FIDELITY NATIONAL FINANCIAL INC /DE/
Form 8-K/A
June 13, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

Amendment No. 1

CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 1, 2003

FIDELITY NATIONAL FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	333-57904	86-0498599
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

1711 Von Karman Avenue, Suite 300, Irvine California	92614
(Address of Principal Executive Offices)	(Zip Code)

(949) 622-4333

(Registrant s telephone number, including area code)

N/A
(Former name or former address, if changed, since last report)

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Item 2. Acquisition or Disposal of Assets

On January 28, 2003, Fidelity National Financial, Inc., a Delaware corporation (Fidelity or the Company) entered into a stock purchase agreement with ALLTEL Corporation, Inc., a Delaware corporation (ALLTEL), to acquire from ALLTEL its financial services division, ALLTEL Information Services, Inc. (AIS). On April 1, 2003, Fidelity closed the acquisition. AIS is one of the world s largest providers of information-based technology solutions and processing services to the mortgage and financial services industries.

Fidelity acquired AIS for approximately $1,069.6 million (including the payment for certain working capital adjustments and estimated transaction costs), consisting of $794.6 million in cash and $275.0 million of Fidelity s common stock. Fidelity funded the cash portion of the purchase price through the issuance of $250.0 million aggregate principal amount of 5.25% notes due March 15, 2013, and $544.6 million in available cash. The stock portion of the purchase price resulted in the issuance of 10,187,902 shares of Fidelity s common stock to ALLTEL, which is restricted for resale for up to one year.

In connection with the stock purchase agreement and the closing of the acquisition, Fidelity entered into a stockholder s agreement, a non-competition agreement and certain transition agreements with ALLTEL. The stockholder s agreement: (1) restricts the sale by ALLTEL of Fidelity s common stock received in the transaction for up to one year, (2) grants ALLTEL the right to designate one nominee to Fidelity s Board of Directors, so long as it continues to hold at least 50% of the shares of Fidelity s common stock received in the transaction, and (3) grants ALLTEL certain registration rights with respect to Fidelity s common stock it receives in the transaction. The non-competition agreement prohibits, with certain exceptions, ALLTEL and its affiliates from engaging in the business relating to the assets acquired by Fidelity for a period of two years after the transaction.

This Form 8-K/A amends the previously filed Form 8-K, dated April 1, 2003, by including the financial statements and exhibits set forth under Item 7.

Item 7. Financial Statements and Exhibits.

(a) **Financial statements of businesses acquired**.

Unaudited Condensed Consolidated Financial Statements of Financial Services Division of ALLTEL Information Services, Inc. as of March 31, 2003 and December 31, 2002 and for the Three Months Ended March 31, 2003 and 2002; and

Consolidated Financial Statements of Financial Services Division of ALLTEL Information Services, Inc. as of and for the Years Ended December 31, 2002 and 2001.

(b) **Pro forma financial information.**

Unaudited Pro Forma Condensed Combined Financial Information of Fidelity National Financial, Inc. as of and for the Three Months Ended March 31, 2003; and

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Unaudited Pro Forma Condensed Combined Financial Information of Fidelity National Financial, Inc. for the Year Ended December 31, 2002.

(c) **Exhibits.**

23.1 Consent of PricewaterhouseCoopers LLP (filed herewith)

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FINANCIAL SERVICES DIVISION OF ALLTEL INFORMATION SERVICES, INC.

Unaudited Condensed Consolidated Financial Statements
as of March 31, 2003 and December 31, 2002 and
for the three months ended March 31, 2003 and 2002

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FINANCIAL SERVICES DIVISION OF ALLTEL INFORMATION SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollars in thousands)

ASSETS	March 31, 2003	December 31, 2002
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,734	$ 11,510
Accounts receivable, net	133,153	125,148
Income taxes receivable		2,156
Prepaid expenses and other	24,186	22,815
Total current assets	170,073	161,629
PROPERTY AND EQUIPMENT, net	113,524	115,287
COMPUTER SOFTWARE, net	193,966	190,297
DEFERRED EXPENSES	57,887	47,272
GOODWILL, net	25,790	25,790
OTHER	1,819	1,986
Total assets	$563,059	$542,261

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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FINANCIAL SERVICES DIVISION OF ALLTEL INFORMATION SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollars in thousands)

LIABILITIES AND PARENT COMPANY INVESTMENT	March 31, 2003	December 31, 2002
CURRENT LIABILITIES:		
Payroll and related liabilities	$ 1,213	$ 21,276
Trade accounts payable funded by Parent	6,249	7,109
Current maturities of long-term debt	574	610
Deferred revenue	62,685	55,613
Accrued taxes other than income taxes	333	1,526
Accrued employee benefit plans		15,938
Accrued incentive compensation		12,574
Other	14,703	19,455
Total current liabilities	85,757	134,101
DEFERRED REVENUE	49,127	42,062
DEFERRED INCOME TAXES		42,990
LONG-TERM DEBT	8	120
OTHER	219	11,872
Total liabilities	135,111	231,145
COMMITMENTS AND CONTINGENCIES		
Cumulative foreign currency translation adjustment	(4,050)	(3,739)
PARENT COMPANY INVESTMENT	431,998	314,855
Total liabilities and parent company investment	$563,059	$542,261

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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FINANCIAL SERVICES DIVISION OF ALLTEL INFORMATION SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31
(UNAUDITED)

(Dollars in thousands)

	2003	2002
REVENUES:		
Data processing	$167,504	$159,236
Software maintenance	29,441	25,835
Software license fees	6,685	1,487
Other	7,339	6,037
	210,969	192,595
COSTS AND EXPENSES:		
Cost of operations (excludes depreciation and amortization of $19,435 and $16,829 included below)	126,452	130,742
Selling, general, and administrative expenses	11,909	12,962
Depreciation and amortization	21,735	19,625
Restructuring charges	2,788	
Royalty expense to Parent	6,548	5,997
	169,432	169,326
Operating income	41,537	23,269
OTHER INCOME (EXPENSE):		
Interest expense	(14)	(28)
Other	6	13
Income before income taxes	41,529	23,254
Income tax expense	17,311	8,871
NET INCOME	$ 24,218	$ 14,383
Foreign currency translation adjustment	(311)	(125)
TOTAL COMPREHENSIVE INCOME	$ 23,907	$ 14,258

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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FINANCIAL SERVICES DIVISION OF ALLTEL INFORMATION SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31
(UNAUDITED)

(Dollars in thousands)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 24,218	$ 14,383
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,481	8,746
Amortization of capitalized software	13,254	10,879
Provision for doubtful accounts	(7)	60
Loss on asset dispositions	49	41
Deferred income taxes	922	2,960
Increase (decrease) in cash, net of effects of acquisitions, attributable to changes in operating assets and liabilities:		
Accounts receivable	(7,998)	(3,658)
Prepaid expenses and other	(2,349)	(6,876)
Deferred expenses	(10,615)	(6,790)
Accrued expenses	(20,880)	(15,922)
Income taxes payable		16,749
Other long-term liabilities	944	1,414
Trade accounts payable funded by Parent	(861)	(1,020)
Deferred revenue	14,137	14,892
Net cash provided by operating activities	19,295	35,858
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(6,013)	(5,308)
Additions to computer software	(11,039)	(20,534)
Purchases of businesses, net of cash acquired		(9,734)
Other, net	72	842
Net cash used in investing activities	(16,980)	(34,734)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in payable to Parent	11,477	9,464
Repayments on long-term debt	(148)	(136)
Dividends paid	(12,109)	(7,191)
Net cash provided by (used in) financing activities	(780)	2,137
Effect of foreign currency translation on cash	(311)	(125)
Net increase in cash and cash equivalents	1,224	3,136
Cash and cash equivalents at beginning of period	11,510	16,063
Cash and cash equivalents at end of period	$ 12,734	$ 19,199

Supplemental cash flow information:		
Income taxes paid	$ 1,234	$ 1,981
Interest paid	$ 17	$ 28

See accompanying notes to unaudited Condensed Consolidated Financial Statements.

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FINANCIAL SERVICES DIVISION OF ALLTEL INFORMATION SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(Dollars in thousands)

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

ALLTEL Information Services, Inc., a wholly-owned subsidiary of ALLTEL Corporation (ALLTEL or the Parent) consists of two divisions: financial services and telecommunications. No direct equity ownership relationship exists among the operating divisions comprising ALLTEL Information Services, Inc. (AIS). The Financial Services Division of ALLTEL Information Services, Inc. (the Company) is not a separate stand-alone legal entity. The Company is primarily engaged in providing electronic data processing services and computer software to the financial services and mortgage industries. The principal markets for the Company s services are located within the United States; however, the Company also provides services in approximately 50 foreign markets. For the three months ended March 31, 2003 and 2002, approximately $16,560 and $18,947, respectively, of the Company s revenues were earned in foreign countries.

Basis of Presentation

The accompanying condensed consolidated financial statements present the financial position, results of operations and cash flows of the Company, which is a fully integrated business of AIS; consequently, these financial statements have been derived from the consolidated financial statements and accounting records of AIS, a reportable segment of ALLTEL, using the historical results of operations and historical basis of the assets and liabilities of the Company. The financial statements include the amounts of the Company s wholly-owned subsidiaries, majority owned ventures and certain other accounts. All material intercompany transactions have been eliminated. The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim reporting purposes and Securities and Exchange Commission regulations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, the unaudited interim condensed consolidated financial statements reflect all adjustments, consisting of normal recurring items, necessary to fairly present the results of operations, financial position and cash flows for the periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with the Company s audited consolidated financial statements and notes thereto included in this Form 8-K/A (Amendment No. 1) as of and for the years ended December 31, 2002 and 2001.

The Company participates in the centralized cash management practices of ALLTEL. Under these practices, cash balances are transferred daily to ALLTEL accounts and the daily cash requirements of the Company are funded by ALLTEL. These short-term, non-interest bearing transfers are reflected in Parent Company Investment in the accompanying consolidated balance sheets. As a result, the Company s cash, cash equivalents and debt held at the ALLTEL level were not allocated to the Company in the consolidated financial statements. Cash and cash equivalents in the consolidated financial statements represent amounts held by the Company s foreign operations. The amounts reflected in the accompanying consolidated balance sheets for trade accounts payable funded by Parent were not historically recorded at the Company level. These amounts have been calculated based on the ratio of the Company s related operating costs and expenses to the total operating costs and expenses of AIS. Additionally, certain liabilities of the company were transferred to ALLTEL on March 31, 2003 in accordance with the stock purchase agreement entered into with Fidelity National Financial, Inc. (see Note 4).

ALLTEL and AIS incur certain operating expenses in areas such as information technology, accounting, legal, tax, and risk and treasury management on behalf of their component operations, including the Company. These costs primarily include salaries and benefits, rent, utilities, corporate aircraft charges and maintenance expenses. These costs have been allocated based on various factors, which are designed to attribute costs to the business segments benefited. An allocation of these costs from ALLTEL and AIS has been included in the accompanying consolidated statements of operations and

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FINANCIAL SERVICES DIVISION OF ALLTEL INFORMATION SERVICES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(Dollars in thousands)

comprehensive income and totaled $3,366 and $4,351 during the three months ended March 31, 2003 and 2002, respectively.

The costs of these services charged to the Company and the allocated liabilities assigned to the Company are not necessarily indicative of the costs and liabilities that would have been incurred if the Company had performed these functions as a stand-alone entity. However, management believes that the methods used to make such allocations are reasonable and costs of these services charged to the Company are reasonable representations of the costs that would have been incurred if the Company had performed these functions as a stand-alone company.

2. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

EITF Issue 00-21, Accounting for Revenue Arrangements with Multiple Deliverables, addresses the accounting treatment for an arrangement to provide the delivery or performance of multiple products and/or services where the delivery of a product or system or performance of services may occur at different points in time or over different periods of time. The arrangements are often accompanied by initial installation, initiation, or activation services and involve either a fixed fee or a fixed fee coupled with a continuing payment stream, which may be fixed or variable. The EITF reached conclusions regarding, among other issues, the applicability of the provisions regarding separation of contract elements in EITF Issue 00-21 to contracts where one or more elements fall within the scope of other authoritative literature, such as SOP 81-1. The proposed EITF does not impact the use of SOP 81-1 for contracts that fall within the scope of SOP 81-1, such as for implementation or building of an information technology system or product to client specifications for a client under a long-term contract. Where an implementation or development project is contracted with a client, and the vendor will also provide services or operate the system over a period of time, EITF Issue 00-21 provides the methodology for separating the contract elements and earnings processes. The provisions of EITF Issue 00-21 may be applied on a prospective basis to transactions entered into in periods beginning after June 15, 2003. The Company does not believe that EITF Issue 00-21 will have a material impact on its consolidated financial statements.

3. RESTRUCTURING CHARGES

During the three months ended March 31, 2003, the Company recorded restructuring charges, which consisted of $2,788 in severance and employee benefit costs related to planned workforce reductions. The following is a summary of activity related to the liabilities associated with the Company s restructuring charges at March 31:

	2003
Balance, beginning of period	$ 2,759
Restructuring charges	2,788
Transfer to Parent	(908)
Cash outlays	(2,220)
Balance, end of period	$ 2,419

As of March 31, 2003, the remaining unpaid liability related to the Company s restructuring activities consisted of lease cancellation costs.

4. SUBSEQUENT EVENT

On January 28, 2003, ALLTEL entered into a stock purchase agreement with Fidelity National Financial, Inc., a Delaware corporation (Fidelity) to acquire the Company from ALLTEL. On April 1, 2003, ALLTEL completed the sale of the Company to Fidelity for approximately $1,063.1 received as $788.1 in cash and $275.0 of Fidelity s common stock, which is restricted for resale for up to one year.

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FINANCIAL SERVICES DIVISION OF ALLTEL INFORMATION SERVICES, INC.

Consolidated Financial Statements
as of and for the years ended December 31, 2002 and 2001
with Report of Independent Accountants

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Report of Independent Accountants

To the Shareholder of Financial Services Division of ALLTEL Information Services, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations and comprehensive income, parent company investment and cash flows present fairly, in all material respects, the financial position of Financial Services Division of ALLTEL Information Services, Inc. (the Company) at December 31, 2002 and 2001, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company is a fully integrated business of ALLTEL Information Services, Inc., a wholly owned subsidiary of ALLTEL Corporation. Consequently, as indicated in Note 1, these financial statements have been derived from the consolidated financial statements and accounting records of ALLTEL Information Services, Inc. and reflect significant assumptions and allocations. Moreover, as indicated in Note 1, the Company relies on ALLTEL Corporation for administrative, management and other services. Accordingly, these financial statements do not necessarily reflect the financial position, results of operations and comprehensive income, parent company investment and cash flows of the Company had it been a separate stand-alone entity, independent of ALLTEL Information Services, Inc.

As discussed in Note 2 to the consolidated financial statements, the Company changed its method of accounting for goodwill and other intangible assets upon adoption of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets, as of January 1, 2002.

/s/ PricewaterhouseCoopers LLP

Little Rock, AR
January 25, 2003

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FINANCIAL SERVICES DIVISION OF ALLTEL INFORMATION SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31

(Dollars in thousands)

ASSETS	2002	2001
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,510	$ 16,063
Accounts receivable, net	125,148	140,778
Income taxes receivable	2,156	
Prepaid expenses and other	22,815	24,468
Total current assets	161,629	181,309
PROPERTY AND EQUIPMENT, net	115,287	118,122
COMPUTER SOFTWARE, net	190,297	187,397
DEFERRED EXPENSES	47,272	11,044
GOODWILL, net	25,790	16,473
OTHER	1,986	3,593
Total assets	$542,261	$517,938

See accompanying notes are an integral part of these consolidated financial statements.

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FINANCIAL SERVICES DIVISION OF ALLTEL INFORMATION SERVICES, INC.
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31

(Dollars in thousands)

LIABILITIES AND PARENT COMPANY INVESTMENT	2002	2001
CURRENT LIABILITIES:		
Payroll and related liabilities	$ 21,276	$ 26,258
Trade accounts payable funded by Parent	7,109	4,829
Current maturities of long-term debt	610	562
Deferred revenue	55,613	45,322
Accrued taxes other than income taxes	1,526	1,773
Income taxes payable		703
Accrued employee benefit plans	15,938	16,572
Accrued incentive compensation	12,574	8,760
Other	19,455	22,638
Total current liabilities	134,101	127,417
DEFERRED REVENUE	42,062	14,534
DEFERRED INCOME TAXES	42,990	27,529
LONG-TERM DEBT	120	730
OTHER	11,872	12,232
Total liabilities	231,145	182,442
COMMITMENTS AND CONTINGENCIES (See Notes 7, 13 and 15)		
Cumulative foreign currency translation adjustment	(3,739)	