results of the acquisitions are included in the accompanying condensed consolidated interim statement of operations

from the respective acquisition dates forward.

Legal and Business Publishers, Inc.: On February 13, 2008, the Company acquired the assets of Legal and Business Publishers, Inc., which include *The Mecklenburg Times*, an 84-year old court and commercial publication located in Charlotte, North Carolina, and electronic products, including www.mecktimes.com and www.mecklenburgtimes.com. For these assets, the Company paid $2.8 million in cash on the closing date and an additional $500,000 on May 13, 2008. In addition, the Company incurred acquisition costs of approximately $80,000. In August 2008, the Company also paid Legal and Business Publishers, Inc. an additional $350,000 because the revenues it earned from the assets during the six-month period following the closing exceeded the earnout target set forth in the purchase agreement. The Company accounted for this payment as additional purchase price. The Company may be obligated to pay up to an additional $150,000 based upon the revenues it earns from the assets during the twelve-month period following the closing of this acquisition. The Company will also account for this cash payment, if made, as additional purchase price. These assets are a part of the Company s Business Information segment.

Of the $3.6 million of acquired intangibles, the Company has preliminarily allocated $0.6 million to newspaper trade names/mastheads, which is being amortized over 30 years, and $3.0 million to advertising customer lists, which is being amortized over 10 years. The Company has engaged an independent third-party valuation firm to assist it in estimating the fair value of the finite-lived intangible assets and this valuation is not yet complete.

Wilford & Geske: On February 22, 2008, APC, a majority owned subsidiary of the Company, acquired the mortgage default processing services business of Wilford & Geske, a Minnesota law firm, for $13.5 million in cash. In addition, the Company incurred acquisition costs of approximately $0.2 million. APC may be obligated to pay up to an additional $2.0 million in purchase price depending upon the adjusted EBITDA for this business during the twelve months ending March 31, 2009. In connection with the acquisition of the mortgage default processing services business of Wilford & Geske, APC appointed the managing attorneys of Wilford & Geske as executive vice presidents of APC. These assets are part of the Company s Professional Services segment.

In conjunction with this acquisition, APC entered into a services agreement with Wilford & Geske that provides for the exclusive referral of files from the law firm to APC for processing for an initial term of fifteen years, with such term to be automatically extended for up to two successive ten year periods unless either party elects to terminate the term then-in-effect with prior notice. Under the agreement, APC is paid a fixed fee for each foreclosure, bankruptcy, eviction, and, to a lesser extent, litigation, reduced redemption and torrens action case file for residential mortgages that are in default referred by Wilford & Geske for processing. The fixed fee per file increases on an annual basis to account for inflation as measured by the consumer price index.

Of the $13.6 million of acquired intangibles, the Company has preliminarily allocated the entire amount to a long-term service agreement, which is being amortized over 15 years, representing its initial contractual term. The Company has engaged an independent third-party valuation firm to assist in estimating the fair value of the identified intangibles and this valuation is not yet complete.

Minnesota Political Press: On March 14, 2008, the Company acquired the assets of Minnesota Political Press, Inc. and Quadriga Communications, LLC, which includes the publication, *Politics in Minnesota*, for a purchase price of $285,000 plus acquisition costs of approximately $49,000. The Company has preliminarily allocated the entire purchase price to a customer list, which is being amortized over two years. These assets are part of the Company s Business Information segment.

Midwest Law Printing Co., Inc.: On June 30, 2008, the Company acquired the assets of Midwest Law Printing Co., Inc., which provides printing and appellate services in Chicago, Illinois. The Company paid $600,000 in cash for the assets at closing. Acquisition costs associated with this purchase were immaterial. The Company is also obligated to pay the seller $75,000 on the first anniversary of closing, which was held back to secure indemnification claims. The Company may be obligated to pay the seller up to an additional $225,000 in three annual installments of up to $75,000 each based upon the revenues it earns from the assets in each of the three years following closing. The purchase price has been preliminarily allocated to a customer list, which is being amortized over seven years, and working capital in the amount of $25,000. These assets are part of the Company s Professional Services segment.

National Default Exchange, L.P. and related entities: On September 2, 2008, APC acquired all of the outstanding equity interests in National Default Exchange Management, Inc., National Default Exchange Holdings, LP, THP/NDEx AIV, Corp., and THP/NDEx AIV, LP (all of such entities referred to collectively as NDEx). NDEx provides mortgage default processing services, primarily for the law firm Barrett Daffin Frappier Turner & Engel, LLP in Texas. NDEx also provides these services to affiliates of the Barrett law firm in California and Georgia as well as directly to mortgage lenders and loan servicers in California. NDEx also operates a real estate title company. APC acquired the equity interests of NDEx for a total of $167.5 million in cash, of which $151.0 million was paid to or on behalf of the sellers of NDEx, or their designees, $15.0 million was placed in escrow to secure payment of indemnification claims and an additional $1.5 million was held back pending working capital adjustments. In addition to the cash payments, APC also issued to the sellers of NDEx an aggregate 6.1% interest in APC, which had an estimated fair market value of approximately $11.6 million on July 28, 2008, the date the parties signed the equity purchase agreement. The Company also issued to the sellers of NDEx, or their designees, 825,528 shares of its common stock, which had a fair market value of $16.5 million based upon the average of the daily last reported closing price for a share of the Company s common stock on the five consecutive trading days beginning on and

including July 24, 2008, two trading days prior to the date the Company announced this acquisition. The Company incurred transaction costs of approximately $1.1 million in connection with the acquisition. In addition to the payments and issuance of APC interests and common stock described above, the Company may be obligated to pay the sellers of NDEx up to an additional $13.0 million in cash based upon the adjusted EBITDA for NDEx during the first twelve months following the closing of the acquisition. If the adjusted EBITDA for NDEx equals or exceeds $28.0 million during such twelve-month period, the Company will pay the sellers the maximum $13.0 million earnout payment. However, the maximum earnout payment of $13.0 million will be reduced by $7.50 for each $1.00 that NDEx s adjusted EBITDA for such twelve month period is less than the $28.0 million target.

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In connection with this acquisition, NDEx amended and restated its services agreement with the Barrett law firm. The services agreement provides for the exclusive referral of residential mortgage default files from the Barrett law firm to NDEx for servicing. This agreement has an initial term of twenty-five years, which term may be automatically extended for successive five year periods unless either party elects to terminate the term then-in-effect with prior notice. Under the services agreement, NDEx is paid a fixed fee for each residential mortgage default file referred by the Barrett law firm to NDEx for servicing, with the amount of such fixed fee being based upon the type of file. In addition, the Barrett law firm pays NDEx a monthly trustee foreclosure administration fee. The amount of such fee is based upon the number of files the Barrett law firm has referred to NDEx for processing during the month. NDEx may amend these fees on a quarterly basis during 2009 and on an annual basis beginning in 2010 upon notice to the Barrett law firm. However, if the Barrett law firm files a timely notice of objection to the proposed amended fees, NDEx and the Barrett law firm have agreed to negotiate amended fees that are agreeable to both parties or to retain the existing fees. In addition to the services agreement, NDEx also entered into noncompetition agreements with the key managers of NDEx and with the Barrett law firm. The sellers of NDEx include Michael C. Barrett, Jacqueline M. Barrett, Mary A. Daffin, Robert F. Frappier, James C. Frappier, Abbe L. Patton and Barry Tiedt, all of whom also remained employees of NDEx. Each of these individuals, except Jacqueline M. Barrett, Abbe L. Patton and Barry Tiedt, are also attorneys for the Barrett law firm.

Of the total purchase price, the Company has preliminarily allocated $154.0 million to the long-term services agreement, which is being amortized over 25 years, representing its initial contractual term, $5.0 million to noncompetition agreements, which are being amortized over 5 years, and $42.5 million to goodwill. Of the $200.0 million allocated to intangibles and goodwill, approximately $159.3 million is tax deductible. The Company allocated the goodwill to its Professional Services segment. The Company has engaged an independent third-party valuation firm to assist it in determining the estimated fair value of the identified intangibles and this valuation is not yet complete. The Company paid a premium over the fair value of the net tangible and identified intangible assets acquired in the acquisition (i.e., goodwill) because the acquired business is a complement to APC and it anticipates cost savings and revenue synergies through combined general and administrative and corporate functions.

The Company has also recorded working capital for cash ($3.1 million), accounts receivable, net and unbilled pass-through costs ($22.9 million), accounts payable and accrued pass-through liabilities ($24.3 million) and other items of working capital that existed on September 2, 2008 (the closing date of the acquisition) in accordance with the terms of the equity purchase agreement. In addition, the Company recorded a preliminary estimated deferred tax liability of $13.0 million related to the difference between the tax basis and book basis of the assets acquired.

As a result of this acquisition, the Company has a number of duplicative positions between NDEx and APC and is in the process of evaluating the elimination of these positions to achieve synergies and cost savings in combining these functions. Accordingly, the Company recorded, as additional purchase price, a liability of $1.5 million for the estimated severance costs related to involuntary employee terminations resulting from the anticipated elimination of these positions, which is expected to be paid out in cash within the next twelve months. This liability was included as goodwill in the allocation of the purchase price in accordance with SFAS No. 141and EITF Issue No. 95-3 Recognition of Liabilities in Connection with a Purchase Business Combination. This liability may change as the Company continues to evaluate this plan.

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The following table provides further unaudited information on the Company s preliminary purchase price allocations for the aforementioned 2008 acquisitions. The purchase price allocation of each acquisition is preliminary pending the following items: (1) completion of the final valuations of intangible assets associated with those transactions; (2) finalization and full implementation of the elimination of duplicative positions resulting from the NDEx transaction; and (3) finalization of the calculation of the deferred tax liability associated with the NDEx acquisition. These preliminary allocations of purchase price are as follows (*in thousands*):

	Legal and Business Publishers	Wilford & Geske	MN Political Press	Midwest Law Printing Co., Inc.	NDEx	Total
Assets acquired and liabilities assumed at their fair values:						
Working capital (deficit)	$	$	$	$ 10	$ (2,618)	$ (2,608)
Property and equipment	50	122			3,090	3,262
Software					7,624	7,624
Long-term service contract		13,573			154,000	167,573
Other finite-life intangible assets	3,645		334	650	5,000	9,629
Goodwill					42,470	42,470
Deferred tax liability					13,000	13,000
Total consideration, including direct expenses	$ 3,695	$ 13,695	$ 334	$ 660	$ 196,566	$ 214,950

Other acquisition related costs: During the third quarter of 2008, the Company wrote off $0.4 million of professional fees incurred in connection with potential acquisitions that the Company is no longer pursuing, which the Company has included in corporate selling, general and administrative expenses. During the first quarter of 2008, the Company wrote off $0.2 million of professional fees in connection with a potential acquisition the Company is no longer pursuing, which the Company included in the Professional Services segment s selling, general and administrative expenses.

Break-up fee: Pursuant to its agreement with the sellers of a business that the Company intended to acquire, the Company paid $1.5 million to such sellers during the third quarter of 2008 because the Company was unable to obtain debt financing on terms and timing satisfactory to it to close the acquisition. The Company has included this expense in Break-up fee and other Income (Expense), net.

Pro Forma Information (unaudited): Actual results of operations of the companies acquired in 2008 and 2007 are included in the unaudited condensed consolidated interim financial statements from the dates of acquisition. The unaudited pro forma condensed consolidated statement of operations of the Company, set forth below, gives effect to the following acquisitions: (1) all of the outstanding equity interests of NDEx acquired in September 2008, (2) the assets of Midwest Law Printing Co., Inc. acquired in June 2008, (2) the mortgage default processing services business of Wilford & Geske acquired in February 2008, (3) the assets of Legal & Business Publishers, Inc. acquired in February 2008, (4) the purchase of minority interests in APC from Trott & Trott and Feiwell & Hannoy in November 2007, (5) the assets of Venture Publications, Inc. acquired in March 2007, and (6) the mortgage default processing services business of Feiwell & Hannoy acquired in January 2007, using the purchase method as if the acquisitions occurred on January 1, 2007. We did not include the acquisition of the assets of Minnesota Political Press, Inc. and Quadriga Communications, LLC because their impact on the Company s pro forma results of operations would be immaterial. These amounts are not necessarily indicative of the consolidated results of operations for future years or actual results that would have been realized had the acquisitions occurred as of the beginning of each such year. Amounts in this table are in thousands, except per share data.

	Pro Forma			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Total revenues	$ 61,446	$ 56,919	$ 186,519	$ 167,699
Net income (loss)	2,636	(6,873)	11,799	(55,411)
Net income (loss) per share:				
Basic	$ 0.09	$ (0.34)	$ 0.44	$ (4.06)
Diluted	$ 0.09	$ (0.34)	$ 0.44	$ (4.06)
Pro forma weighted average shares outstanding:				
Basic	28,482	20,501	26,675	13,638
Diluted	28,885	20,501	26,930	13,638

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Note 4. Investments

Investments consisted of the following at September 30, 2008 and December 31, 2007 *(in thousands)*:

	Accounting Method	Percent Ownership	September 30, 2008	December 31, 2007
The Detroit Legal News Publishing, LLC	Equity	35	$ 16,334	$ 17,579
GovDelivery, Inc.	Cost	15	900	900
Total			$ 17,234	$ 18,479

The Detroit Legal News Publishing, LLC: The Company owns a 35% membership interest in The Detroit Legal News Publishing, LLC (DLNP). The Company accounts for this investment using the equity method. Under DLNP s membership operating agreement, the Company receives quarterly distributions based on its ownership percentage. The difference between the Company s carrying value and its 35% share of the members equity of DLNP relates principally to an underlying customer list at DLNP that is being amortized over its estimated economic life through 2015.

The following tables summarize certain key information relative to the Company s investment in DLNP as of September 30, 2008 and December 31, 2007, and for the three and nine months ended September 30, 2008 and 2007 *(in thousands)*:

	As of September 30, 2008	As of December 31, 2007
Carrying value of investment	$ 16,334	$ 17,579
Underlying finite-lived customer list, net of amortization	10,806	11,937

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Equity in earnings of DLNP, net of amortization of customer list	$ 1,329	$ 1,611	$ 4,355	$ 3,856
Distributions received	2,100	1,400	5,600	4,200
Amortization expense	377	364	1,131	1,082

DLNP publishes one daily and ten weekly court and commercial newspapers located in southeastern Michigan. Summarized financial information for DLNP for the three and nine months ended September 30, 2008 and 2007 is as follows *(in thousands)*:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Revenues	$ 11,676	$ 11,609	$ 36,113	$ 30,698
Cost of revenues	4,874	4,420	14,413	11,932
Gross profit	6,802	7,189	21,700	18,766
Selling, general and administrative expenses *	1,593	1,481	4,825	4,403
Operating income *	5,209	5,708	16,875	14,363

Net income	$ 4,873	$ 5,644	$ 15,673	$ 14,109
Company s 35% share of net income	$ 1,706	$ 1,975	$ 5,486	$ 4,938
Less amortization of intangible assets	377	364	1,131	1,082
Equity in earnings of DLNP, LLC	$ 1,329	$ 1,611	$ 4,355	$ 3,856

* For comparison purposes only, the Company has changed the selling, general and administrative expenses and operating income presented here for the three and nine months ended September 30, 2007 from those previously reported to reflect current year treatment of Michigan business taxes as a non-operating expense as a result of changes in Michigan tax law.

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GovDelivery, Inc.: In addition to the Company s 15% ownership of GovDelivery, James P. Dolan, the Company s chairman, chief executive officer and president personally owns 50,000 shares of GovDelivery, Inc. He also served as a member of GovDelivery s board of directors until his resignation in March 2008. The Company accounts for its investment in GovDelivery using the cost method of accounting.

Note 5. Goodwill and Finite-life Intangible Assets

Goodwill: Goodwill represents the excess of the cost of an acquired entity over the net of the amounts assigned to acquired tangible and finite-life intangible assets and assumed liabilities. Identified intangible assets represent assets that lack physical substance but can be distinguished from goodwill.

The following table represents the balances as of September 30, 2008 and December 31, 2007 and changes in goodwill by segment for the nine months ended September 30, 2008 *(in thousands)*:

	Business Information	Professional Services	Total
Balance as of December 31, 2007	$ 58,632	$ 20,412	$ 79,044
Venture Publications, Inc.*	600		600
NDEx		42,470	42,470
Balance as of September 30, 2008	$ 59,232	$ 62,882	$ 122,114

* Represents additional cash payment paid to Venture Publications, Inc. in connection with the acquired assets achieving certain revenue targets set forth in the asset purchase agreement. This has been accounted for as additional purchase price.

Finite-Life Intangible Assets: The following table summarizes the components of finite-life intangible assets as of September 30, 2008 and December 31, 2007 *(in thousands, except amortization periods)*:

		As of September 30, 2008			As of December 31, 2007		
	Amortization Period	Gross Amount	Accumulated Amortization	Net	Gross Amount	Accumulated Amortization	Net
Mastheads and tradenames	30	$ 11,939	$ (1,697)	$ 10,242	$ 11,298	$ (1,401)	$ 9,897
Advertising customer lists	5-11	16,445	(5,881)	10,564	13,441	(4,736)	8,705
	2-14	7,645	(2,482)	5,163	7,311	(1,959)	5,352

Subscriber customer lists							
Professional services customer lists	7	7,632	(3,445)	4,187	6,982	(2,674)	4,308
Noncompete agreements	5	5,750	(378)	5,372	750	(182)	568
APC long-term service contracts	15	59,874	(7,727)	52,147	46,300	(4,810)	41,490
APC customer lists	14	13,267	(819)	12,448	13,357	(82)	13,275
Customer relationship	14	3,283	(439)	2,844	3,283	(267)	3,016
SunWel contract	7	3,322	(803)	2,519	2,821	(486)	2,335
Exhibitor customer list	1	404	(404)		404	(404)	
NDEx long-term service contracts	25	154,000	(513)	153,487			
Total intangibles		$ 283,561	$ (24,588)	$ 258,973	$ 105,947	$ (17,001)	$ 88,946

Total amortization expense for finite-life intangible assets for the three months ended September 30, 2008 and 2007 was approximately $3.1 million and $1.9 million, respectively. Total amortization expense for finite-life intangible assets for the nine months ended September 30, 2008 and 2007 was approximately $7.6 million and $5.6 million, respectively.

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In accordance with SFAS No. 142, Goodwill and Other Intangible Assets (SFAS No. 142), and SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS No. 144), the Company will perform the annual impairment test of its goodwill and finite-life intangible assets for each of its reporting units as of November 30, 2008, unless a triggering event occurs prior to that measurement date. Subsequent to September 30, 2008, the Company s stock price has declined significantly, and its market capitalization has declined from approximately $302 million at September 30, 2008 to a current market capitalization of approximately $117 million at November 7, 2008. The Company s stockholders equity at September 30, 2008 was $218 million. The Company currently believes that the subsequent decline in its market capitalization is not a triggering event that would require an interim impairment measurement.

For purposes of testing goodwill, the Company will estimate the fair value of each of its reporting units utilizing several fair value measurement techniques, including two market and one income estimates. Under the market approach, the fair value of the enterprise will be estimated based upon the fair value of the invested capital for the Company, as well as a separate comparison to revenue and earnings before interest, taxes, depreciation, and amortization (EBITDA), and multiples for similar publicly traded companies. The fair value estimates using both market approaches will include a control premium similar to those observed for historical similar company market transactions. Under the income approach, the fair value of the enterprise will be estimated based upon the present value of estimated future cash flows for the Company. The income approach is dependent on a number of critical management assumptions, including estimates of foreclosure volumes, appropriate discount rates and other relevant assumptions. As part of this process, the Company will reconcile from the total reported market capitalization based upon its November 30, 2008 share price to the analysis prepared above.

Given the uncertain political and regulatory environment regarding mortgage foreclosures, the tight credit markets, the volatility of the Company s stock price and any resulting decline in its market capitalization, along with other uncertainties, the Company can provide no assurances that, if such conditions continue, they will not trigger an interim impairment measurement of the Company s goodwill and finite-life intangible assets, the result of which may be that the Company is required to record a material impairment charge. The Company will continue to monitor these conditions and events to determine whether they warrant interim asset impairment testing.

Note 6. Long-Term Debt, Capital Lease Obligation

At September 30, 2008 and December 31, 2007, long-term debt consisted of the following *(in thousands)*:

	September 30, 2008	December 31, 2007
Senior secured debt (see below):		
Senior variable-rate term note, payable in quarterly installments with a balloon payment due August 8, 2014	$ 71,004	$ 48,750
Senior variable-rate revolving note due August 8, 2012	99,000	9,000
Total senior secured debt	170,004	57,750
Unsecured note payable	1,695	3,290
Capital lease obligations	3	10
	171,702	61,050
Less current portion	6,952	4,749
Long-term debt, less current portion	$ 164,750	$ 56,301

Senior Secured Debt: At September 30, 2008, the Company and its consolidated subsidiaries had a credit agreement with U.S. Bank, NA and other syndicated lenders, referred to collectively as U.S. Bank, for a $200.0 million senior secured credit facility comprised of a term loan facility in an initial aggregate amount of $50.0 million due and payable in quarterly installments with a final maturity date of August 8, 2014 and a revolving credit facility in an

aggregate amount of up to $150.0 million with a final maturity date of August 8, 2012. At September 30, 2008, the credit facility was governed by the terms and conditions of a Second Amended and Restated Credit Agreement dated August 8, 2007, as amended by that First Amendment to Second Amended and Restated Credit Agreement dated July 28, 2008 (described below). In accordance with the terms of this credit agreement, if at any time the outstanding principal balance of revolving loans under the revolving credit facility exceeds $25.0 million, such revolving loans will convert to an amortizing term loan, in the amount that the Company designates if it gives notice, due and payable in quarterly installments with a final maturity date of August 8, 2014. See Note 13 for information about a conversion occurring after September 30, 2008.

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During the three months ended September 30, 2008, the Company drew $99.0 million from its credit line to fund, in part, the acquisition of NDEx. During the nine months ended September 30, 2008, the Company drew $115.0 million, which funded the acquisition of the assets of Legal & Business Publishers, Inc., the acquisition of the mortgage default processing services business of Wilford & Geske, the acquisition of NDEx and general working capital needs. In March 2008, the Company converted $25.0 million of the revolving loan then-outstanding under the credit facility to a term loan. At September 30, 2008, the Company had net unused available capacity of approximately $26.0 million on its revolving credit facility, after taking into account the senior leverage ratio requirements under the credit facility. At September 30, 2008, the weighted-average interest rate on the senior term note was 5.6%.

As noted above, the Company and its consolidated subsidiaries entered into a First Amendment to the Second Amended and Restated Credit Agreement on July 28, 2008. In addition to approving the acquisition of NDEx (see Note 3) and waiving the requirement that the Company use 50% of the proceeds from the private placement (see Note 7) to pay down indebtedness under the credit facility, the amendment (1) reduces the senior leverage ratio the Company and its consolidated subsidiaries are required to maintain as of the last day of each fiscal quarter from no more than 4.50 to 1.00 to no more than 3.50 to 1.00 and (2) increases the interest rate margins charged on the loans under the credit facility to up to 1.0%. The Company paid approximately $296,000 in fees in connection with this amendment.

Unsecured Note Payable: On January 9, 2008, APC made a $1.75 million payment to Feiwell & Hannoy on a $3.5 million non-interest bearing promissory note APC issued in connection with the acquisition of the mortgage default processing services business of Feiwell & Hannoy in January 2007. The second installment of $1.75 million is due January 9, 2009.

Note 7. Common and Preferred Stock

At September 30, 2008, the Company had 70,000,000 shares of common stock and 5,000,000 shares of preferred stock authorized and 29,955,149 shares of common stock and no shares of preferred stock outstanding. All authorized shares of preferred stock are undesignated.

In connection with the Company s initial public offering on August 7, 2007, the Company effected a 9 for 1 stock split of the Company s outstanding shares of common stock through a dividend of 8 shares of common stock for each share of common stock outstanding immediately prior to the consummation of the initial public offering. At the time of the initial public offering, the Company s preferred stock was divided into Series A, Series B and Series C preferred stock. In connection with the initial public offering, the Company converted all outstanding shares of Series C preferred stock into shares of Series A preferred stock, Series B preferred stock and common stock. The Company then used $101.1 million of the net proceeds of the initial public offering to redeem all of the outstanding shares of Series A preferred stock (including all accrued and unpaid dividends and shares issued upon conversion of the Series C preferred stock) and Series B preferred stock (including shares issued upon conversion of the Series C preferred stock). As a result of the redemption, there are no shares of preferred stock issued and outstanding as of September 30, 2008 or December 31, 2007. Accordingly, the Company did not record any non-cash interest expense related to its preferred stock for the three or nine months ended September 30, 2008.

On July 30, 2008, the Company sold 4,000,000 unregistered shares of its common stock for $16.00 per share. The Company received net proceeds of approximately $60.5 million from this private placement, all of which it used to fund, in part, the acquisition of NDEx.

Also, as partial consideration for the acquisition of NDEx on September 2, 2008, the Company issued 825,528 shares of its common stock to the sellers of NDEx or their designees, as applicable.

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Note 8. Income Taxes

The provision of income taxes is based upon estimated annual effective tax rates in the tax jurisdictions in which the Company operates. For the nine months ended September 30, 2008 and 2007, the Company used an effective tax rate of 40% and 39%, respectively, based on its annual projected income in accordance with Accounting Principles Board Opinion No. 28, Interim Financial Reporting (APB No. 28) Pursuant to the principles of APB No. 28 and FASB Interpretation No. 18 (as amended) Accounting for Income Taxes in Interim Periods, an Interpretation of APB Opinion No. 28, the Company treated the dividend accretion deduction reflected in its ordinary income in the nine months ended September 30, 2007, as an unusual item in computing its annual effective tax rate. This deduction was associated with the Company s non-cash interest expense related to its Series C preferred stock, shares of which were outstanding until August 7, 2007. See Note 7 for more information about the conversion and redemption of the Series C preferred stock in connection with the Company s initial public offering.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109 (FIN 48), on January 1, 2007. As a result of the implementation of FIN 48, the Company recognized no adjustment in the liability for unrecognized income tax benefits. At the adoption date of January 1, 2007, the Company had $197,000 of gross unrecognized tax benefits, or $153,000 of unrecognized tax benefits, including interest and net of federal benefit. The total amount of unrecognized tax benefits that would affect the Company s effective tax rate, if recognized, was $171,000 as of December 31, 2007. There were no significant adjustments for the unrecognized income tax benefits for the nine months ended September 30, 2008.

During the second quarter of 2008, the Internal Revenue Service (IRS) commenced an audit of the Company s federal tax returns for the years ended December 31, 2005 and 2006. During the third quarter of 2008, the IRS completed their examination of both tax years resulting in an additional income tax expense of $122,000 for the three and nine months ended September 30, 2008.

Note 9. Major Customers and Related Parties

APC (and its wholly-owned subsidiary, NDEx) has six major law firm customers. APC or NDEx, as applicable, have entered services agreements with these customers that provide for the exclusive referral of mortgage default and other files for processing. APC s agreements with Trott & Trott, P.C., Feiwell & Hannoy Professional Corporation, and Wilford & Geske, P.A., have terms of fifteen years, which renew automatically for successive ten year periods unless either party elects to terminate the term then-in-effect upon prior written notice. NDEx s agreements with the Barrett law firm and its affiliates have terms of twenty-five years, which renew automatically for successive five year periods unless either party elects to terminate the term then-in-effect upon prior written notice. These customers pay APC monthly for its services.

David A. Trott, chairman and chief executive officer of APC, is also the managing attorney of Trott & Trott, P.C., a customer of APC. The term of APC s services agreement with Trott & Trott expires in 2021, but is subject to two successive automatic renewals as described above. Mr. Trott owns a majority interest in Trott & Trott. Until February 2008, Trott & Trott owned a 9.1% interest in APC, when it assigned its interest in APC to APC Investments, LLC, a limited liability company owned by the shareholders of Trott & Trott, including Mr. Trott and APC s two executive vice presidents in Michigan. Together, these three individuals own approximately 98.0% of APC Investments. APC also pays Net Director, LLC and American Servicing Corporation for services provided to APC. Mr. Trott has an 11.1% and 50.0% ownership interest in Net Director and American Servicing Corporation, respectively. In the first quarter of 2008, APC and Trott & Trott agreed to increase the fixed fee per file APC receives for each mortgage foreclosure, bankruptcy, eviction, litigation and other mortgage default file Trott & Trott refers to APC for processing under APC s service agreement with Trott & Trott. APC also agreed to extend the payment terms from 30 to 45 days. Mr. Trott and his family members own 80.0% of Legal Press, LLC, which owns 10.0% of the outstanding membership interests of DLNP, in which the Company owns a 35.0% interest. In addition, Mr. Trott serves as a consultant to DLNP under a consulting agreement and Trott & Trott has an agreement with DLNP to publish its foreclosure notices in DLNP s publications.

In addition to APC Investments, Feiwell & Hannoy Professional Corporation and the sellers of NDEx, a number of who are key attorneys or shareholders of the Barrett law firm, also own minority interests in APC. Feiwell & Hannoy owned its interest in APC since January 8, 2007 when APC acquired its mortgage default processing business. At January 1, 2008, Feiwell & Hannoy owned a 2.3% interest in APC. Its interest in APC was diluted to 2.0% in connection with the acquisition of the mortgage default processing services business of Wilford & Geske. See Note 3 for more information about the Company s acquisition of the mortgage default processing business of Wilford & Geske. In connection with this acquisition, APC made a capital call in which Feiwell & Hannoy declined to participate. The Company contributed Feiwell & Hannoy s portion of the capital call to APC. Michael J. Feiwell and Douglas J. Hannoy, senior executives of APC in Indiana, are shareholders and principal attorneys of Feiwell & Hannoy. Its interest in APC, along with the interest of APC Investments, was further diluted as a result of APC s acquisition of NDEx. See Note 3 for more information about the acquisition of NDEx. To fund, in part, the acquisition of NDEx, APC did a capital call in which only Dolan APC, LLC, (the Company s wholly owned subsidiary) participated. On September 2, 2008, APC issued 6.1% of its outstanding membership interests to the sellers of NDEx, or their designees, as applicable. As a result of these transactions, the Company s, APC Investments and Feiwell & Hannoy s ownership interests in APC were diluted. At September 2, 2008, the Company and APC s minority members owned the following interests in APC:

Member	**Percent of Outstanding Membership Interests of APC**
Dolan APC, LLC (the Company s wholly-owned subsidiary)	84.7%
APC Investments, LLC	7.6%
Feiwell & Hannoy Professional Corporation	1.7%
Sellers of NDEx (as a group)	6.1%

The sellers of NDEx include Michael C. Barrett, Jacqueline M. Barrett, Mary A. Daffin, Robert F. Frappier, James C. Frappier, Abbe L. Patton and Barry Tiedt, all of whom are employees of NDEx. Each of these individuals, except Jacqueline M. Barrett, Abbe L. Patton and Barry Tiedt, are also key attorneys and/or shareholders of the Barrett law firm.

Note 10. Reportable Segments

The Company s two reportable segments consist of its Business Information Division and its Professional Services Division. The Company determined its reportable segments based on the types of products sold and services performed. The Business Information Division provides business information products through a variety of media, including court and commercial newspapers, weekly business journals and the Internet. The Business Information Division generates revenues from display and classified advertising, public notices, circulation (primarily consisting of subscriptions) and sales from commercial printing and database information. The Professional Services Division comprises two operating units providing support to the legal market. These are Counsel Press, LLC, which provides appellate services, and American Processing Company (APC) and its wholly-owned subsidiary, NDEx, which provide mortgage default processing services. Both of these operating units generate revenues through fee-based arrangements. In addition, the Company reports and allocates certain administrative activities as part of corporate-level expenses.

The tables below reflect summarized financial information concerning the Company s reportable segments for the three and nine months ended September 30, 2008 and 2007 (*in thousands*):

	Three Months Ended September 30, 2008			
	Business Information	**Professional Services**	**Corporate**	**Total**
Revenues	$ 22,211	$ 25,673	$	$ 47,884
Direct operating expenses	7,961	9,941		17,902

Selling, general and administrative expenses	9,486	6,646	2,818	18,950
Amortization and depreciation	1,275	3,059	217	4,551
Equity in Earnings of DLNP, LLC	1,329			1,329
Operating income (loss)	$ 4,818	$ 6,027	$ (3,035)	$ 7,810

	Three Months Ended September 30, 2007			
	Business Information	Professional Services	Corporate	Total
Revenues	$ 20,962	$ 17,362	$	$ 38,324
Direct operating expenses	7,380	6,008		13,388
Selling, general and administrative expenses	8,331	4,054	2,782	15,167
Amortization and depreciation	1,168	1,759	150	3,077
Equity in Earnings of DLNP, LLC	1,611			1,611
Operating income (loss)	$ 5,694	$ 5,541	$ (2,932)	$ 8,303

	Nine Months Ended September 30, 2008			
	Business Information	Professional Services	Corporate	Total
Revenues	$ 68,406	$ 62,542	$	$ 130,948
Direct operating expenses	23,686	22,688		46,374
Selling, general and administrative expenses	29,311	15,889	6,587	51,787
Amortization and depreciation	3,663	7,124	590	11,377
Equity in Earnings of DLNP, LLC	4,355			4,355
Operating income (loss)	$ 16,101	$ 16,841	$ (7,177)	$ 25,765

	Nine Months Ended September 30, 2007			
	Business Information	Professional Services	Corporate	Total
Revenues	$ 62,030	$ 49,044	$	$ 111,074
Direct operating expenses	21,258	16,905		38,163
Selling, general and administrative expenses	25,084	12,441	6,632	44,157
Amortization and depreciation	3,308	4,748	380	8,436
Equity in Earnings of DLNP, LLC	3,856			3,856
Operating income (loss)	$ 16,236	$ 14,950	$ (7,012)	$ 24,174

Note 11. Share-Based Compensation

The Company applies SFAS 123(R) Share-Based Payment, which requires compensation cost relating to share-based payment transactions to be recognized in the financial statements based on the estimated fair value of the equity or liability instrument issued. The Company uses the Black-Scholes option pricing model in deriving the fair value estimates of share-based awards. All inputs into the Black-Scholes model are estimates made at the time of grant. The Company used the SAB 107 Share-Based Payment simplified method to determine the expected life of options it had granted. The risk-free interest rate was based on the U.S. Treasury yield for a term equal to the expected life of the options at the time of grant. The Company also made assumptions with respect to expected stock price volatility based on the average historical volatility of a select peer group of similar companies. Stock-based compensation expense related to restricted stock is based on the grant date price and is amortized over the vesting period. Forfeitures of

share-based awards are estimated at time of grant and revised in subsequent periods if actual forfeitures differ from initial estimates. Forfeitures were estimated based on the percentage of awards expected to vest, taking into consideration the seniority level of the award recipients. The Company has assumed a ten percent forfeiture rate on all restricted stock awards issued to non-management employees, and a zero percent forfeiture rate on all stock option and restricted stock awards issued to management employees and directors. Total share-based compensation expense for the three months ended September 30, 2008 and 2007 was approximately $549,000 and $543,000, respectively, before income taxes. Total share-based compensation expense for the nine months ended September 30, 2008 and 2007 was approximately $1,341,000 and $564,000, respectively, before income taxes.

The Company has reserved 2,700,000 shares of its common stock for issuance under its incentive compensation plan, of which there were 1,124,023 shares available for issuance under the plan as of September 30, 2008.

Stock Options: Share-based compensation expense related to grants of options under SFAS 123(R) for the three months ended September 30, 2008 and 2007, was approximately $379,000 and $184,000, respectively, before income taxes and for the nine months ended September 30, 2008 and 2007, was approximately $932,000 and $205,000, respectively, before income taxes.

The following weighted average assumptions were used to estimate the fair value of stock options granted in 2008:

Dividend yield	0.0%
Expected volatility	28.0%
Risk free interest rate	3.0% 3.27%
Expected term of options	4.75 years
Weighted average grant date fair value	$4.89 $5.42

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The following table represents stock option activity for the nine months ended September 30, 2008:

	Number of Shares	Weighted Average Grant Date Fair Value	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding options at December 31, 2007	992,667	$ 4.34	$ 13.03	6.87 Yrs.
Granted	440,750	4.91	16.59	
Exercised	(4,714)	1.50	2.78	
Canceled or forfeited	(65,192)	4.53	13.90	
Outstanding options at September 30, 2008	1,363,511	$ 4.52	$ 14.17	6.28 Yrs.
Options exercisable at September 30, 2008	260,948	$ 3.98	$ 11.75	6.30 Yrs.

At September 30, 2008, the aggregate intrinsic value of in-the-money options outstanding was approximately $0.9 million, and the aggregate intrinsic value of in-the-money options exercisable was approximately $0.5 million. At September 30, 2008, there was approximately $4.7 million of unrecognized compensation cost related to outstanding options, which is expected to be recognized over a weighted-average period of 3.2 years.

Restricted Stock Grants: A summary of our nonvested restricted stock activity for the nine months ended September 30, 2008, was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested, December 31, 2007	152,789	$ 14.68
Granted	54,139	16.51
Vested	(35,505)	14.50
Canceled or forfeited	(17,950)	15.00
Nonvested, September 30, 2008	153,473	$ 15.33

Share-based compensation expense related to grants of restricted stock for the three and nine months ended September 30, 2008 was approximately $171,000 and $409,000, respectively, before income taxes and for both the three and nine months ended September 30, 2007 was approximately $359,000 before income taxes. Total unrecognized compensation expense for unvested restricted shares of common stock as of September 30, 2008 was approximately $2.1 million, which is expected to be recognized over a weighted-average period of 3.1 years.

Note 12. Contingencies and Commitments

From time to time, the Company is subject to certain claims and lawsuits that have arisen in the ordinary course of its business. Although the outcome of such existing matters cannot presently be determined, it is management s opinion that the ultimate resolution of such existing matters will not have a material adverse effect on the Company s results of operations or financial position.

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Note 13. Subsequent Events

In October 2008 and pursuant to the terms of its credit agreement, the Company converted $85.0 million of the revolving loan then-outstanding under the credit facility to a term loan, payable in quarterly installments with a final maturity date of August 8, 2014. Immediately after such conversion, the Company s long-term debt consisted of the following, shown in comparison to the long-term debt at September 30, 2008 (*in thousands*):

	October 2, 2008	September 30, 2008
Senior secured debt (see below):		
Senior variable-rate term note, payable in quarterly installments with a balloon payment due August 8, 2014	$ 156,004	$ 71,004
Senior variable-rate revolving note due August 8, 2012	14,000	99,000
Total senior secured debt	170,004	170,004
Unsecured note payable	1,695	1,695
Capital lease obligations	3	3
	171,702	171,702
Less current portion	9,504	6,952
Long-term debt, less current portion	$ 162,198	$ 164,750

As a result of this conversion, approximate future maturities of long-term debt are as follows (*in thousands*):

2008 (remainder of year)	$ 2,257
2009	11,995
2010	13,750
2011	18,350
2012	24,950
2013 and thereafter	100,400
Total	$ 171,702

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

We recommend that you read the following discussion and analysis in conjunction with our unaudited condensed consolidated interim financial statements and the related notes included in this report. This discussion and analysis contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and Section 27A of the Securities Act of 1933. Forward looking statements are statements such as those contained in projections, plans, objectives, estimates, and anticipated future economic performance, as well as assumptions relating to any of the foregoing. We have based these forward-looking statements on our current expectations and projections about our future results, performance, prospects and opportunities. We have tried to identify forward-looking statements by using words such as may, will, expect, anticipate, believe, intend, estimate, goal, contin expressions or terminology. These forward-looking statements are based on information currently available to us and are subject to a number of known and unknown risks, uncertainties and other factors that could cause our actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and other factors include:

our business operates in highly competitive markets and depends upon the economies and the demographics of the legal, financial and real estate sectors in the markets we serve and changes in those sectors could have an adverse effect on our revenues, cash flows and profitability;

a change in the laws governing public notice requirements may reduce or eliminate the amount of public notices required to be published in print, affect how newspapers are chosen for publication of public notices or adversely change the eligibility requirements for publishing public notices, which could adversely affect our revenues, profitability and growth opportunities;

a decrease in paid subscriptions to our print publications could adversely affect our circulation revenues to the extent we are not able to sufficiently increase our print subscription rates and adversely affect our advertising and display revenues to the extent advertisers begin placing fewer print advertisements with us due to print decreased readership;

we have owned and operated the businesses in our Professional Services Division (APC and Counsel Press) for a short period of time;

regulation of sub-prime, Alt-A and other residential mortgage products, including bills introduced in states where we do business, the Hope for Homeowners Act and the Emergency Economic Stabilization Act, and voluntary foreclosure relief programs developed by lenders, loan servicers and the Hope Now Alliance, a consortium that includes loan servicers, may have an adverse effect on or restrict our mortgage default processing services and public notice operations;

APC s revenues are very concentrated, as APC provides mortgage default processing services primarily to six law firm customers, and if the number of case files referred to APC by these law firm customers decreases or fails to increase, our operating results and ability to execute our growth strategy could be adversely affected;

key attorneys at each of APC s six law firm customers are employed by APC or NDEx and almost all of these attorneys hold a direct or indirect equity interest in APC. As a result, these key attorneys may, in certain circumstances, have interests that differ from or conflict with our interests;

a key component of our operating income and operating cash flows has been, and may continue to be, our minority equity investment (35%) in The Detroit Legal News Publishing, LLC;

we may be required to incur additional indebtedness or raise additional capital to fund our operations, repay indebtedness, fund capital expenditures or fund acquisitions, which may not be available to us at all or on acceptable terms when needed;

we are dependent on our senior management team, especially James P. Dolan, our founder, chairman, chief executive officer and president; Scott J. Pollei, our executive vice president and chief financial officer; Mark W.C. Stodder, our executive vice president business information; and David A. Trott, chairman and chief executive officer, APC;

we intend to continue to pursue acquisition opportunities, which we may not complete or integrate successfully into our business and which may subject us to considerable business and financial risks;

growing our business may place a strain on our management and internal systems, processes and controls;

we incurred additional indebtedness to close the acquisition of NDEx and this additional debt consumed a significant portion of our ability to borrow and may limit our ability to pursue other acquisitions or growth strategies;

the acquisition of NDEx may expose us to particular business and financial risks that include, but are not limited to: (1) diverting management s time, attention and resources from managing the business; (2) incurring significant additional capital expenditures and operating expenses to improve, coordinate or integrate managerial, operational, financial and administrative systems; (3) failing to integrate the operations, personnel and internal controls of NDEx into APC or to manage NDEx or our growth; and (4) facing operational difficulties in new markets or with new product and service offerings; and

if our goodwill or finite-life intangible assets become impaired, we may be required to record a significant charge to earnings.

See Risk Factors in Item 1A of our annual report on Form 10-K filed on March 28, 2008, with the SEC, in Part II, Item 1A of our quarterly reports on Form 10-Q filed on May 8, 2008, and August 11, 2008, with the SEC, on pages 2 through 7 of our prospectus filed on October 3, 2008, with the SEC and in Part II, Item 1A of this quarterly report on Form 10-Q for a description of these and other risks, uncertainties and factors that could cause our actual results, performance, prospects or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements.

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

Overview

We are a leading provider of necessary business information and professional services to legal, financial and real estate sectors in the United States. We serve our customers through two complementary operating segments: our Business Information Division and our Professional Services Division. Our Business Information Division currently publishes 60 print publications consisting of 14 paid daily publications, 30 paid non-daily publications and 16 non-paid non-daily publications. In addition, we provide business information electronically through our 46 on-line publication web sites, our 29 event and other non-publication web sites, and our email notification systems. Our Professional Services Division comprises two operating units: APC and Counsel Press. APC, and its wholly-owned subsidiary, NDEx, provide mortgage default processing services to six law firm customers as well as directly to mortgage lenders and loan servicers in California. It currently operates in California, Georgia, Indiana, Michigan, Minnesota, and Texas. Counsel Press provides appellate services to law firms and attorneys nationwide.

Recent Developments

Regulatory Environment

Over the past six months, federal, state and local governmental entities have proposed, and in some cases, enacted legislation or taken other action that may have an adverse impact on the number of mortgage defaults referred to APC for processing and the number of foreclosure public notices placed in our Business Information products for publication. Most notably, on October 1, 2008, the Hope for Homeowners Act of 2008 went into effect in an effort to bring relief to distressed homeowners and to help mitigate foreclosures. Among other things, this Act establishes a new, temporary, voluntary program within the Federal Housing Administration (FHA) to back FHA-insured mortgages to distressed borrowers. In return, borrowers are eligible to receive new 30-year FHA-insured, fixed rate loans. The size of the new loans will be the lesser of: (1) the amount the borrower can afford to repay, as determined by the current affordability requirements of FHA; or (2) 90% of the current value of the home. This program is scheduled to terminate on September 30, 2011.

On October 3, 2008, the federal government passed the Emergency Economic Stabilization Act, which provides funding to purchase troubled assets from financial institutions. For mortgages and mortgage-backed securities acquired through this program, the Secretary of the Treasury must implement a plan to mitigate foreclosures and to encourage servicers of mortgages to modify loans through Hope for Homeowners and other programs.

In addition, lender and mortgage servicers are voluntarily focusing their attention on loss mitigation, loan remodification and similar efforts. For example, on October 6, 2008, Bank of America (the successor to Countrywide) announced the Nationwide Homeownership Retention Program for former Countrywide mortgage customers. Under this program, Bank of America will systematically modify troubled subprime mortgages or Pay Option adjustable rate mortgages that were originated prior to December 31, 2007. On October 31, 2008, JP Morgan Chase announced a 90-day moratorium on foreclosures related to mortgages that it owns. Further, Barney Frank, chairman of the House Financial Services Committee, has encouraged lenders and mortgage servicers to address delinquent mortgages through means other than foreclosures. In addition to these programs, the federal government has also discussed a program where the Federal Deposit Insurance Corporation would guarantee some percentage of each refinanced mortgage and numerous states are discussing bills and considering legislation imposing foreclosure delays or moratoriums.

Given the uncertain regulatory environment, we have developed, and are in the process of developing, a number of cost-containment plans across our divisions, including decreases in discretionary spending, staff reductions through various methods (including attrition) and the transition of some print publications to on-line.

Acquisition of NDEx

On September 2, 2008, APC acquired all of the outstanding equity interests in National Default Exchange Management, Inc., National Default Exchange Holdings, LP, THP/NDEx AIV, Corp., and THP/NDEx AIV, LP (all of such entities we refer to collectively as NDEx). APC acquired the equity interests of NDEx for a total of $167.5 million in cash, of which $151.0 million was paid to or on behalf of the sellers of NDEx, $15.0 million was placed in escrow to secure payment of indemnification claims and an additional $1.5 million was held back pending working capital adjustments. In addition to the cash payments, APC also issued to the sellers of NDEx an aggregate 6.1% interest in APC, which had an estimated fair market value of approximately $11.6 million on July 28, 2008, the date the parties signed the equity purchase agreement. We also issued to the sellers of NDEx 825,528 shares of its common stock. In addition to the payments and issuance of APC interests and common stock described above, we may be obligated to pay the sellers of NDEx up to an additional $13.0 million in cash based upon the adjusted EBITDA for NDEx during the first twelve months following the closing of the acquisition. If the adjusted EBITDA for NDEx equals or exceeds $28.0 million during such twelve-month period, we will pay the sellers the maximum $13.0 million earnout payment. However, the maximum earnout payment of $13.0 million will be reduced by $7.50 for each $1.00 that NDEx s adjusted EBITDA for such twelve month period is less than the $28.0 million target.

In connection with this acquisition, NDEx amended and restated its services agreement with the law firm Barrett Daffin Frappier Turner & Engel, LLP. The services agreement provides for the exclusive referral of residential mortgage default files from the Barrett law firm to NDEx for servicing. This agreement has an initial term of twenty-five years, which term may be automatically extended for successive five year periods unless either party

elects to terminate the term then-in-effect with prior notice. Under the services agreement, NDEx is paid a fixed fee for each residential mortgage default file referred by the Barrett law firm to NDEx for servicing, with the amount of such fixed fee being based upon the type of file. In addition, the Barrett law firm pays NDEx a monthly trustee foreclosure administration fee. The amount of such fee is based upon the number of files the Barrett law firm has referred to NDEx for processing during the month. NDEx may amend these fees on a quarterly basis during 2009 and on an annual basis beginning in 2010 upon notice to the Barrett law firm. However, if the Barrett law firm files a timely notice of objection to the proposed amended fees, NDEx and the Barrett law firm have agreed to negotiate amended fees that are agreeable to both parties or to retain the existing fees. In addition to the services agreement, NDEx also entered into noncompetition agreements with the key managers of NDEx and with the Barrett law firm. The sellers of NDEx include Michael C. Barrett, Jacqueline M. Barrett, Mary A. Daffin, Robert F. Frappier, James C. Frappier, Abbe L. Patton and Barry Tiedt, all of whom also remained employees of NDEx. Each of these individuals, except Jacqueline M. Barrett, Abbe L. Patton and Barry Tiedt, are also attorneys for the Barrett law firm. Michael C. Barrett, the managing partner of the Barrett law firm, serves as president and chairman emeritus of NDEx.

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NDEx is a wholly-owned subsidiary of APC. Much like APC, NDEx provides mortgage default processing services, primarily for the Barrett law firm in Texas. Last year, NDEx began providing these services in California to an affiliate of the Barrett law firm and also directly to mortgage lenders and loan servicers (instead of for a law firm that has such lenders and servicers as clients). Unlike other states, foreclosure and certain other mortgage default processes may be undertaken by non-attorneys in California. NDEx recently started providing mortgage default processing services to an affiliate of the Barrett law firm for foreclosures and other related files in Georgia.

In addition to providing mortgage default processing services, NDEx also operates a real estate title company. This is a new line of business for us and one in which, among our key employees or executive officers, only Dave Trott, chairman and chief executive officer of APC, has any previous experience.

Like APC, NDEx has its own proprietary case management system. NDEx is continuing to use this system to process mortgage default files until we eventually combine this system with the case management system currently used by APC.

As a result of this acquisition, we have a number of duplicative positions between NDEx and APC and are in the process of evaluating the elimination of these positions to achieve synergies and cost saving in combining these functions. We recorded, as additional purchase price, a liability of $1.5 million in estimated severance costs in connection with the elimination of these positions, which we expect to pay out in cash within the next twelve months.

Private Placement

On July 28, 2008, we signed a securities purchase agreement to sell an aggregate of 4,000,000 unregistered shares of the Company s common stock for $16.00 per share. This sale closed on July 30, 2008. We received net proceeds of approximately $60.5 million from this private placement. We used all of the net proceeds from this private placement to fund, in part, the acquisition of NDEx (described above). In connection with this securities purchase agreement, we filed, and the SEC declared effective, a registration statement covering the re-sale of the privately placed shares on October 3, 2008.

Amendment to Credit Facility

In connection with the transactions described above, we amended our credit facility with the syndicate of lenders who are party to our second amended restated credit facility. Specifically, on July 28, 2008, we and our consolidated subsidiaries signed a first amendment to the credit facility. In addition to approving the acquisition of NDEx and waiving the requirement that we use 50% of the proceeds from the private placement to pay down indebtedness under the credit facility (both described above), the amendment (1) reduces the senior leverage ratio we and our consolidated subsidiaries are required to maintain as of the last day of each fiscal quarter from no more than 4.50 to 1.00 to no more than 3.50 to 1.00 and (2) increases the interest rate margins charged on the loans under the credit facility to up to 1.0%. We paid approximately $296,000 in fees in connection with this amendment.

Changes in our Ownership in APC

On November 30, 2007, we increased our majority ownership interest in APC to 88.7% by acquiring 9.1% and 2.3% of the outstanding membership units in APC from the minority members, Trott & Trott and Feiwell & Hannoy, respectively. We paid a total of $15.6 million for these units, of which we paid $12.5 million to Trott & Trott and $3.1 million to Feiwell & Hannoy. After the acquisition of these membership interests, our minority partners, Trott & Trott and Feiwell & Hannoy, owned 9.1% and 2.3%, respectively, of APC. At the same time, the members of APC amended and restated APC s operating agreement as it related to the right of Trott & Trott and Feiwell & Hannoy to demand that we acquire their minority interest in APC. Please refer to Minority Interest in Net Income of Subsidiary for more information about this right of the minority members. In connection with the acquisition of mortgage default processing services business of Wilford & Geske in February 2008, APC made a capital call. Feiwell & Hannoy declined to participate in the capital call. We contributed Feiwell & Hannoy s share of the capital call and, as a result, our interest in APC increased to 88.9% and Feiwell & Hannoy s decreased to 2.0% of the outstanding membership interests of APC. Also, in February 2008, Trott & Trott assigned its interest in APC to APC Investments, LLC, a limited liability company owned by the shareholders of Trott & Trott, including APC President, David A. Trott. In connection with the closing of the acquisition of NDEx, APC did a capital call in which both APC Investments and Feiwell & Hannoy declined to participate. The Company funded each of APC Investments and Feiwell & Hannoy s portion of the capital call. Also, in connection with the acquisition, APC issued 6.1% of its outstanding membership interests to the sellers of NDEx, or their designees, as applicable. As a result of these transactions, Feiwell & Hannoy s, APC Investments , and our ownership interests in APC were diluted. At September 2, 2008, we, along with APC s minority members, owned the following interests in APC:

Member	**Percent of Outstanding Membership Interests of APC**
Dolan APC, LLC (the Company s wholly-owned subsidiary)	84.7%
APC Investments, LLC	7.6%
Feiwell & Hannoy, Professional Corporation	1.7%
Sellers of NDEx (as a group)	6.1%

Initial Public Offering

On August 7, 2007, we completed our initial public offering of 10,500,000 shares of common stock (exclusive of 2,956,522 shares sold by selling stockholders and 2,018,478 shares sold pursuant to the exercise by the underwriters of their option to purchase additional shares from certain selling stockholders) at a price of $14.50 per share. We received $137.4 million of net proceeds from the offering, after deducting the underwriters discount of $10.7 million and offering expenses of approximately $4.3 million. In connection with our initial public offering, all outstanding shares of our Series C preferred stock, including all accrued and unpaid dividends, converted into shares of Series A preferred stock, Series B preferred stock and an aggregate of 5,093,155 shares of common stock. We used $101.1 million of the net proceeds to redeem all of the outstanding shares of Series A preferred stock (including all accrued and unpaid dividends and shares issued upon conversion of the Series C preferred stock), and Series B preferred stock (including shares issued upon conversion of the Series C preferred stock). As a result of the conversion of Series C preferred stock and the redemption of all preferred stock on August 7, 2007, no shares of our preferred stock remain issued and outstanding.

Prior to August 7, 2007, when shares of our Series C preferred stock were issued and outstanding, we recorded non-cash interest expense related to mandatorily redeemable preferred stock. Prior to the offering, the valuation of our common stock had a material effect on our operating results because we accounted for our Series C preferred stock, a mandatorily redeemable preferred stock that was convertible into shares of common stock, at fair value. Accordingly, we recorded the increase or decrease in the fair value of our redeemable preferred stock as either an increase or decrease in interest expense at each reporting period. During the three and nine months ended September 30, 2007, we recorded the related dividend accretion for the change in fair value of this security of $8.3 million and $25.8 million, respectively, as interest expense. Because all shares of series C preferred stock were redeemed by us on August 7,

2007, we have not recorded any non-cash interest expense related to mandatorily redeemable preferred stock for the three and nine months ended September 30, 2008 (or any other periods after August 7, 2007).

In connection with our initial public offering, we also (1) amended and restated our certificate of incorporation to increase the number of authorized shares of common stock from 2,000,000 to 70,000,000 and preferred stock from 1,000,000 to 5,000,000 and (2) effected a 9 for 1 stock split of our outstanding shares of common stock through a dividend of eight shares of common stock for each share of common stock outstanding immediately prior to the consummation of the initial public offering. All share and per share numbers in this quarterly report on Form 10-Q reflect this stock split for all periods presented.

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Recent Acquisitions

We have grown significantly since our predecessor company commenced operations in 1992, in large part due to acquisitions. In addition to the NDEx acquisition described above, we consummated the following acquisitions during the first nine months of 2008 and in 2007:

Business Information

On February 13, 2008, we acquired the assets of Legal and Business Publishers, Inc., which include *The Mecklenburg Times*, an 84-year old court and commercial publication located in Charlotte, North Carolina, and electronic products, including www.mecktimes.com and www.mecklenburgtimes.com. *The Mecklenburg Times* serves Mecklenburg County, North Carolina and is also qualified as a legal newspaper in Union County, North Carolina. For these assets, we paid $2.8 million in cash on the closing date and an additional $500,000 on May 13, 2008. In August 2008, we paid Legal and Business Publishers, Inc. an additional $350,000 because the revenues it earned from the assets during the six-month period following the closing exceeded the earnout target set forth in the purchase agreement. Under the terms of our agreement with Legal and Business Publishers, we may be obligated to pay up to an additional $150,000 based upon the revenues we earn from the assets in the twelve-month period following the closing of this acquisition.

On March 30, 2007, we acquired the business information assets of Venture Publications, Inc., consisting primarily of several publications serving Mississippi and an annual business trade show, for $2.8 million in cash. In addition, we paid $600,000 to Venture Publications in April 2008 in connection with the acquired assets achieving certain revenue targets set forth in the asset purchase agreement.

Professional Services

On February 22, 2008, APC acquired the mortgage default processing business of the Minnesota law firm, Wilford & Geske. APC acquired these assets for $13.5 million in cash. We may be obligated to pay up to an additional $2.0 million in purchase price depending upon the adjusted EBITDA for this business during the twelve months ending March 31, 2009. At the same time, APC also entered an exclusive service agreement with Wilford & Geske for the referral of mortgage default, foreclosure, bankruptcy, eviction, litigation and other mortgage default related files to us for processing. The agreement is for an initial term of 15 years and is subject to automatically renew for two additional ten year periods unless either party elects to terminate the term then-in-effect with prior notice.

On January 9, 2007, APC entered the Indiana market by acquiring the mortgage default processing service business of the law firm of Feiwell & Hannoy for $13.0 million in cash, a $3.5 million promissory note payable in two equal annual installments of $1.75 million, the first of which was paid on January 9, 2008, with no interest accruing on the note, and a 4.5% membership interest in APC. Under the terms of the asset purchase agreement with Feiwell & Hannoy, we were required to guaranty APC s obligations under the note payable to Feiwell & Hannoy. In connection with this guaranty, Trott & Trott executed a reimbursement agreement with us, whereby Trott & Trott agreed to reimburse us for 19.0% (its then-ownership percentage) of any amounts we are required to pay to Feiwell & Hannoy pursuant to our guaranty of the note. At the same time, APC also entered an exclusive service agreement with Feiwell & Hannoy for the referral of mortgage default, foreclosure, bankruptcy, eviction and other mortgage default related files to us for processing. The agreement is for an initial term of 15 years and is subject to automatically renew for two additional ten year periods unless either party elects to terminate the term then-in-effect with prior notice.

We have accounted for each of the acquisitions described above, including the acquisition of NDEx described in Recent Developments under the purchase method of accounting. We have included the results of the acquisitions of NDEx and the mortgage default processing services business of Feiwell & Hannoy and Wilford & Geske in our Professional Services segment. We have included the results of the acquired businesses of Venture Publications, Inc. and Legal and Business Publishers, Inc. in our Business Information segment. We have included each acquisition in our consolidated financial statements since the date of such acquisition.

Revenues

We derive revenues from two operating segments, our Business Information Division and our Professional Services Division. For the three and nine months ended September 30, 2008, our total revenues were $47.9 million and $130.9 million, respectively, and the percentage of our total revenues attributed to each of our segments was as follows:

- 46.4% and 52.2%, respectively, from our Business Information Division; and
- 53.6% and 47.8%, respectively, from our Professional Services Division.

Business Information. Our Business Information Division generates revenues primarily from display and classified advertising, public notices and subscriptions. We sell commercial advertising which consists of display and classified advertising in our print products and web sites. We include within our display and classified advertising revenue, those revenues generated by sponsorships, advertising and ticket sales generated by our local events. Our display and classified advertising revenues accounted for 17.5% and 19.3% of our total revenues and 37.8% and 37.0% of our Business Information Division s revenues for the three and nine months ended September 30, 2008, respectively. We recognize display and classified advertising revenues upon placement of an advertisement in one of our publications or on one of our web sites. We recognize display and classified advertising revenues generated by sponsorships, advertising and ticket sales from local events when those events are held. Advertising revenues are driven primarily by the volume, price and mix of advertisements published as well as how many local events are held.

We publish 305 different types of public notices in our court and commercial newspapers, including foreclosure notices, probate notices, notices of fictitious business names, limited liability company and other entity notices, unclaimed property notices, notices of governmental hearings and trustee sale notices. During the three and nine months ended September 30, 2008, our public notice revenues accounted for 21.2% and 24.0% of our total revenues, respectively. During those same periods, these revenues accounted for 45.8% and 45.9% of our Business Information Division s revenues, respectively. We recognize public notice revenues upon placement of a public notice in one of our court and commercial newspapers. Public notice revenues are driven by the volume and mix of public notices published. This is primarily affected by the number of residential mortgage foreclosures in the 13 markets where we are qualified to publish public notices and the rules governing publication of public notices in such states. In six of the states in which we publish public notices, the price for public notices is statutorily regulated, with market forces determining the pricing for the remaining states.

We sell our business information products primarily through subscriptions. For the three and nine months ended September 30, 2008, our circulation revenues, which consist of subscriptions and single-copy sales, accounted for 7.0% and 8.0%, respectively, of our total revenues and 15.0% and 15.3%, respectively, of our Business Information Division s revenues. We recognize subscription revenues ratably over the subscription periods, which range from three months to multiple years, with the average subscription period being twelve months. Deferred revenue includes payment for subscriptions collected in advance that we expect to recognize in future periods. Circulation revenues are driven by the number of copies sold and the subscription rates charged to customers. Our other business information revenues, comprising sales from commercial printing and database information, accounted for 0.7% and 1.0% of our total revenues and 1.4% and 1.9% of our Business Information Division s revenues for the three and nine months ended September 30, 2008, respectively. We recognize our other Business Information revenues upon delivery of the printed or electronic product to our customers.

Professional Services. Our Professional Services Division generates revenues primarily by providing mortgage default processing and appellate services through fee-based arrangements. Through APC (and its wholly-owned subsidiary, NDEx), we assist six law firms and, in California, loan and mortgage servicers in processing foreclosure, bankruptcy, eviction and, to a lesser extent, litigation and other mortgage default processing case files for residential mortgages that are in default. We also provide, through NDEx, related real estate title work primarily to the Barrett law firm. Shareholders and/or principal attorneys of our law firm customers, including David A Trott, chairman and chief executive officer of APC, are executive management employees of APC or NDEx.

For the three and nine months ended September 30, 2008, we serviced approximately 52,900 and 126,200 mortgage default case files, respectively. Of these, Wilford & Geske and the Barrett law firm and NDEx s other customers referred, in the aggregate, approximately 20,100 and 25,400 mortgage default case files to us for processing during those periods, respectively. Our mortgage default processing service revenues accounted for 44.3% and 39.0%, respectively, of our total revenues and 82.6% and 81.6%, respectively, of our Professional Services Division s revenues during those periods. We believe mortgage default file volume, and thus mortgage default processing revenues, tend to be lower in the second quarter of each year because homeowners receive income tax refunds that they can apply towards their residential mortgages during the second quarter. We recognize mortgage default processing service revenues on a ratable basis over the period during which the services are provided, which ranges from one month to nine months depending upon the type of file we process and the state in which the foreclosure occurs. We consolidate the operations, including revenues, of APC and record a minority interest adjustment for the percentage of earnings that we do not own. See Minority Interests in Net Income of Subsidiary for a description of the impact of the minority interests in APC on our operating results. With the exception of foreclosure files referred to us by Feiwell & Hannoy and California foreclosure files processed by NDEx, we bill our customers for services performed and record amounts billed for services not yet performed as deferred revenue. For foreclosure files referred to us by Feiwell & Hannoy, we bill Feiwell & Hannoy in two installments and record amounts for services performed but not yet billed as unbilled services and amounts billed for services not yet performed as deferred revenue. For California foreclosure files processed by NDEx, we bill our customers for services at the time the file is complete and record amounts billed for services performed, but not yet billed as unbilled services. In California, since NDEx provides mortgage default processing services directly to loan servicers, it incurs certain costs on behalf of its customers, such as trustee sale guarantees, title policies, and post and pub charges. These costs are passed directly through to its customers, and billed to them at the time the file is complete. In accordance with EITF 99-19, we do not record any revenue for these pass-through costs. NDEx also provides title services primarily to the Barrett law firm and its affiliates, and we bill for these services when the title matter is completed and recognize revenue as we perform the services.

We have entered into long-term services agreements with each of our law firm customers. These agreements provide for the exclusive referral of files from the law firms to APC or NDEx as applicable, for servicing, except that Trott & Trott and the Barrett law firm and its affiliates may refer files elsewhere if they are otherwise directed by clients. Our agreements with Trott & Trott, Feiwell & Hannoy and Wilford & Geske have initial terms of fifteen years, which terms may be automatically extended for up to two successive ten year periods unless either party elects to terminate the term then-in-effect with prior notice. Our agreements with the Barrett law firm and its affiliated firms have initial terms of twenty-five years, which terms may be automatically extended for successive five year periods unless either party elects to terminate the term then-in-effect with prior notice. Under each services agreement, we are paid a fixed fee for each residential mortgage default file referred by the law firm to us for servicing, with the amount of such fixed fee being based upon the type of file. We receive this fixed fee upon referral of a foreclosure case file, which consists of any mortgage default case file referred to us, regardless of whether the case actually proceeds to foreclosure. If such file leads to a bankruptcy, eviction or litigation proceeding, we are entitled to an additional fixed fee in connection with handling a file for such proceedings. We also receive a fixed fee for handling files in eviction, litigation and bankruptcy matters that do not originate from mortgage foreclosure files. The Barrett law firm also pays us a monthly trustee foreclosure administration fee. The amount of this fee is based upon the number of foreclosure files the Barrett law firm refers to us for processing during the month.

APC s revenues are primarily driven by the number of residential mortgage defaults in each of the states in which it does business as well as how many of the files we handle that actually result in evictions, bankruptcies and/or litigation. Our agreement with Trott & Trott contemplates the review and possible revision of the fees for services we provide every two years beginning on or before January 1, 2008. Under the Feiwell & Hannoy and Wilford & Geske agreements, the fixed fee per file increases on an annual basis through 2012 and 2013, respectively, to account for inflation as measured by the consumer price index. We and such customers will review and possibly revise the fee schedule for future years. Our agreement with the Barrett law firm allows us to amend the fees the Barrett law firm pays to us on a quarterly basis during 2009 and on an annual basis beginning in 2010 upon notice to the Barrett law

firm. However, if the Barrett law firm files a timely notice of objection to the proposed amended fees, we and the Barrett law firm have agreed to negotiate amended fees that are agreeable to both parties or retain the existing fees. If we are unable to negotiate fixed fee increases under these agreements that at least take into account the increases in costs associated with providing mortgage default processing services, our operating and net margins could be adversely affected. During the first quarter of 2008 in accordance with their respective services agreements, we revised our fee structure with Trott & Trott and Feiwell & Hannoy, increasing the fixed per file fee paid for each file referred to us. At the same time, we also agreed to extend the payment terms for Trott & Trott from 30 to 45 days.

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Through Counsel Press, we assist law firms and attorneys throughout the United States in organizing, printing and filing appellate briefs, records and appendices that comply with the applicable rules of the U.S. Supreme Court, any of the 13 federal courts of appeals and any state appellate court or appellate division. These revenues tend to be lower in the second quarter of each year because there are typically fewer appellate filings during such quarter as a result of court recesses. For the three and nine months ended September 30, 2008, our appellate service revenues accounted for 9.3% and 8.8%, respectively, of our total revenues and 17.4% and 18.4%, respectively, of our Professional Services Division s revenues. Counsel Press charges its customers primarily on a per-page basis based on the final appellate product that is filed with the court clerk. Accordingly, our appellate service revenues are largely determined by the volume of appellate cases we handle and the number of pages in the appellate cases we file. For the three and nine months ended September 30, 2008, we provided appellate services to attorneys in connection with approximately 2,400 and 6,500 appellate filings, respectively, in federal and state courts. We recognize appellate service revenues as the services are provided, which is when our final appellate product is filed with the court.

Operating Expenses

Our operating expenses consist of the following:

- Direct operating expenses, which consist primarily of the cost of compensation and employee benefits for our editorial personnel in our Business Information Division and the processing staff at APC and Counsel Press, and production and distribution expenses, such as compensation (including stock-based compensation expense) and employee benefits for personnel involved in the production and distribution of our business information products, the cost of newsprint and the cost of delivery of our business information products;
- Selling, general and administrative expenses, which consist primarily of the cost of compensation (including stock-based compensation expense) and employee benefits for our sales, human resources, accounting and information technology personnel, publishers and other members of management, rent, other sales and marketing related expenses, other office-related payments and direct acquisition costs related to acquisitions that we are no longer pursuing;
- Depreciation expense, which represents the cost of fixed assets and software allocated over the estimated useful lives of these assets, with such useful lives ranging from one to thirty years; and
- Amortization expense, which represents the cost of finite-lived intangibles acquired through business combinations allocated over the estimated useful lives of these intangibles, with such useful lives ranging from one to thirty years.

Total operating expenses as a percentage of revenues depends upon our mix of business from Professional Services, which is our higher margin revenue, and Business Information. This mix may shift between fiscal periods.

Equity in Earnings of The Detroit Legal News Publishing

We own 35.0% of the membership interests in The Detroit Legal News Publishing, LLC (DLNP), the publisher of The Detroit Legal News and ten other publications. We account for our investment in DLNP using the equity method. For the three months ended September 30, 2008 and 2007, our percentage share of DLNP s earnings was $1.3 million and $1.6 million, respectively, which we recognized as operating income. This is net of amortization of $0.4 million for both periods. For the nine months ended September 30, 2008 and 2007, our percentage share of DLNP s earnings was $4.4 million and $3.9 million, respectively, which is net of amortization of $1.1 million for both periods. Michigan tax law changed this year, resulting in a decrease of equity earnings of approximately $0.1 million and $0.3 million for the three and nine months ended September 30, 2008, respectively, compared to the same periods in the prior year.

APC handles all public notices required to be published in connection with files it services for Trott & Trott pursuant to our services agreement with Trott & Trott and places a significant amount of these notices in The Detroit Legal News. Trott & Trott pays DLNP for these public notices. See Liquidity and Capital Resources Cash Flow Provided by Operating Activities below for information regarding distributions paid to us by DLNP.

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Under the terms of the amended and restated operating agreement for DLNP, on a date that is within 60 days prior to November 30, 2011, and each November 30th after that, each member of DLNP has the right, but not the obligation, to deliver a notice to the other members, declaring the value of all of the membership interests of DLNP. Upon receipt of this notice, each other member has up to 60 days to elect to either purchase his, her or its pro rata share of the initiating member s membership interests or sell to the initiating member a pro rata portion of the membership interest of DLNP owned by the non-initiating member. Depending on the election of the other members, the member that delivered the initial notice of value to the other members will be required to either sell his or her membership interests, or purchase the membership interests of other members. The purchase price payable for the membership interests of DLNP will be based on the value set forth in the initial notice delivered by the initiating member.

Minority Interest in Net Income of Subsidiary

Minority interest in net income of subsidiary for the nine months ended September 30, 2008 consisted of the following:

- a 9.1% membership interest in APC held by Trott & Trott from January 1, 2008, through January 31, 2008, and APC Investments, LLC, a limited liability company owned by the shareholders of Trott & Trott, including APC President Dave Trott and APC s two executive vice presidents in Michigan, from February 1, 2008, through September 1, 2008; and a 7.6% membership interest in APC that APC Investments held for the period September 2, 2008, through September 30, 2008;
- a 2.3% membership interest in APC that Feiwell & Hannoy held for the period of January 1, 2008, through February 21, 2008; a 2.0% membership interest in APC that Feiwell & Hannoy held for the period of February 22, 2008, through September 1, 2008; and a 1.7% membership interest in APC that Feiwell & Hannoy held for the period September 2, 2008, through September 30, 2008; and
- a 6.1% membership interest in APC held by the sellers of NDEx (as a group) from September 2, 2008, through September 30, 2008.

Minority interest in net income of subsidiary for the three months ended September 30, 2008 consisted of a 9.1% and 2.0% membership interest held by APC Investments and Feiwell & Hannoy, respectively, through September 1, 2008 and a 7.6%, 1.7% and 6.1% membership interest held by APC Investments, Feiwell & Hannoy and the sellers of NDEx (as a group) from September 2, 2008, through September 30, 2008.

You should refer to Recent Developments earlier in this report for information about the change in our ownership in APC during the three months ended September 30, 2008.

Under the terms of the APC operating agreement, each month, we are required to distribute APC s earnings before interest, taxes, depreciation and amortization less debt service with respect to any interest-bearing indebtedness of APC, capital expenditures and working capital reserves to APC s members on the basis of common equity interest owned. We paid the following distributions in the three and nine months ended September 30, 2008 and 2007:

	Three Months ended September 30,		**Nine Months ended September 30,**	
	2008	**2007**	**2008**	**2007**
APC Investments*	$ 361,418	$ 569,966	$ 1,098,178	$ 1,489,470
Feiwell & Hannoy	81,187	141,353	253,333	324,345
Sellers of NDEx (as a group)**				
Total	$ 442,605	$ 711,319	$ 1,351,511	$ 1,813,815

* Trott & Trott prior to February 1, 2008

** Members of APC since September 2, 2008. To the extent earned, we would expect to make the first payment in the fourth quarter of 2008.

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In addition, APC Investments and Feiwell & Hannoy each have the right, for a period of six months following August 7, 2009 to require APC to repurchase all or any portion of the APC membership interests held by APC Investments or Feiwell & Hannoy, as the case may be. The sellers of NDEx, each as members of APC, also have the right, for a period of six months following September 2, 2012, to require APC to repurchase all or any portion of the APC membership interests held by such seller of NDEx. To the extent any minority member of APC timely exercises this right, the purchase price of such membership interest will be based on 6.25 times APC s trailing twelve month earnings before interest, taxes, depreciation and amortization less the aggregate amount of any interest bearing indebtedness outstanding for APC as of the date the repurchase occurs. The aggregate purchase price would be payable by APC in the form of a three-year unsecured note bearing interest at a rate equal to prime plus 2.0%.

Critical Accounting Policies

We prepare our consolidated financial statements in accordance with accounting principles generally accepted in the United States and the discussion of our financial condition and results of operations is based on these financial statements. The preparation of these financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities.

We continually evaluate the policies and estimates we use to prepare our condensed consolidated financial statements. In general, management s estimates and assumptions are based on historical experience, information provided by third-party professionals and assumptions that management believes to be reasonable under the facts and circumstances at the time these estimates and assumptions are made. Because of the uncertainty inherent in these matters, actual results could differ significantly from the estimates, assumptions and judgments we use in applying these critical accounting policies.

We believe the critical accounting policies that require the most significant estimates, assumptions and judgments to be used in the preparation of our consolidated financial statements are as follows: purchase accounting, valuation of our equity securities as a privately-held company for periods prior to our initial public offering, impairment of goodwill, other intangible assets and other long-lived assets, share-based compensation expense, income tax accounting, and allowances for doubtful accounts. See Note 1 to our unaudited condensed consolidated interim financial statements included in this report on Form 10-Q and Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies in Item 7 in our annual report on Form 10-K for the year ended December 31, 2007, which we filed with the SEC on March 28, 2008, and is available at the SEC s web site at www.sec.gov, for a discussion (in addition to that provided below) as to how we apply these policies.

Purchase Accounting

During the three months ended September 30, 2008, we preliminarily applied purchase accounting to the acquisition of NDEx. During the nine months ended September 30, 2008, we applied purchase accounting to the following acquisitions: (1) the assets of Legal and Business Publishers, Inc., including *The Mecklenberg Times*; (2) the mortgage default processing services business of Wilford & Geske; (3) the assets of Minnesota Political Press, Inc. and Quadriga Communications, LLC; (4) the acquisition of the assets of Midwest Law Printing Co., Inc and (5) the acquisition of NDEx. See Note 3 to our unaudited condensed consolidated interim financial statements included in this quarterly report on Form 10-Q for more information about the application of purchase accounting to these acquisitions. See also Note 1 for information about a change in SFAS 141R that is effective for us for acquisitions consummated after December 31, 2008.

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Valuation of Our Company Equity Securities
Prior to the consummation of our initial public offering when we redeemed all issued and outstanding shares of our preferred stock, there was no market for our common stock. As a result, the valuation of our common stock had a material effect on our operating results because we accounted for our mandatorily redeemable preferred stock at fair value. Accordingly, we recorded the increase or decrease in the fair value of our redeemable preferred stock as either an increase or decrease in interest expense in each reporting period. During the three and nine months ended September 30, 2007, we recorded non-cash interest expense of $9.9 million and $66.1 million, respectively. There was not a similar expense for the three or nine months ended September 30, 2008, or other periods after August 7, 2007, the date on which we redeemed all outstanding shares of our preferred stock. Determining the fair value of our redeemable preferred stock (for periods before August 7, 2007) required us to value two components: (1) the fixed redeemable portion and (2) the common stock conversion portion.
We determined the fair value of the fixed portion by calculating the present value of the amount that was mandatorily redeemable, including accreted dividends, on July 31, 2010, as of each balance sheet date. During the nine months ended September 30, 2007, the discount rate was reduced to zero because we redeemed the fixed redeemable portion of the series C preferred stock in full on August 7, 2007.
We used the initial public offering price of $14.50 per share as the fair value of our common stock to determine the fair value of our series C preferred stock and calculate the non-cash interest expense related to redeemable preferred stock for the nine months ended September 30, 2007.
For information about the objective and subjective factors we considered in estimating the fair value of common stock as of September 30, 2007, please refer to Management Discussion and Analysis Critical Accounting Policies Valuation of Our Company Equity Securities in our annual report on Form 10-K for the year ended December 31, 2007, filed with the SEC on March 28, 2008, and available on the SEC s website at www.sec.gov.
Goodwill, Other Intangible Assets and Other Long-Lived Assets
We determine the estimated economic lives and related amortization expense for our intangible assets. To the extent actual useful lives are less than our previously estimated lives, we will increase our amortization expense. If the unamortized balance were deemed to be unrecoverable, we would recognize an impairment charge to the extent necessary to reduce the unamortized balance to the amount of expected future discounted cash flows, with the amount of such impairment charged to operations in the current period. We estimate useful lives of our intangible assets by reference to current and projected dynamics in the business information and mortgage default processing service industries and anticipated competitor actions. The amount of net income for the nine months ended September 30, 2008 would have been approximately $0.9 million higher if the actual useful lives of our finite-lived intangible assets were 10% longer than the estimates and approximately $0.9 million lower if the actual useful lives of our finite-lived intangible assets were 10% shorter than the estimates. You should refer to the discussion on new accounting pronouncements in Note 1 of our unaudited condensed consolidated interim financial statements included in this quarterly report on Form 10-Q for more information about FSP 142-3, which deals with determining the useful life of recognized intangible assets and will become effective for us beginning January 1, 2009.
We assess our goodwill and finite life intangible assets for impairment on an annual basis using a November 30 measurement date. We will conduct interim impairment assessments when circumstances and events indicate that we will not be able to recover the carrying value of the assets. Since September 30, 2008, the fair market value of our common stock has declined significantly from a closing share price of $10.09 at September 30, 2008, to $3.90 at November 7, 2008. At this time, we do not believe that this decline in share price and the resulting decline in our market capitalization are events triggering an interim assessment of our goodwill and finite-life intangible assets. If the uncertain political and regulatory environment regarding mortgage foreclosures, the tight credit markets, the volatility of our stock price and any resulting decline in our market capitalization, along with other uncertainties, continue, these factors may trigger an interim impairment measurement of these assets, the result of which may be that we will be required to record a material impairment charge.
Please also refer to Note 5 of our unaudited condensed consolidated interim financial statements included in this report on Form 10-Q for information regarding how we plan to conduct our annual impairment testing. See also Risk Factors in Part II, Item 1A of this report for information about risks associated with an impairment of our goodwill

and finite-life intangible assets.

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Share-Based Compensation Expense

SFAS No. 123(R) requires that all share-based payments to employees and non-employee directors, including grants of stock options and shares of restricted stock, be recognized in the financial statements based on the estimated fair value of the equity or liability instruments issued. We estimate the fair value of share-based awards that contain performance conditions using the Black-Scholes option pricing model at the grant date, with compensation expense recognized as the requisite service is rendered.

During the nine months ended September 30, 2008, we granted stock options exercisable for 440,750 shares of common stock at an exercise price equal to the closing market price on the date of issue. These stock options were granted under the 2007 Incentive Compensation Plan. Grantees forfeited options to purchase 65,192 shares of our common stock during the nine months ended September 30, 2008. The majority of these forfeitures were from four directors whose services with us terminated in May 2008 as a result of the expiration of their term on our board, resignation from our board or death. In 2008, we have applied a zero percent forfeiture rate for stock options.

The following weighted average assumptions were used in the Black-Scholes option pricing model to estimate the fair value of the stock options we granted during 2008:

	2008
Dividend yield	0.0%
Expected volatility	28.0%
Risk free interest rate	3.0% 3.27%
Expected term of options	4.75 years
Weighted average grant date fair value	$4.89 5.42%

All options granted in 2008 are non-qualified options that vest in four equal annual installments commencing on the first anniversary of the grant date and expire seven years after the grant date.

Our share-based compensation expense for all granted options under SFAS 123(R) for the three months ended September 30, 2008 and 2007 was approximately $379,000 and $184,000, respectively, before income taxes and for the nine months ended September 30, 2008 and 2007, was approximately $932,000 and $205,000, respectively, before income taxes. As of September 30, 2008, our estimated aggregate unrecognized share-based compensation expense for all unvested stock options was $4.7 million, which we expect to recognize over a weighted-average period of approximately 3.2 years.

Our 2007 Incentive Compensation Plan allows for the issuance of restricted stock awards that may not be sold or otherwise transferred until certain restrictions have lapsed. The share-based expense for restricted stock awards is determined based on the market price of our stock on the date of grant applied to the total number of shares that are anticipated to fully vest. During the nine months ended September 30, 2008, we granted 54,139 shares of restricted stock to management employees. For these grants, we used the closing share price of our common stock on the grant date to determine the value of our restricted stock awards. Compensation expense is amortized over the vesting period. During the nine months ended September 30, 2008, grantees forfeited 17,950 shares of restricted stock. The forfeited shares of restricted stock are deemed to be issued but not outstanding. In 2008, we applied an estimated forfeiture rate of ten percent for restricted stock awards issued to all non-management employees and zero percent for restricted stock awards issued to management employees. Substantially all of these restricted shares vest in four equal annual installments commencing on the first anniversary of the grant date.

Our share-based compensation expense for all restricted shares under SFAS 123(R) for the three and nine months ended September 30, 2008 was approximately $171,000 and $409,000, respectively, before income taxes, and for the three and nine months ended September 30, 2007 was $359,000 for both periods, before income taxes. As of September 30, 2008, our estimated aggregate unrecognized share-based compensation expense for all unvested restricted shares was $2.1 million, which we expect to recognize over a weighted-average period of approximately 3.1 years.

We have reserved 2,700,000 shares of our common stock for issuance under our incentive compensation plan. There were 1,124,023 shares available for issuance under the plan as of September 30, 2008.

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Income Taxes

The provision of income taxes is based upon estimated annual effective tax rates in the tax jurisdictions in which we operate. For the nine months ended September 30, 2008 and 2007, we used an effective tax rate of 40% and 39%, respectively, based on our annual projected income in accordance with APB No. 28.

We consider accounting for income taxes critical to our operations because management is required to make significant subjective judgments in developing our provision for income taxes, including the determination of deferred tax assets and liabilities, and any valuation allowances that may be required against deferred tax assets. In addition, we operate within multiple taxing jurisdictions and are subject to audit in these jurisdictions. These audits can involve complex issues, which could require an extended period of time to resolve. The completion of these audits could result in an increase to amounts previously paid to the taxing jurisdictions. During the third quarter of 2008, the IRS completed their examination of the 2005 and 2006 tax years resulting in an additional income tax expense of $122,000 for the three and nine months ended September 30, 2008.

Accounts Receivable Allowances

We extend credit to our advertisers, public notice publishers, commercial printing customers and professional service customers based upon an evaluation of each customer s financial condition, and collateral is generally not required. We establish allowances for doubtful accounts based on estimates of losses related to customer receivable balances. Specifically, we use prior credit losses as a percentage of credit sales, the aging of accounts receivable and specific identification of potential losses to establish reserves for credit losses on accounts receivable. We believe that no significant concentration of credit risk exists with respect to our Business Information Division. We had a significant concentration of credit risk with respect to our Professional Services Division as of September 30, 2008 because the amount due from Trott & Trott was $6.6 million, or 15.2% of our consolidated net accounts receivable balance, the amount due from Feiwell & Hannoy was $4.1 million, or 9.3% of our consolidated net receivable balance, and the amount due from the Barrett law firm and its affiliates was $6.4 million, or 14.6% of our consolidated net accounts receivable balance. However, to date, we have not experienced any problems with respect to collecting prompt payment from our law firm customers, each of whom are required to remit all amounts due to use with respect to files we serviced in accordance with the time periods to which we have agreed.

We consider accounting for our allowance for doubtful accounts critical to both of our operating segments because of the significance of accounts receivable to our current assets and operating cash flows. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required, which could have a material effect on our financial statements. See Liquidity and Capital Resources below for information regarding our receivables, allowance for doubtful accounts and day sales outstanding.

New Accounting Pronouncements

Please see Note 1 to our unaudited condensed consolidated interim financial statements included in this report on Form 10-Q for information about new accounting pronouncements affecting us.

Non-GAAP Financial Measures

We present three non-GAAP financial measures: adjusted EBITDA, cash earnings and cash earnings per diluted share.

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Adjusted EBITDA

The adjusted EBITDA measure presented here has been revised from the adjusted EBITDA measure we have presented in previous periods to account for non-recurring items of income and expense, which for the three and nine months ended September 30, 2008 was only the break-up fee we incurred in connection with an acquisition that was not consummated (See Break-up Fee and Other Income (Expense), net below). There were no non-recurring items of income and expense for the three and nine months ended September 30, 2007. The adjusted EBITDA measure now consists of net income (loss) *before*:

non-cash interest expense related to redeemable preferred stock;

interest expense, net;

income tax expense;

depreciation and amortization;

non-cash compensation expense;

non-recurring income and/or expense; and

minority interest in net income of subsidiary;

and *after*:

minority interest distributions paid.

Management s Use of Adjusted EBITDA

We are providing adjusted EBITDA, a non-GAAP financial measure, along with GAAP measures, as a measure of profitability because adjusted EBITDA helps us evaluate and compare our performance on a consistent basis for different periods of time. We believe this non-GAAP measure, as we have defined it, helps us evaluate and compare our performance on a consistent basis for different periods of time by removing from our operating results the impact of the non-cash interest expense arising from the common stock conversion option in our Series C preferred stock (which had no impact on our financial performance for the three and nine months ended September 30, 2008, because we redeemed all of our outstanding shares of preferred stock, including shares issued upon conversion of the Series C preferred stock, in connection with our initial public offering on August 7, 2007), as well as the impact of our net cash or borrowing position, operating in different tax jurisdictions and the accounting methods used to compute depreciation and amortization, which impact has been significant and fluctuated from time to time due to the variety of acquisitions that we have completed since our inception. Similarly, our presentation of adjusted EBITDA also excludes non-cash compensation expense because this is a non-cash charge for stock options and restricted shares of common stock that we have granted. We exclude this non-cash expense from adjusted EBITDA because we believe any amount we are required to record as share-based compensation expense contains subjective assumptions over which our management has no control, such as share price and volatility.

We also adjust EBITDA for minority interest in net income of subsidiary and cash distributions paid to minority members of APC because we believe this provides more timely and relevant information with respect to our financial performance. We exclude amounts with respect to minority interest in net income of subsidiary because this is a non-cash adjustment that does not reflect amounts actually paid to APC s minority members because (1) distributions for any month are actually paid by APC in the following month and (2) it does not include adjustments for APC s debt or capital expenditures, which are both included in the calculation of amounts actually paid to APC s minority members. We instead include the amount of these cash distributions in adjusted EBITDA because they include these adjustments and reflect amounts actually paid by APC, thus allowing for a more accurate determination of our performance and ongoing obligations.

We also adjust EBITDA for non-recurring items of income and expense because we believe that, due to their unusual and infrequent nature, they do not provide meaningful information about our financial performance. For purposes of

this adjustment, non-recurring items do not include items of income or expense that are reasonably likely to recur within two years or for which there was a similar item of income or expense within the prior two year period. For the three and nine months ended September 30, 2008, the only non-recurring item of income or expense was the $1.5 million break-up fee we paid during the quarter. There were no non-recurring items of income and expense for the three and nine months ended September 30, 2008. We are excluding this break-up fee because it was a one-time expense that was specific to an agreement with the sellers of a business we intended to, but did not, acquire. We have not entered into such break-up or termination agreements with sellers of other acquisition targets and do not intend to enter into other similar agreements. As this is an unusual cash item, we believe it is helpful for investors to evaluate our performance without the effect of this break-up fee because this cost is not related to our on-going operations.

We believe that adjusted EBITDA is meaningful information about our business operations that investors should consider along with our GAAP financial information. We use adjusted EBITDA for planning purposes, including the preparation of internal annual operating budgets, and to measure our operating performance and the effectiveness of our operating strategies. We also use a variation of adjusted EBITDA in monitoring our compliance with certain financial covenants in our credit agreement and are using adjusted EBITDA to determine performance-based short-term incentive payments for our executive officers and other key employees.

Adjusted EBITDA is a non-GAAP measure that has limitations because it does not include all items of income and expense that affect our operations. This non-GAAP financial measure is not prepared in accordance with, and should not be considered an alternative to, measurements required by GAAP, such as operating income, net income (loss), net income (loss) per share, cash flow from continuing operating activities or any other measure of performance or liquidity derived in accordance with GAAP. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP measures. In addition, it should be noted that companies calculate adjusted EBITDA differently and, therefore, adjusted EBITDA as presented for us may not be comparable to the calculations of adjusted EBITDA reported by other companies.

The following is a reconciliation of our net income (loss) to adjusted EBITDA (*in thousands*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
Net income (loss)	$ 2,453	$ (7,515)	$ 10,857	$ (57,159)
Non-cash interest expense related to redeemable preferred stock		9,872		66,132
Interest expense, net	1,931	3,190	4,669	6,618
Income tax expense	1,471	1,657	7,257	5,764
Amortization of intangibles	3,050	1,871	7,587	5,585
Depreciation expense	1,501	1,206	3,790	2,851
Amortization of DLNP intangible	377	364	1,131	1,082
Non-cash compensation expense	549	543	1,341	564
Non-recurring income and/or expense	1,500		1,500	
Minority interest in net income of subsidiary	466	1,091	1,516	2,798
Cash distributions to minority interest	(443)	(712)	(1,351)	(1,814)
Adjusted EBITDA	$ 12,855	$ 11,567	$ 38,297	$ 32,421

Cash Earnings and Cash Earnings per Diluted Share

The cash earnings measure presented consists of net income (loss) *before*:

- non-cash interest expense related to redeemable preferred stock;
- non-cash interest income related to the change in fair value of interest rate swaps;
- amortization expense; and
- an adjustment to income tax expense related to the reconciling items above at a 40% tax rate.

We calculate the cash earnings per diluted share measure presented by dividing cash earnings by the weighted average number of diluted common shares outstanding during the period.

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Management s Use of Cash Earnings and Cash Earnings Per Diluted Share

We are providing cash earnings and cash earnings per diluted share, both non-GAAP financial measures, along with GAAP measures, as a measure of profitability because they are commonly used by financial analysts, investors and other interested parties in evaluating companies performance. In addition, we are providing cash earnings per diluted share in part because it offers investors a per-share metric, in addition to GAAP measures, in evaluating our performance. We believe these non-GAAP measures, as we have defined them, help us evaluate and compare our performance on a consistent basis for different periods of time by removing from our operating results non-cash interest expense related to our redeemable preferred stock (which had no impact on our financial performance for periods after August 7, 2007 when we redeemed all outstanding shares of preferred stock, including shares issued upon conversion of the Series C preferred stock); non cash interest expense related to the change in the fair value of our interest rate swaps; amortization, which is a significant non-cash expense that has fluctuated from time to time due to acquisitions we have completed since our inception and income tax expense related to these items.

Although this is only the second quarter we have reported cash earnings and cash earnings per share, we believe that they provide meaningful information about our business operations that investors should consider along with our GAAP financial information. We have begun using these metrics to measure our operating performance and the effectiveness of our operating strategies. We intend to use cash earnings and cash earnings per diluted share for planning purposes, including the preparation of internal annual operating budgets for the next calendar year.

Cash earnings and cash earnings per share are both non-GAAP measures that have limitations because they do not include all items of income and expense that affect our operations. Neither of these non-GAAP financial measures are prepared in accordance with, and should not be considered an alternative to, measurements required by GAAP, such as operating income, net income (loss), net income (loss) per diluted share or any other measure of performance or liquidity derived in accordance with GAAP. The presentation of this additional information is not meant to be considered in isolation or as a substitute for the most directly comparable GAAP measures. In addition, it should be noted that companies calculate cash earnings and cash earnings per diluted share differently and, therefore, cash earnings and cash earnings per diluted share as presented for us may not be comparable to the calculations of cash earnings and cash earnings per diluted share reported by other companies.

The following is a reconciliation of our net income (loss) to cash earnings and cash earnings per diluted share (*in thousands, except share and per share data*):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	**2007**	**2008**	**2007**
Net income (loss)	$ 2,453	$ (7,515)	$ 10,857	$ (57,159)
Non-cash interest expense related to redeemable preferred stock		9,872		66,132
Non-cash interest income related to the change in fair value of interest rate swaps	80	810	58	423
Amortization of intangibles	3,050	1,871	7,587	5,585
Amortization of DLNP intangible	377	364	1,131	1,082
Adjustment to income tax expense related to reconciling items at a 40% tax rate	(1,403)	(1,218)	(3,511)	(2,836)
Cash earnings	$ 4,557	$ 4,184	$ 16,122	$ 13,227
Net income (loss) per diluted share (GAAP)	$ 0.09	$ (0.38)	$ 0.42	$ (4.46)
Cash earnings per diluted share	$ 0.16	$ 0.21	$ 0.62	$ 1.03
Weighted average diluted shares outstanding	28,059,701	19,675,101	26,105,413	12,812,282

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RESULTS OF OPERATIONS

The following table sets forth selected operating results, including as a percentage of total revenues, for the periods indicated below (*in thousands, except per share data*):

	Three Months Ended September 30,			
	2008	% of Revenues	2007	% of Revenues
Revenues:				
Business Information	$ 22,211	46.4%	$ 20,962	54.7%
Professional Services	25,673	53.6%	17,362	45.3%
Total revenues	47,884	100.0%	38,324	100.0%
Operating expenses:				
Business Information	18,722	39.1%	16,879	44.0%
Professional Services	19,646	41.0%	11,821	30.8%
Unallocated corporate operating expenses	3,035	6.3%	2,932	7.7%
Total operating expenses	41,403	86.5%	31,632	82.5%
Equity in earnings of The Detroit Legal News Publishing, LLC, net of amortization	1,329	2.8%	1,611	4.2%
Operating income	7,810	16.3%	8,303	21.7%
Non-cash interest expense related to redeemable preferred stock		0.0%	(9,872)	(25.8)%
Interest expense, net	(1,931)	(4.0)%	(3,190)	(8.3)%
Break up fee and other income (expense), net	(1,489)	(3.1)%	(8)	0.0%
Income (loss) before income taxes	4,390	9.2%	(4,767)	(12.4)%
Income tax expense	(1,471)	(3.1)%	(1,657)	(4.3)%
Minority interest	(466)	(1.0)%	(1,091)	(2.8)%
Net income (loss)	$ 2,453	5.1%	$ (7,515)	(19.6)%
Adjusted EBITDA (non-GAAP)	$ 12,855	26.8%	$ 11,567	30.2%
Net income (loss) per diluted share	$ 0.09		$ (0.38)	
Cash earnings per diluted share (non-GAAP)	$ 0.16		$ 0.21	

	Nine Months Ended September 30,			
	2008	% of Revenues	2007	% of Revenues
Revenues:				
Business Information	$ 68,406	52.2%	$ 62,030	55.8%
Professional Services	62,542	47.8%	49,044	44.2%

Total revenues	130,948	100.0%	111,074	100.0%
Operating expenses:				
Business Information	56,660	43.3%	49,650	44.7%
Professional Services	45,701	34.9%	34,094	30.7%
Unallocated corporate operating expenses	7,177	5.5%	7,012	6.3%
Total operating expenses	109,538	83.6%	90,756	81.7%
Equity in earnings of The Detroit Legal News Publishing, LLC, net of amortization	4,355	3.3%	3,856	3.5%
Operating income	25,765	19.7%	24,174	21.8%
Non-cash interest expense related to redeemable preferred stock		0.0%	(66,132)	(59.5)%
Interest expense, net	(4,669)	(3.6)%	(6,618)	(6.0)%
Break-up fee and other income (expense), net	(1,466)	(1.1)%	(21)	0.0%
Income (loss) before income taxes	19,630	15.0%	(48,597)	(43.8)%
Income tax expense	(7,257)	(5.5)%	(5,764)	(5.2)%
Minority interest	(1,516)	(1.2)%	(2,798)	(2.5)%
Net income (loss)	$ 10,857	8.3%	$ (57,159)	(51.5)%
Adjusted EBITDA (non-GAAP)	$ 38,297	29.2%	$ 32,421	29.2%
Net income (loss) per diluted share	$ 0.42		$ (4.46)	
Cash earnings per diluted share (non-GAAP)	$ 0.62		$ 1.03	

Three Months Ended September 30, 2008
Compared to Three Months Ended September 30, 2007

Revenues

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Increase	
	($ s in millions)			
Total revenues	$ 47.9	$ 38.3	$ 9.6	24.9%

The increase in total revenues consists of the following:

$8.5 million of revenues from businesses we acquired on or after July 1, 2007, which we refer to as acquired businesses. These revenues consisted of: (1) $0.6 million in revenues from the assets of Legal and Business Publishers, Inc. (including *The Mecklenburg Times*) acquired on February 13, 2008; (2) $1.3 million in revenues from the mortgage default processing services business of Wilford & Geske acquired on February 22, 2008; and (3) $6.6 million in revenues from NDEx, which we acquired on September 2, 2008. Acquired businesses do not include fold in acquisitions, which we define below.

$1.0 million of revenues from organic revenue growth, primarily related to increased public notices placed in our Business Information products and increased appellate services revenues. We define organic revenue growth as the net increase in revenue produced by: (1) businesses we owned and operated prior to July 1, 2007, which we refer to as existing businesses; (2) customer lists, goodwill or other finite-life intangible assets we purchased on or after July 1, 2007, and integrated into our existing businesses; and (3) businesses that we account for as acquisitions under the purchase method of accounting in accordance with SFAS No. 141 Business Combinations, but do not report separately for internal financial purposes, which we refer to as fold in acquisitions.

We derived 46.4% and 54.7% of our total revenues from our Business Information Division and 53.6% and 45.3% of our total revenues from our Professional Services Division for the three months ended September 30, 2008 and 2007, respectively. This change in mix resulted primarily from $6.6 million in revenues from NDEx in the three months ended September 30, 2008. We expect that our Professional Services Division will account for a larger portion of our total revenues during the remainder of 2008 as a result of the acquisition of NDEx, and to a lesser extent, the anticipated continued reduced spending on display and classified advertising by our business information customers resulting from local economic conditions.

Operating Expenses

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Increase	
	($ s in millions)			
Total operating expenses	$ 41.4	$ 31.6	$ 9.8	30.9%
Direct operating expense	17.9	13.4	4.5	33.7%
Selling, general and administrative expenses	19.0	15.2	3.8	24.9%
Depreciation expense	1.5	1.2	0.3	24.5%
Amortization expense	3.1	1.9	1.2	63.0%

Operating expenses attributable to our corporate operations (included in selling, general and administrative expenses) remained flat at $2.8 million for the three months ended September 30, 2008 and 2007. Increases in costs associated with being a public company (as described in Selling, General and Administrative Expenses below) and professional fees resulting from costs associated with potential acquisitions we are no longer pursuing were offset by the fact that we made no accruals for executive management bonuses in the three months ended September 30, 2008 compared to the three months ended September 30, 2007 where we had accrued executive bonuses. In addition to these expenses,

operating expenses attributable to our corporate operations also consist primarily of the cost of compensation and employee benefits for our human resources, accounting and information technology personnel, executive officers and other members of management, as well as unallocated portions of corporate insurance costs. Total operating expenses as a percentage of revenues increased to 86.5% for the three months ended September 30, 2008 from 82.5% for the three months ended September 30, 2007. This increase is a result of the NDEx business which has a higher mix of direct operating expenses to revenue than our historical Professional Services division.

Direct Operating Expenses. The increase in direct operating expenses consisted of a $0.6 million increase in our Business Information Division and a $3.9 million increase in our Professional Services Division. These increases largely resulted from increased operating costs resulting from acquisitions occurring in the first nine months of 2008 and increased production activity (including increased public notices, events, and staff added at APC to accommodate an increase in file volumes in 2008). You should refer to the more detailed discussions in the Business Information Division Results and Professional Services Division Results below for more information regarding the causes of this increase. Direct operating expenses as a percentage of revenue increased to 37.4% as of September 30, 2008 from 34.9% as of September 30, 2007 due to an increase in the production costs discussed above. This increase is primarily a result of the NDEx business which has a higher mix of direct operating expenses to revenue than our historical Professional Services division.

Selling, General and Administrative Expenses. The increase in our selling, general and administrative expenses consisted of a $1.2 million increase in our Business Information Division and a $2.6 million increase in our Professional Services Division, which are discussed in more detail below under Business Information Division Results and Professional Services Division Results. These increases primarily relate to increased costs of operating acquired businesses and increased personnel costs, including a $0.2 million increase in stock-based compensation expense recorded in the three months ended September 30, 2008 compared to the same period in 2007. Selling, general and administrative expenses also increased in the three months ended September 30, 2008 as a result of $0.4 million of expenses we incurred in connection with being a public company. We expect our selling, general and administrative expenses to increase for the remainder of 2008 by at least $0.6 million as a result of these costs, including costs we expect to incur as we prepare to comply with the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act will require annual management assessment of the effectiveness of our internal control over financial reporting and an attestation report by our independent auditors on our internal control over financial reporting beginning with the year ending December 31, 2008. In the third quarter of 2008, we wrote off $0.4 million in professional fees associated with potential acquisitions that we are no longer pursuing, which was offset by a decline in accruals for executive management bonuses. We did not record any executive management bonuses in the third quarter of 2008 and accrued approximately $0.6 million in executive bonuses in the third quarter of 2007. Selling, general and administrative expense as a percentage of revenue remained flat at 39.6% for the three months ended September 30, 2008 and 2007 as result of the offsets described above.

Depreciation and Amortization Expense. Our depreciation expense increased due to increased levels of property and equipment in the three months ended September 30, 2008, largely due to the acquisition of NDEx. Our amortization expense increased primarily due to the amortization of finite-lived intangible assets acquired in the 2008 acquisitions as well as the repurchase of interests in APC from our minority members in November 2007. As a result of the acquisition of NDEx, we expect amortization expense to continue to increase in future quarters.

Break-up Fee and Other Income (Expense), Net

	Three Months Ended September 30, 2008	Three Months Ended September 30, 2007	Increase	
		($ s in millions)		
Break-up fee and other income (expense), net	$ (1.5)	$	$ 1.5	100.%

Break-up fee and other income (expense), net increased by $1.5 million during the three months ended September 30, 2008 as a result of a payment of $1.5 million to the sellers of a business we intended to acquire. We made this payment pursuant to our agreement with such sellers because we were unable to obtain debt financing on terms and timing that were satisfactory to us to close the acquisition.

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Adjusted EBITDA

	Three Months Ended September 30,			
	2008	2007	Increase (decrease)	
	($ s in millions)			
Adjusted EBITDA	$ 12.9	$ 11.6	$ 1.3	11.1%
Adjusted EBITDA margin	26.8%	30.2%	(3.3)%	(11.1)%

Adjusted EBITDA (as defined and discussed above) increased over the prior year because of the cumulative effect of the factors described in this Management Discussion and Analysis that are applicable to the calculation of adjusted EBITDA. Adjusted EBITDA margin (adjusted EBITDA as a percentage of our total revenues) decreased because operating expenses increased in the third quarter at a higher rate than our increase in revenue, primarily because of the operating costs of NDEx as discussed above. Please refer to Non-GAAP Financial Measures earlier in this report for information about our revision to the calculation of adjusted EBITDA to account for non-recurring items of income and expense, such as the break-up fee, which occurred during the three months ended September 30, 2008. There were no non-recurring items of income or expense during the three months ended September 30, 2007.

Cash Earnings and Cash Earnings per Diluted Share

	Three Months Ended September 30,			
	2008	2007	Increase (decrease)	
Cash earnings (in millions)	$ 4.6	$ 4.2	$ 0.4	9.0%
Cash earning per diluted share	$ 0.16	$ 0.21	$ (0.05)	(23.8)%

Cash earnings (as defined and discussed above) increased $0.4 million, or 9.0%, to $4.6 million for the three months ended September 30, 2008 from $4.2 million for the same period in 2007 because of the cumulative effect of the factors described in this Management Discussion and Analysis that are applicable to the calculation of cash earnings. Cash earnings per diluted share (as defined and discussed above) decreased to $0.16 for the three months ended September 30, 2008 from $0.21 for the three months ended September 30, 2007 because of the increase in the number of diluted weighted average shares outstanding from 19.7 million at September 30, 2007 to 28.9 million at September 30, 2008. This increase in diluted weighted average shares outstanding occurred as a result of our initial public offering in August 2007 and our private placement in July 2008.

Non-Cash Interest Expense Related to Redeemable Preferred Stock

	Three Months Ended September 30,			
	2008	2007	Decrease	
	($ s in millions)			
Non-cash interest expense related to redeemable preferred stock	$	$ (9.9)	$ (9.9)	(100)%

Non-cash interest expense related to redeemable preferred stock consisted of non-cash interest expense related to the dividend accretion on our Series A preferred stock and Series C preferred stock and the change in the fair value of our Series C preferred stock. In connection with our initial public offering, we converted the series C preferred stock into shares of Series A preferred stock, Series B preferred stock and common stock. We then used a portion of the net proceeds of the offering to redeem the Series A preferred stock and Series B preferred stock, including shares of Series A preferred stock and series B preferred stock issued upon conversion of the Series C preferred stock. As a result of this redemption, there are currently no shares of preferred stock issued and outstanding. Therefore, we have not recorded, and do not expect to record, any non-cash interest expense related to our preferred stock for other periods after August 7, 2007, including the three months ended September 30, 2008.

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Interest Expense, Net

	Three Months Ended September 30,			
	2008	2007	Decrease	
	($ s in millions)			
Interest expense, net	$ 1.9	$ 3.2	$ (1.3)	(39.5)%

Interest expense, net consists primarily of interest expense on outstanding borrowings under our bank credit facility and the change in the estimated fair value of our interest rate swaps, offset partially by interest income from our invested cash balances. Interest expense, net decreased due primarily to $0.7 million of decreased interest expense in connection with our interest rate swaps because of an increase in interest rates, and a $1.0 million decrease in expense related to the amortization of deferred financing fees. In the three months ended September 30, 2007, we incurred an expense of $0.6 million related to the write-off of deferred financing fees in connection with the former credit facility, and $0.4 million in connection with the write off of the unaccreted issuance costs on Series C preferred stock. These decreases were partially offset by a $0.3 million increase in interest expense on our revolving note due to an increase in outstanding borrowings. Under the terms of our credit facility, we are required to manage our exposure to certain interest rate changes, and therefore, we use interest rate swaps to manage our risk to certain interest rate changes associated with a portion of our floating rate long-term debt. For the three months ended September 30, 2008, our average outstanding borrowings were $102.5 million compared to $67.3 million for the three months ended September 30, 2007. An increase in outstanding borrowings to finance acquisitions in 2008 and 2007 (most notably NDEx in September 2008) was offset by the $30 million reduction in debt paid with proceeds from our initial public offering.

Income Tax Expense

Three Months Ended September 30,		
2008	2007	Decrease