TIDELANDS OIL & GAS CORP/WA
Form 424B3
December 19, 2006

Filed pursuant to Rule 424(b)(3)
Registration Statement File No. 333-138206

PROSPECTUS SUPPLEMENT NO. 2 DATED DECEMBER 18, 2006
TO PROSPECTUS DATED DECEMBER 5, 2006

2,828,304
Common Shares

TIDELANDS OIL & GAS CORPORATION
1862 W. Bitters Rd., San Antonio, TX 78248

The Resale of Shares of Common Stock

This Prospectus Supplement No. 2 supplements our Prospectus dated December 5, 2006, as supplemented by Prospectus Supplement No. 1 dated December 8, 2006. The shares that are the subject of this Prospectus have been registered to permit their resale to the public by the selling stockholders named in the Prospectus. We are not selling any shares of common stock in this offering and therefore will not receive any proceeds from this offering. You should read this Prospectus Supplement No. 2 together with Prospectus Supplement Nos. 1.

This Prospectus Supplement includes the following:

- Our Current Report on Form 8-K/A dated December 8, 2006, which was filed with the Securities and Exchange Commission on December 18, 2006.

THIS INVESTMENT INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 5.

We may amend or supplement this Prospectus from time to time by filing amendments or supplements as required. You should read the entire Prospectus and any amendments or supplements carefully before you make your investment decision.

This Prospectus Supplement is incorporated by reference into the Prospectus, and all terms used herein will have the meaning assigned to them in the Prospectus. See "Risk Factors" beginning on page 5 of the accompanying Prospectus for a description of certain factors that should be considered by prospective Investors.

Our shares of common stock are quoted on the NASD Over-the-Counter Electronic Bulletin Board under the symbol TIDE. These securities have not been approved or disapproved by the Securities and Exchange Commission or any state securities commission nor has the Securities and Exchange Commission or any state securities commission passed upon the accuracy or adequacy of the Prospectus. Any representation to the contrary is a criminal offense.

The date of this Prospectus Supplement is December 18, 2006.

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

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

Date of Report: December 8, 2006

TIDELANDS OIL & GAS CORPORATION
(Exact Name of registrant as specified in its Charter)

Nevada	0-29613	66-0549380
State of Incorporation	Commission File No.	I.R.S. Employer Identification No.

1862 West Bitters Rd. San Antonio, TX	78248
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, (210) 764 - 8642

(Registrant's former name and address)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions below:

[_] Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
[_] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
[_] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17CFR 240-14d-2(b))
[_] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240-13e-4(c))

Item 8.01 Other Events

Tidelands Oil & Gas Corp., (the "Company") and Michael Ward, the Company's former President, CEO and member of the board of directors, have entered into the formal written documentation (the "Agreement") as described in the 8-K Current Report filed on December 11, 2006.

The summary of the key terms of the Agreement are set forth below and are

qualified

(1) Mr. Ward has agreed to execute documents as may be reasonably requested by the Company to formalize and finalize his resignations from the Company and its subsidiaries.

(2) Mr. Ward has agreed to repay the following obligations owed to the Company, on, or before December 31, 2006:

   (a) The airplane note outstanding principal and all accrued interest to the date of the payment. The total amount due as of December 15, 2006 is $286,810.36.

   (b) The stock subscription amended promissory note dated September 15, 2005 in the original principal amount of $110,000. The total amount due as of December 15, 2006 is $122,375.

   (c) Other amounts due to the Company for unpaid expense advances totaling $428.55.

(3) Mr. Ward will bring current and assume all Company obligations with regard to the SBC Center Terrace Suite License Agreement between the Company and the San Antonio Spurs, LLC dated June 1, 2004 (the "Skybox Agreement"). The Company agrees to assign all of its rights under the Skybox Agreement to Mr. Ward. The parties acknowledged that the Skybox Agreement is assignable only with the consent of the San Antonio Spurs, LLC. Mr. Ward will use his best efforts to obtain the assignment with a full release of the Company from its obligations under the Skybox Agreement. If Mr. Ward is unable to obtain a full release of the Company from the Skybox Agreement, then the Company assignment of the Skybox Agreement will contain a security interest in favor of the Company giving it the right to retake possession of the premises.

(4) The Company will issue Mr. Ward Five Hundred (500,000) Company common shares under the terms of his Employment Agreement. The stock will be subject to a security interest in favor of the Company to secure the assignment of the Skybox Agreement. If the Skybox Agreement is not assigned to Mr. Ward on, or before December 31, 2006, these shares will be returned to the Company.

(5) The Company will pay Mr. Ward the total sum of $134,415.72 representing six (6) months salary, plus COBRA payments for the same period of time, commencing January 1, 2007 according to the Company's payroll schedule. In the event, that Mr. Ward is unable to secure an assignment of the Skybox Agreement on, or before January 31, 2007, as contemplated by the Agreement, the salary and COBRA payments may be suspended by the Company until the contemplated assignment is completed.

(6) The Company granted Mr. Ward a two-year right of first refusal to meet or exceed any offer by a third party which is acceptable to the board of directors, and if required, by law, the bylaws and, or the shareholders, for the purchase of Sonterra Energy Corporation and, or Tidelands Exploration and Production, Inc. subsidiaries.

(7) The Company will entertain an offer, which may be made by Mr. Ward or an investor group to acquire Sonterra Energy Corporation and Tidelands Exploration & Production, Inc. subsidiaries. The Company will grant Mr. Ward a two year first right of refusal to meet or exceed any offer

from a third party for either or both of these subsidiaries.

Qualification of Contents of the Agreement Summary:

The foregoing paragraphs contain a limited summary of the key terms of the Agreement. The summary is qualified in its entirety by the terms and conditions of the Agreement which has been attached to this Current Report as Exhibit 10.

Item 9.01 Financial Statements and Exhibits

Exhibit No.	Description
10	Agreement between Tidelands Oil & Gas Corporation and Michael Ward dated December 8, 2006

SIGNATURES

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

TIDELANDS OIL & GAS CORPORATION

Dated: December 18, 2006

/s/ James B. Smith

By: James B. Smith
Title: President, CEO

Exhibit 10

AGREEMENT

This agreement (the "Agreement") is made to be effective as of the 8th day of December, 2006, by and between Tidelands Oil & Gas Corporation, ("TIDE") a Texas corporation having its principal office at 1862 Bitters Road, Building No. 1, San Antonio, Bexar County, Texas 78248, and Michael Ward, ("WARD") an individual residing at _________(1), San Antonio, Bexar County, Texas 78216. TIDE and WARD are collectively referred to herein as the "Parties."

RECITALS

WHEREAS, WARD has served as a Director of, and as the President and Chief Executive Officer of TIDE;

WHEREAS, a material disagreement exists between WARD and the other Directors of TIDE regarding the current financial and operational governance of the company and the future direction of TIDE;

WHEREAS, as of the date of this Agreement, WARD has resigned as a director and officer of TIDE and has further resigned from all manager, director, and/or officer positions of all subsidiaries of TIDE based upon the previously described disagreement; and,

WHEREAS, the Parties desire to resolve all remaining matters between them in an amicable fashion and to finalize WARD's separation from TIDE in a manner which is as beneficial to each of the Parties as is possible.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises and payments described herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

I. WARD'S OBLIGATIONS

A. Resignations. WARD, as of the effective date of this Agreement, has resigned as a director and officer of Tidelands Oil & Gas Corporation and from all manager, director, and officer positions of its subsidiaries. WARD agrees to execute such other and further documents as may reasonably be requested by TIDE to formalize and finalize such resignations.

B. Repayment of Obligations. WARD agrees, to pay back all obligations owed by Ward to the Corporation on the terms set forth herein, including but not limited to the following:

1. Airplane Note. WARD agrees to pay in full, on or before December 31, 2006, the outstanding principal and all interest accrued to the date of such payment in full, on that Promissory Note dated January 29, 2004. The total amount due on this obligation at December 15, 2006 is $286,810.36 with a per diem interest charge of $38.88 for each day after December 15, 2006 until paid.

2. Stock Subscription Agreement. Ward agrees to pay, in full, upon execution hereof, all principal and accrued and unpaid interest due and owing on that First Amended Promissory Note dated September 14, 2005 in the original principal amount of $110,000.00 bearing interest at 5%. The total amount due as of December 15, 2006 is $122,375.00.

3. Other Amounts. Upon execution hereof, WARD shall pay TIDE the sum of $428.55 for unpaid expenses advances from the Company.

C. Assumption of SBC Center Terrace Suite License Agreement. WARD agrees to bring current and assume all obligations of TIDE under that certain SBC Center Terrace Suite License Agreement between TIDE and San Antonio Spurs, LLC dated June 1, 2004 (the "Skybox Agreement"). TIDE agrees to assign all of its rights under the Skybox Agreement to Ward.

1. The Parties acknowledge that the Skybox Agreement is assignable only with the consent of the San Antonio Spurs, LLC. WARD will use his best efforts to obtain such an assignment and a full release of TIDE from all obligations under the Skybox Agreement. WARD further agrees to provide the San Antonio Spurs, LLC with such financial and other information as it may reasonably request for the approval of such assignment and release of TIDE. TIDE agrees to cooperate with WARD in obtaining the assignment of the Skybox Agreement.

2. If WARD is unable to obtain a full release of TIDE from the Skybox Agreement, then the assignment of the Skybox Agreement shall contain a security interest in favor of TIDE, giving TIDE the right to immediately retake

possession of the skybox which is the subject of the Skybox Agreement and receive any and all benefits relating thereto (e.g. tickets, etc.).

3. If WARD is unable to obtain an assignment of the Skybox Agreement, within thirty (30) days from the effective date of this agreement, then TIDE's obligations under section II.B shall immediately cease.

D. Cooperation Regarding Filings. WARD agrees to cooperate with TIDE regarding the filing of any and all necessary governmental or regulatory disclosures related to his resignation as described above.

II. TIDE'S OBLIGATIONS

A. TIDE shall issue WARD 500,000 shares of TIDE stock upon execution hereof. Such stock issuance shall be deemed to have fulfilled all obligations of TIDE with regard to section 3.2 of WARD's employment agreement with TIDE. Such stock issuance shall be subject to a security interest in favor of TIDE to secure the assignment of the Skybox Agreement as contemplated above. Such security interest will be documented in the form of an irrevocable stock power allowing James B. Smith, as President of TIDE, the power to transfer such shares back to TIDE if the assignment of the Skybox Agreement is not completed on or before December 31, 2006.

B. TIDE shall pay WARD the total sum of $134,415.72 being the sum of six (6) months salary, plus COBRA payments for the same period of time, commencing January 1, 2007 according to TIDE's payroll schedule in affect on December 1, 2006. In the event WARD is unable to secure an assignment of the Skybox Agreement as contemplated herein by January 31, 2007, these salary payments and COBRA payments, may be suspended by TIDE until such time as an assignment of the Skybox Agreement has been secured as contemplated herein.

C. TIDE hereby grants WARD a right of first refusal, which shall commence on the date hereof and continue for a period of two years thereafter, to meet or exceed any offer by a third party which is acceptable to the Board of Directors (and if required by law or by the bylaws of TIDE, the shareholders) of TIDE for the purchase of its Sonterra Energy Corporation and/or Tidelands Exploration and Production, Inc. subsidiaries (the "Subsidiaries") according to the following terms:

1. Should TIDE obtain a firm offer from a third party for the purchase of either or both of the Subsidiaries, TIDE shall communicate the terms of such offer to WARD in writing, subject to any confidentiality restrictions imposed by the third party making such offer.

2. TIDE agrees to cooperate with WARD and allow WARD access to information, subject to a confidentiality agreement, to allow WARD and his advisors to formulate any such offer.

3. WARD shall then have a period of fifteen (15) calendar days from his receipt of the terms of such offer to formulate an offer which meets or exceeds the offer of the third party. If such offer meets or exceeds such third party offer, then TIDE shall, subject to legal restrictions, be obligated to accept WARD's offer.

4. Nothing herein shall obligate TIDE to solicit offers for the Subsidiaries or either of them, nor to sell the Subsidiaries or either of them. Likewise, nothing herein shall obligated WARD to purchase, nor to make any offer for the purchase of the Subsidiaries or either of them.

III. MUTUAL OBLIGATIONS

A. Dispute Resolution. In order to facilitate an efficient and economical resolution of any disputed matter arising under this Agreement, the Parties agree to make a good faith effort to resolve any dispute related to this Agreement that may arise between the Parties in accordance with the following procedures:

1. Negotiation. In the event a dispute arises, the complaining party shall give the other party written notice of such dispute. Within ten (10) days after receipt of said notice, the Parties shall meet at a mutually acceptable time and place, and, thereafter, as often as reasonably deemed necessary, shall exchange relevant information and attempt to resolve the dispute.

2. Mediation. If the dispute cannot be resolved by negotiation within thirty (30) days after notice, or if the Parties fail to meet within ten (10) days, the dispute shall be submitted to mediation before resorting to litigation or any other dispute resolution mechanism. Submission to mediation may be made by either party by written notification to the other party.

A mediator shall be selected by agreement of the Parties within five (5) days of notification of the need for mediation. Together with the mediator, the Parties shall agree on a mutually convenient time for the mediation. If the Parties are not able to agree on a mediator, the Bexar County Texas District Judge who coordinates alternative dispute resolution matters at such time shall pick a mediator from his or her Approved List of Mediators. Together with the mediator selected, the Parties shall promptly designate a mutually convenient time and place for the mediation, which shall take place within forty five (45) days after selection of the mediator. If the Parties do not agree promptly, then the mediator shall determine the time and place.

3. Post Mediation Procedures. The Parties will use their best efforts to resolve such dispute by first mediating the dispute in good faith, and second, by using such other alternative dispute resolution procedures as may be selected by the agreement of the Parties, if any, prior to resorting to litigation.

B. Governing Law. This agreement shall be construed according to the laws of the State of Texas. Any action brought under this Agreement, or which is related to this Agreement shall be brought in Bexar County, Texas.

C. Assignment. Neither party may assign this Agreement without the consent of the other party. However, TIDE acknowledges that WARD may assign his right of first refusal to purchase the Subsidiaries, or either of them, to an investor group or entity owned or controlled by WARD.

D. Amendments/Modifications. This Agreement may not be amended or modified except in a writing signed by both WARD and TIDE.

E. Waiver. The waiver by either party of a breach or violation of any provision of this Agreement shall not operate as or be construed to be a waiver of any subsequent breach hereof. No waiver will be effective unless set forth in writing and signed by the party waiving such provision or breach of this Agreement.

F. Notices. Any notice given under this Agreement shall be sufficient if in writing and mailed, by either registered or certified mail, return receipt requested, postage prepaid, to a party at the address set forth in the introduction to this Agreement.

G. Severability. In the event any provision contained herein is determined to be invalid, illegal or unenforceable under present or future laws effective during

the term hereof, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof; and the remaining provisions hereof shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance there from. In lieu of such illegal, invalid or unenforceable provision there shall be added automatically as a part hereof a provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable.

H. Headings. The captions, headings and arrangements used in this Agreement are for convenience only and do not affect, limit or amplify the terms and provisions hereof.

I. Confidentiality. TIDE and TIDE's attorneys or representatives and WARD and WARD's attorneys or representatives agree that all of the terms and amounts included in this Agreement are and forever shall be kept completely confidential and at no time are TIDE or TIDE's attorneys or representatives and/or WARD and WARD's attorney's or representatives to mention, state or otherwise infer to the terms and conditions or any details of this Agreement, except to the extent, if any, disclosure is required by law or regulatory authority or to enforce the terms hereof.

J. Entire Agreement. This Agreement contains the entire understanding among the Parties concerning the subject matter contained herein. There are no representations, agreements, arrangements or understandings, oral or written, among or between the parties hereto, relating to the subject matter of this Agreement, which are not fully expressed herein.

/s/ Michael Ward

Michael Ward

Tidelands Oil & Gas Corporation

By:/s/ James B. Smith

James B. Smith, President

1 Street number and name has been omitted for privacy purposes.

d development costs totaled $19.5 million and $17.5 million for the three months ended March 31, 2008 and 2007, respectively.

Operating income totaled $107.9 million and $90.1 million for the three months ended March 31, 2008 and 2007, respectively. Operating margin was approximately 13.0% and 13.7% for the three month periods ended March 31, 2008 and 2007, respectively, reflecting the impact of increased selling, general and administrative expenses driven by the eFunds Acquisition.

Lender Processing Services

	2008	**2007**
	(Unaudited)	
Processing and services revenues	$ 464,113	$ 412,358

Cost of revenues	294,291	264,894
Gross profit	169,822	147,464
Selling, general and administrative expenses	45,884	42,708
Research and development costs	7,588	9,591
Operating income	$ 116,350	$ 95,165

Revenues for the Lender Processing Services segment totaled $464.1 million and $412.4 million for the three months ended March 31, 2008 and 2007, respectively. Growth in Lender Processing Services of $51.8 million, or 12.6%, was driven primarily by market share gains and increased levels of mortgage defaults resulting in growth in appraisal and default services, which more than offset declines in our tax and tax deferred property exchange businesses.

Cost of revenues totaled $294.3 million and $264.9 million for the three months ended March 31, 2008 and 2007, respectively. The overall segment increase of $29.4 million, or 11.1%, is primarily due to increasing revenues.

Selling, general and administrative expenses totaled $45.9 million and $42.7 million for the three months ended March 31, 2008 and 2007, respectively. The increase in the 2008 period is primarily attributable to increased labor costs, including sales and customer service.

Research and development costs totaled $7.6 million and $9.6 million for the three months ended March 31, 2008 and 2007, respectively.

Operating income totaled $116.4 million and $95.2 million for the three months ended March 31, 2008 and 2007, respectively. Operating margin was approximately 25.1% and 23.1% for the three months ended March 31, 2008 and 2007, respectively, reflecting expansion of margins in default services, in particular our title, escrow and foreclosure operations.

Corporate and Other

Corporate overhead costs and other operations that are not included in our operating segments are included in Corporate and Other. Selling, general and administrative expenses were $52.5 million and $29.5 million for the three months ended March 31, 2008 and 2007, respectively. The increase is primarily due to an increase in stock compensation of $17.9 million, including $14.1 million related to the acceleration of vesting for stock awards assumed in the eFunds Acquisition, as well as incremental selling, general and administrative costs from eFunds. Corporate expenses also increased due to the inclusion of approximately $2.9 million of costs associated with the planned spin-off of Lender Processing Services, Inc.

Liquidity and Capital Resources

Cash Requirements

Our cash requirements include cost of revenues, selling, general and administrative expenses, income taxes, debt service payments, capital expenditures, systems development expenditures, stockholder dividends, and business acquisitions. Our principal sources of funds are cash generated by operations and borrowings.

At March 31, 2008, we had cash on hand of $328.0 million and debt of approximately $4,179.3 million, including the current portion. We expect cash flows from operations over the next twelve months will be sufficient to fund our operating cash requirements and pay principal and interest on our outstanding debt absent any unusual circumstances such as acquisitions or adverse changes in the business environment.

We currently pay a $0.05 dividend on a quarterly basis, and expect to continue to do so in the future. The declaration and payment of future dividends is at the discretion of the Board of Directors, and depends on, among other things, our investment policy and opportunities, results of operations, financial condition, cash requirements, future prospects, and other factors that may be considered relevant by our Board of Directors, including legal and contractual restrictions. Additionally, the payment of cash dividends may be limited by covenants in certain debt agreements. A regular quarterly dividend of $.05 per common share was paid March 27, 2008 to shareholders of record as of the close of business on March 13, 2008.

We intend to limit dilution caused by option exercises, including anticipated exercises, by repurchasing shares on the open market or in privately negotiated transactions. On October 25, 2006, our Board of Directors approved a plan authorizing repurchases of up to an additional $200 million worth of our common stock (the Old Plan). During the three months ended March 31, 2008, under the Old Plan we repurchased 245,000 shares of our stock for $9.9 million, at an average price of $40.56. On April 17, 2008, our Board of Directors approved a plan authorizing

repurchases of up to $250.0 million worth of our common stock (the New Plan). Under the New Plan we repurchased 1,150,000 shares of our stock for $42.7 million, at an average price of $37.12, through May 8, 2008.

Cash Flows from Operations

Cash flows from operations were $168.2 million and $72.4 million for the three month periods ending March 31, 2008 and 2007, respectively. Included in first quarter 2008 cash flow from operations was a $0.4 million reduction in taxes payable due to stock option exercises. Included in 2007 cash flow from operations was a $10.8 million reduction in taxes payable due to stock option exercises.

Capital Expenditures

Our principal capital expenditures are for computer software (purchased and internally developed) and additions to property and equipment. We spent approximately $89.5 million and $73.1 million on capital expenditures during the three month periods ended March 31, 2008 and 2007, primarily on equipment, purchased software and internally developed software.

Financing

On January 18, 2007, we entered into a credit agreement with JPMorgan Chase Bank, N.A., as Administrative Agent, Swing Line Lender, and Letter of Credit Issuer, Bank of America, N.A., as Swing Line Lender, and other financial institutions party thereto (the Credit Agreement). The Credit Agreement replaced our prior term loans and revolver as well as a $100 million settlement facility. As a result of the new credit agreement, we repaid the old credit agreement and recorded a charge of $27.2 million to write-off unamortized capitalized debt issuance costs. The Credit Agreement, which became secured as of September 12, 2007, provides for a committed $2.1 billion five-year term facility denominated in U.S. Dollars (the Term Loan A) and a committed $900 million revolving credit facility (the Revolving Loan) with a sublimit of $250 million for letters of credit and a sublimit of $250 million for swing line loans, maturing on the fifth anniversary of the closing date (the Maturity Date). The Revolving Loan is bifurcated into a $735 million multicurrency revolving credit loan (the Multicurrency Tranche) that can be denominated in any combination of U.S. Dollars, Euro, British Pounds Sterling and Australian Dollars, and any other foreign currency in which the relevant lenders agree to make advances and a $165 million U.S. Dollar revolving credit loan that can be denominated only in U.S. Dollars. The swingline loans and letters of credit are available as a sublimit under the Multicurrency Tranche. In addition, the Credit Agreement originally provided for an uncommitted incremental loan facility in the maximum principal amount of $600 million, which would be made available only upon receipt of further commitments from lenders under the Credit Agreement sufficient to fund the amount requested by us. On July 30, 2007, we, along with the requisite lenders, executed an amendment to the existing Credit Agreement to facilitate our acquisition of eFunds. The amendment permitted the issuance of up to $2.1 billion in additional loans, an increase from the foregoing $600 million. The amendment became effective September 12, 2007. On September 12, 2007, we entered into a joinder agreement to obtain a secured $1.6 billion tranche of term loans denominated in U.S. Dollars (the Term Loan B) under the Credit Agreement, utilizing $1.6 billion of the $2.1 billion uncommitted incremental loan amount. The Term Loan B proceeds were used to finance the eFunds Acquisition, and pay related fees and expenses. The Term Loan B will mature on January 18, 2014. Debt issuance costs of $24.5 million are capitalized as of March 31, 2008.

As of March 31, 2008 and December 31, 2007, the Term Loan A balance was $2,034.4 million and $2,047.5 million, respectively, the Term Loan B balance was $1,592.0 million and $1,596.0 million, respectively, and a total of $330.0 million and $308.0 million, respectively, was outstanding under the Revolving Loan. The obligations under the Credit Agreement have been jointly and severally, unconditionally guaranteed by certain of our domestic subsidiaries. Additionally, we and certain subsidiary guarantors pledged certain equity interests we and they held in other entities (including certain of our direct and indirect subsidiaries) as collateral security for the obligations under the credit facility and the guarantee. The pledge also serves to equally and ratably secure our obligations under our outstanding 4.75% notes due 2008, discussed below.

We may borrow, repay and re-borrow amounts under the Revolving Loan from time to time until the maturity of the Revolving Loan. We must make quarterly principal payments under the Term Loan A in scheduled installments of: (a) $13.1 million per quarter from June 30, 2007 through December 31, 2008; (b) $26.3 million per quarter from

March 31, 2009 through December 31, 2009; and (c) $52.5 million per quarter from March 31, 2010 through September 30, 2011, with the remaining balance of approximately $1.5 billion payable on the Maturity Date. We must make quarterly principal payments under the Term Loan B in scheduled installments of $4.0 million per quarter from December 31, 2007 through September 30, 2013 with the remaining balance of approximately $1.5 billion payable on January 18, 2014. As discussed above, we expect to exchange Lender Processing Services, Inc. debt we will receive in connection with the Lender Processing Services, Inc. spin-off for our outstanding Term Loan B, which will immediately thereafter be retired.

In addition to the scheduled principal payments, the Term Loans are (with certain exceptions) subject to mandatory prepayment upon issuances of debt, casualty and condemnation events, and sales of assets, as well as from a percentage of excess cash flow (as defined in the Credit Agreement) between zero and fifty percent commencing with the cash flow for the year ended December 31, 2008. Voluntary prepayments of the Loans are generally permitted at any time without fee upon proper notice and subject to a minimum dollar requirement. Commitment reductions of the Revolving Loan are also permitted at any time without fee upon proper notice. The Revolving Loan has no scheduled principal payments, but it will be due and payable in full on the Maturity Date.

The outstanding balance on the Loans bears interest at a floating rate, which is an applicable margin plus, at our option, either (a) the Eurocurrency (LIBOR) rate or (b) either (i) the federal funds rate or (ii) the prime rate. The applicable margin is subject to adjustment based on a leverage ratio (our total indebtedness to our EBITDA in our consolidated subsidiaries, as further defined in the Credit Agreement). Alternatively, we have the ability to request the lenders to submit competitive bids for one or more advances under the Revolving Loan.

The Credit Agreement contains affirmative, negative and financial covenants customary for financings of this type, including, among other things, limits on the creation of liens, limits on the incurrence of indebtedness, restrictions on investments and dispositions, a prohibition on the payment of dividends and other restricted payments if an event of default has occurred and is continuing or would result therefrom, a minimum interest coverage ratio and a maximum leverage ratio. Upon an event of default, the Administrative Agent can accelerate the maturity of the Loans. Events of default include conditions customary for such an agreement, including failure to pay principal and interest in a timely manner and breach of certain covenants. These events of default include a cross-default provision that permits the lenders to declare the Credit Agreement in default if (i) we fail to make any payment after the applicable grace period under any indebtedness with a principal amount in excess of $150 million or (ii) we fail to perform any other term under any such indebtedness, as a result of which the holders thereof may cause it to become due and payable prior to its maturity. We were in compliance with all covenants related to the Credit Agreement at March 31, 2008.

Both the Credit Agreement and the 4.75% notes referred to below are equally and ratably secured by a pledge of equity interests in our subsidiaries, subject to certain exceptions for subsidiaries not required to be pledged. As of March 31, 2008, the shares of subsidiaries representing less than 10% of our net assets were subject to such pledge.

Through the Certegy Merger, we have an obligation to service $200.0 million (aggregate principal amount) of secured 4.75% fixed-rate notes due in 2008. The notes were recorded in purchase accounting at a discount of $5.7 million, which is being amortized over the term of the notes. The notes accrue interest at a rate of 4.75% per year, payable semi-annually in arrears on each of March 15 and September 15. The notes include customary events of default, including a cross-default provision that permits the trustee or the holders of at least 25% of the Notes to declare the Notes in default if (i) we fail to make any payment after the applicable grace period under any indebtedness with a principal amount in excess of $10 million or (ii) we fail to perform any other term under any such indebtedness, as a result of which the holders thereof have caused it to become due and payable prior to its maturity.

Through the eFunds Acquisition on September 12, 2007, we assumed $100.0 million in long-term notes payable previously issued to eFunds (the eFunds Notes). Subsequent to year-end, we redeemed the eFunds Notes for a total of $109.3 million, which includes a make-whole premium of $9.3 million. We completed the redemption on February 26, 2008.

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We have entered into the following interest rate swap transactions converting a portion of our interest rate exposure on the Term Loans from variable to fixed:

Effective Date	Termination Date	Notional Amount (in millions)	Bank Pays Variable Rate of(1)	FIS pays Fixed Rate of(2)
April 11, 2005	April 11, 2008 (3)	$ 150.0	1 Month Libor	4.39%
April 11, 2005	April 11, 2008 (3)	145.0	1 Month Libor	4.37%
April 11, 2005	April 11, 2008 (3)	55.0	1 Month Libor	4.37%
April 11, 2007	April 11, 2010	850.0	1 Month Libor	4.92%
October 11, 2007	October 11, 2009	1,000.0	1 Month Libor	4.73%
December 11, 2007	December 11, 2009	250.0	1 Month Libor	3.80%
December 11, 2007	December 11, 2010	750.0	1 Month Libor	3.85%
		$ 3,200.0		

(1) 2.70% as of March 31, 2008.

(2) In addition to the fixed rates paid under the swaps, we pay an applicable margin to our bank lenders on the Term Loan A of 1.00%, the Term Loan B of 1.75% and the Revolving Loan of 0.80% (plus a facility fee of 0.20%) as of March 31, 2008.

(3) Subsequent to quarter end, the interest rate

swap expired.

We have designated these interest rate swaps as cash flow hedges in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The estimated fair value of these cash flow hedges results in a liability of $117.6 million and $41.2 million, as of March 31, 2008 and December 31, 2007, respectively, which is included in the accompanying consolidated balance sheets in long-term liabilities and as a component of accumulated other comprehensive earnings, net of deferred taxes. A portion of the amount included in accumulated other comprehensive earnings is reclassified into interest expense as a yield adjustment as interest payments are made on the Term Loans. In accordance with the provisions of SFAS No. 157, *Fair Value Measurements*, the inputs used to determine the estimated fair value of our interest rate swaps are Level 2-type measurements.

Our existing cash flow hedges are highly effective and there is no current impact on earnings due to hedge ineffectiveness. It is our policy to execute such instruments with credit-worthy banks and not to enter into derivative financial instruments for speculative purposes.

Contractual Obligations

Our contractual obligations have not changed materially from the table included in our Form 10-K as filed on February 29, 2008.

Off-Balance Sheet Arrangements

FIS does not have any material off-balance sheet arrangements other than operating leases.

Escrow Arrangements

In conducting our title agency, closing and 1031 tax deferred exchange operations, we routinely hold customers assets in escrow and investment accounts, pending completion of real estate and exchange transactions. Certain of these amounts are maintained in segregated bank accounts and have not been included in the accompanying consolidated balance sheets. We have a contingent liability relating to proper disposition of these balances, which amounted to $1,510.2 million at March 31, 2008. For the customers assets that we hold in escrow, we have ongoing programs for realizing economic benefits through favorable borrowing and vendor arrangements with various banks. We had no borrowings outstanding as of March 31, 2008, under these arrangements with respect to these assets in escrow. At that date, our customers tax deferred assets that were held in investment accounts were largely invested in short-term, high grade investments that minimize the risk to principal.

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Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. In February 2008, the FASB issued FASB Staff Position 157-2 (FSP 157-2), *Effective Date of FASB Statement No. 157,* which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157 was effective for us beginning January 1, 2008; FSP 157-2 delays the effective date for certain items to January 1, 2009. Items in our Consolidated Financial Statements which SFAS 157 is already effective for are discussed in the Financing section of Management s Discussion and Analysis of Financial Condition and Results of Operations. We are currently assessing the potential impact that adoption of this statement may have on nonfinancial assets and nonfinancial liabilities in our financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations* (SFAS 141(R)), requiring an acquirer in a business combination to recognize the assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree at their fair values at the acquisition date, with limited exceptions. The costs of the acquisition and any related restructuring costs will be recognized separately. Assets and liabilities arising from contingencies in a business combination are to be recognized at their fair value at the acquisition date and adjusted prospectively as new information becomes available. When the fair value of assets acquired exceeds the fair value of consideration transferred plus any noncontrolling interest in the acquiree, the excess will be recognized as a gain. Under SFAS 141(R), all business combinations will be accounted for prospectively by applying the acquisition method, including combinations among mutual entities and combinations by contract alone. SFAS 141(R) is effective for periods beginning on or after December 15, 2008, and will apply to business combinations occurring after the effective date.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51* (SFAS 160), requiring noncontrolling interests (sometimes called minority interests) to be presented as a component of equity on the balance sheet. SFAS 160 also requires that the amount of net income attributable to the parent and to the noncontrolling interests be clearly identified and presented on the face of the consolidated statement of income. This statement eliminates the need to apply purchase accounting when a parent company acquires a noncontrolling ownership interest in a subsidiary and requires that, upon deconsolidation of a subsidiary, a parent company recognize a gain or loss in net income after which any retained noncontrolling interest will be reported at fair value. SFAS 160 requires expanded disclosures in the consolidated financial statements that identify and distinguish between the interests of the parent s owners and the interest of the noncontrolling owners of subsidiaries. SFAS 160 is effective for periods beginning on or after December 15, 2008 and will be applied prospectively except for the presentation and disclosure requirements, which will be applied retrospectively for all periods presented. Management is currently evaluating the impact of this statement on our statements of financial position and operations.

In February 2007, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits entities to choose to measure financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS 159 mandates certain financial statement presentation and disclosure requirements when a company elects to report assets and liabilities at fair value under SFAS 159. SFAS 159 is effective as of the beginning of January 1, 2008 for calendar year entities. Management has determined the impact of adopting SFAS 159 will be immaterial on our statements of financial position and operations.

Item 3. Quantitative and Qualitative Disclosure About Market Risks

As of March 31, 2008, we are paying interest on the Credit Agreement at LIBOR plus 1.00% on our Term Loan A and LIBOR plus 1.75% on our Term Loan B. A one percent increase in the LIBOR rate would increase our annual debt service on the Credit Agreement by $12.1 million (based on principal amounts outstanding as of March 31, 2008, net of interest rate swaps). The credit rating assigned to FIS by Standard & Poor s was BB as of March 31, 2008.

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Item 4. Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as such term is defined in Rule 13a-15(e) under the Exchange Act. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance of timely alerts to material information required to be included in our periodic SEC reports.

There were no changes in our internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Part II: OTHER INFORMATION

Item 1. Legal Proceedings

In the ordinary course of business, we are involved in various pending and threatened litigation matters related to operations, some of which include claims for punitive or exemplary damages. We believe that no actions, other than the matters listed below, depart from customary litigation incidental to our business. As background to the disclosure below, please note the following:

These matters raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities.

We review these matters on an on-going basis and follow the provisions of Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies* (SFAS 5), when making accrual and disclosure decisions. When assessing reasonably possible and probable outcomes, we base decisions on the assessment of the ultimate outcome following all appeals.

Grace & Digital Information Technology Co., Ltd.

We and certain of our employees were named as defendants in a civil lawsuit brought by Grace & Digital Information Technology Co., Ltd. (Grace). Grace was a sales agent engaged by Alltel Information Services, Inc. (AIS) in June of 2001. In March of 2002 (before AIS was acquired by us) Grace s contract was terminated because it was no longer providing sales agent services. In May of 2004, Grace asserted a claim against us for unpaid sales commissions, and filed suit later that same year. The case was subsequently dismissed and re-filed in March of 2006. In the second filing, Grace alleged damages caused by breach of contract, violation of the Racketeer Influenced and Corrupt Organizations Act (RICO) and violation of the Foreign Corrupt Practices Act (FCPA). Grace s FCPA and RICO allegations prompted inquiries by both the SEC and the U.S. Department of Justice. We vigorously defended Grace s civil lawsuit, and in March of 2007 the court dismissed the RICO claims with prejudice and struck Grace s FCPA allegations. The parties subsequently settled the remaining breach of contract claim at court-ordered mediation in April of 2007. The U.S. Department of Justice closed its investigation with no action being taken against us. We are awaiting a final determination from the SEC.

Driver s Privacy Protection Act

A putative class action lawsuit styled Richard Fresco, et al. v. Automotive Directions, Inc. et al., was filed against eFunds and seven other non-related parties in the U.S. District Court for the Southern District of Florida. The complaint alleged that eFunds purchased motor vehicle records that were used for marketing and other purposes that are not permitted under the Federal Driver s Privacy Protection Act (DPPA). The plaintiffs sought statutory damages, plus costs, attorney s fees and injunctive relief. eFunds and five of the other seven defendants settled the case with the plaintiffs. That settlement was preliminarily approved by the court over the objection of a group of Texas drivers and motor vehicle record holders and is awaiting final approval. The objectors filed two class action complaints styled Sharon Taylor, et al. v. Biometric Access Company et al. and Sharon Taylor, et al. v. Acxiom et al. in the U.S. District Court for the Eastern District of Texas alleging similar violations of the DPPA. The Acxiom action is filed against eFunds subsidiary ChexSystems, Inc., while the Biometric suit is filed against Certegy Check Services, Inc. ChexSystems filed a motion to dismiss or stay the action based upon the earlier settlement which was granted. The judge recused himself in the action against Certegy Check Services, Inc. in February of 2008 because he is a potential

member of the class. The lawsuit was reassigned to a new judge (living in Arkansas) and Certegy filed a motion to dismiss. Certegy believes both the DPPA and Texas law allow it to obtain motor vehicle records for the purposes outlined in its contract with the State of Texas, but the Court has not yet ruled on this issue.

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Employee Data Theft

On July 3, 2007, we announced that a database administrator had misappropriated consumer information. To date, we have seen no evidence of the stolen information being used for anything other than marketing purposes. Nevertheless, multiple putative class action lawsuits were filed against us seeking monetary damages. Those class actions were settled in January of 2008. The Court preliminarily approved the settlement in March of 2008. Notice of the settlement will be mailed to class members during the second quarter of 2008. Final approval of the settlement will be sought once the notice process is complete. This is expected to occur in the third quarter of 2008.

Item 1A. Risk Factors

In the wake of the current mortgage market, there could be adverse regulatory consequences or litigation that could affect us.

Various aspects of our businesses are subject to federal and state regulation. The sharp rise in home foreclosures that started in the United States during the fall of 2006 and has accelerated in 2007 and 2008 has begun to result in investigations and lawsuits against various parties commenced by various governmental authorities and third parties. It has also resulted in governmental review of aspects of the mortgage lending business, which may lead to greater regulation in areas such as appraisals, default management, loan closings and regulatory reporting. Such actions and proceedings could have adverse consequences that could affect our business.

Over the last few months, the New York Attorney General has been conducting an inquiry into various practices in the mortgage market, including a review of the possibility that conflicts of interest have in some cases affected the accuracy of property appraisals. Recently, the NYAG announced a resolution of a portion of this inquiry with respect to Federal National Mortgage Association, which we refer to as Fannie Mae, and Federal Home Loan Mortgage Corporation, which we refer to as Freddie Mac. Under agreements entered into with the NYAG, Fannie Mae and Freddie Mac each committed to adopt a new Home Valuation Code of Conduct. This Code of Conduct establishes requirements governing appraiser selection, compensation, conflicts of interest and corporate independence, among other matters. Both Fannie Mae and Freddie Mac have agreed that they will not purchase any single family mortgage loans, other than government-insured loans, originated after January 1, 2009 from mortgage originators that have not adopted the Code of Conduct with respect to such loans. Among other things, the Code of Conduct prohibits the purchase of home mortgage loans by Fannie Mae and Freddie Mac if the associated appraisal is performed by an appraiser that is employed by the lender, a real estate settlement services provider or a subsidiary of a real estate settlement services provider.

Although we provide real estate settlement services, we do not employ appraisers. Instead, we manage the activities of thousands of appraisers who all work as independent contractors. Nevertheless, Freddie Mac has issued a bulletin indicating that the prohibition in the Code of Conduct applies to loans for which the appraisal was performed by independent contractor appraisers as well as employees.

The Code of Conduct was subject to a comment period that expired on April 30, 2008. We participated in the comment process to attempt to clarify that we are not covered by the Code of Conduct. At this time, we are unable to predict the ultimate effect of the Code of Conduct on our business or results of operations 2008.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes purchases of equity securities by the issuer during the quarter ended March 31, 2008:

Period	Total Number of Shares Purchased	Average price paid per share	Total Cost of Shares Purchased as Part of Publicly Announced Plans or Program (in millions)	Total Cost of Shares that May be Purchased Under the Plans or Programs (1) (2) (in millions)
1/1/08 to 1/31/08	245,000	$ 40.56	$ 9.9	$ 116.6
2/1/08 to 2/29/08				116.6
3/1/08 to 3/31/08				116.6
Total	245,000		$ 9.9	

(1) On October 25, 2006, our Board of Directors approved a plan authorizing repurchases of up to an additional $200 million worth of our common stock (the Old Plan). During the three months ended March 31, 2008, under the Old Plan we repurchased 245,000 shares of our stock for $9.9 million, at an average price of $40.56. On April 17, 2008, our Board of Directors approved a plan

authorizing repurchases of up to $250.0 million worth of our common stock (the New Plan). Under the New Plan we repurchased 1,150,000 shares of our stock for $42.7 million, at an average price of $37.12, through May 8, 2008.

(2) As of the last day of the applicable month.

Item 6. Exhibits

(a) Exhibits:

10.1 Employment Agreement, effective as of May 1, 2008, between Fidelity National Information Services, Inc. and Lee A. Kennedy.

10.2 Employment Agreement, effective as of May 1, 2008, between Fidelity National Information Services, Inc. and Jeffrey S. Carbiener.

10.3 Employment Agreement, effective as of May 1, 2008, between Fidelity National Information Services, Inc. and Eric Swenson.

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification by Chief Executive Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

32.2 Certification by Chief Financial Officer of Periodic Financial Reports pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 8, 2008

Fidelity National Information Services, Inc.

By: /s/ Jeffrey S. Carbiener

Jeffrey S. Carbiener
Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

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FIDELITY NATIONAL INFORMATION SERVICES, INC.
FORM 10-Q
INDEX TO EXHIBITS

The following documents are being filed with this Report:

Exhibit No.	Description
10.1	Employment Agreement, effective as of May 1, 2008, between Fidelity National Information Services, Inc. and Lee A. Kennedy.
10.2	Employment Agreement, effective as of May 1, 2008, between Fidelity National Information Services, Inc. and Jeffrey S. Carbiener.
10.3	Employment Agreement, effective as of May 1, 2008, between Fidelity National Information Services, Inc. and Eric Swenson.
31.1	Certification of Lee A. Kennedy, Chief Executive Officer of Fidelity National Information Services, Inc., pursuant to rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Jeffrey S. Carbiener, Chief Financial Officer of Fidelity National Information Services, Inc., pursuant to rule 13a-14(a) or 15d-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Lee A. Kennedy, Chief Executive Officer of Fidelity National Information Services, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Jeffrey S. Carbiener, Chief Financial Officer of Fidelity National Information Services, Inc., pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.