NEUSTAR INC
Form 10-Q
October 30, 2013

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2013
OR
¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission file number 001-32548

NeuStar, Inc.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	52-2141938 (I.R.S. Employer Identification No.)

21575 Ridgetop Circle
Sterling, Virginia 20166
(Address of principal executive offices) (zip code)
(571) 434-5400
(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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

There were 62,615,875 shares of Class A common stock, $0.001 par value, and 3,082 shares of Class B common stock, $0.001 par value, outstanding at October 24, 2013.

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements
NEUSTAR, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2012	September 30, 2013 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$340,255	$352,714
Restricted cash	2,543	1,858
Short-term investments	3,666	—
Accounts receivable, net of allowance for doubtful accounts of $2,161 and $2,266, respectively	131,805	142,130
Unbilled receivables	6,372	12,927
Notes receivable	2,740	1,601
Prepaid expenses and other current assets	17,707	20,335
Deferred costs	7,379	6,873
Income taxes receivable	6,596	4,324
Deferred tax assets	6,693	5,285
Total current assets	525,756	548,047
Property and equipment, net	118,513	111,541
Goodwill	572,178	576,038
Intangible assets, net	288,487	257,492
Notes receivable, long-term	1,008	—
Other assets, long-term	20,782	25,585
Total assets	$1,526,724	$1,518,703

See accompanying notes.

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NEUSTAR, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)

	December 31, 2012	September 30, 2013 (unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$9,269	$5,730
Accrued expenses	85,424	79,187
Deferred revenue	49,070	49,343
Notes payable	8,125	7,972
Capital lease obligations	1,686	572
Other liabilities	3,856	2,826
Total current liabilities	157,430	145,630
Deferred revenue, long-term	9,922	10,020
Notes payable, long-term	576,688	610,285
Capital lease obligations, long-term	817	245
Deferred tax liabilities, long-term	114,130	103,545
Other liabilities, long-term	21,129	22,264
Total liabilities	880,116	891,989
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, $0.001 par value; 100,000,000 shares authorized; no shares issued and outstanding as of December 31, 2012 and September 30, 2013	—	—
Class A common stock, par value $0.001; 200,000,000 shares authorized; 85,958,791 and 87,000,157 shares issued; and 66,171,702 and 63,193,693 shares outstanding at December 31, 2012 and September 30, 2013, respectively	86	87
Class B common stock, par value $0.001; 100,000,000 shares authorized; 3,082 and 3,082 shares issued and outstanding at December 31, 2012 and September 30, 2013, respectively	—	—
Additional paid-in capital	532,743	585,282
Treasury stock, 19,787,089 and 23,806,464 shares at December 31, 2012 and September 30, 2013, respectively, at cost	(604,042)	(800,737)
Accumulated other comprehensive loss	(767)	(1,207)
Retained earnings	718,588	843,289
Total stockholders' equity	646,608	626,714
Total liabilities and stockholders' equity	$1,526,724	$1,518,703

See accompanying notes.

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NEUSTAR, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Revenue:				
Carrier Services	$125,202	$139,477	$375,922	$406,381
Enterprise Services	43,630	44,896	125,204	133,466
Information Services	42,340	43,260	116,090	124,552
Total revenue	211,172	227,633	617,216	664,399
Operating expense:				
Cost of revenue (excluding depreciation and amortization shown separately below)	46,339	51,434	137,364	150,950
Sales and marketing	38,040	40,253	117,466	124,468
Research and development	7,663	7,196	23,483	22,296
General and administrative	20,915	23,751	61,999	66,757
Depreciation and amortization	23,622	24,586	69,041	73,941
Restructuring (recoveries) charges	(32)	—	492	2
	136,547	147,220	409,845	438,414
Income from operations	74,625	80,413	207,371	225,985
Other (expense) income:				
Interest and other expense	(8,517)	(5,496)	(25,114)	(28,851)
Interest and other income	140	64	479	292
Income before income taxes	66,248	74,981	182,736	197,426
Provision for income taxes	20,495	27,442	64,429	72,725
Net income	$45,753	$47,539	$118,307	$124,701
Net income per share:				
Basic	$0.69	$0.74	$1.77	$1.91
Diluted	$0.68	$0.73	$1.74	$1.87
Weighted average common shares outstanding:				
Basic	66,523	63,978	66,880	65,223
Diluted	67,623	65,510	67,961	66,713

See accompanying notes.

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NEUSTAR, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Net income	$45,753	$47,539	$118,307	$124,701
Other comprehensive income (loss), net of tax:				
Available for sale investments, net of tax:				
Change in net unrealized gains, net of tax of $(21), $61, $(64) and $128, respectively	33	(93)	91	(198)
Reclassification for gains included in net income	—	—	—	—
Net change in unrealized gains on investments, net of tax	33	(93)	91	(198)
Foreign currency translation adjustment, net of tax:				
Change in foreign currency translation adjustment, net of tax of $(96), $(40) $(414) and $28, respectively	74	39	58	(242)
Reclassification adjustment included in net income	—	—	—	—
Foreign currency translation adjustment, net of tax	74	39	58	(242)
Other comprehensive income (loss), net of tax	107	(54)	149	(440)
Comprehensive income	$45,860	$47,485	$118,456	$124,261

See accompanying notes.

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NEUSTAR, INC.
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Nine Months Ended September 30,	
	2012	2013
Operating activities:		
Net income	$118,307	$124,701
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	69,041	73,941
Stock-based compensation	19,987	27,675
Loss on debt modification and extinguishment	—	10,886
Amortization of deferred financing costs and original issue discount on debt	3,020	2,551
Excess tax benefits from stock option exercises	(7,688)	(7,097)
Deferred income taxes	(3,952)	(9,534)
Provision for doubtful accounts	3,117	4,343
Amortization of investment premium (discount), net	420	123
Changes in operating assets and liabilities:		
Accounts receivable	(45,383)	(15,998)
Unbilled receivables	(1,662)	(6,555)
Notes receivable	2,073	2,147
Prepaid expenses and other current assets	11,797	(2,133)
Income taxes receivable	42,282	9,369
Other assets	870	332
Other liabilities	(2,701)	441
Accounts payable and accrued expenses	(14,425)	(3,916)
Deferred revenue	6,266	(254)
Net cash provided by operating activities	201,369	211,022
Investing activities:		
Purchases of property and equipment	(35,630)	(35,259)
Sales and maturities of investments	5,968	3,543
Purchases of investments	(1,494)	—
Business acquired	—	(8,500)
Net cash used in investing activities	(31,156)	(40,216)
Financing activities:		
Decrease of restricted cash	3	685
Proceeds from notes payable, net of discount	—	624,244
Extinguishment of note payable	—	(592,500)
Debt issuance costs	—	(11,410)
Payments under notes payable obligations	(4,500)	(6,094)
Principal repayments on capital lease obligations	(2,886)	(1,686)
Proceeds from exercise of common stock options	52,085	18,225
Excess tax benefits from stock-based compensation	7,688	7,097
Repurchase of restricted stock awards	(9,631)	(6,861)
Repurchase of common stock	(73,803)	(189,834)
Net cash used in financing activities	(31,044)	(158,134)
Effect of foreign exchange rates on cash and cash equivalents	(357)	(213)
Net increase in cash and cash equivalents	138,812	12,459

Cash and cash equivalents at beginning of period	122,237	340,255
Cash and cash equivalents at end of period	$261,049	$352,714

See accompanying notes.

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NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2013

1. DESCRIPTION OF BUSINESS AND ORGANIZATION

NeuStar, Inc. (the Company or Neustar) is a trusted provider of real-time information and analysis using proprietary and hard to replicate data sets. The Company's customers use its services for commercial insights that help them promote and protect their businesses. The Company combines proprietary, third party and customer data sets to develop unique algorithms, models, point solutions and complete work flow solutions. Among other things, chief marketing, security, information and operating officers use these real-time insights to identify who or what is at the other end of a transaction, the geographic context of a transaction and the most appropriate response. The Company provides its services in a trusted and neutral manner. The Company's customers access its databases through standard connections, which the Company believes is the most efficient and cost effective way to exchange operationally essential data in a secured environment that does not favor any particular customer or technology. Today the Company primarily serves customers in the Internet, telecommunications, technology, financial services, retail, and media and advertising verticals.

The Company was founded to meet the technical and operational challenges of the communications industry when the U.S. government mandated local number portability in 1996. The Company provides the authoritative solution that the communications industry relies upon to meet this mandate. Since then, the Company has grown to offer a broad range of innovative services, including database services (telephone number databases, domain names, short-codes and fixed IP addresses), analytics platforms used for Internet security services, caller identification services, web performance monitoring services and real-time information and analytics services.

The Company provides the North American communications industry with real-time information that enables the dynamic routing of virtually all telephone calls and text messages among competing carriers in the United States and Canada. The Company's internet and eCommerce customers use its broad array of domain name systems (DNS) solutions to resolve internet queries in a timely manner and to protect their businesses from malicious attacks. The Company also provides a broad suite of solutions that allows its customers to generate marketing leads, offer more relevant services and improve client conversion rates.

The Company categorizes its services into three reportable segments:

- Carrier Services. The Company's carrier services include numbering services, order management services and IP services. Through its set of unique databases and system infrastructure in geographically dispersed data centers, the Company manages the increasing complexity in the communications industry and ensures the seamless connection of its carrier customers' numerous networks, while also enhancing the capabilities and performance of their infrastructure. The Company operates the authoritative databases that manage virtually all telephone area codes and numbers, and enables the dynamic routing of calls and text messages among numerous competing carriers in the United States and Canada. All carriers that offer telecommunications services to the public at large in the United States and Canada must access a copy of the Company's unique database to properly route their customers' calls and text messages. The Company also facilitates order management and work-flow processing among carriers, and allows operators to manage and optimize the addressing and routing of IP communications.
- Enterprise Services. The Company's enterprise services include Internet infrastructure services (IIS) and registry services. Through the Company's global directory platform, the Company provides a suite of DNS services to its enterprise customers. The Company manages a collection of directories that maintain addresses in order to direct, prioritize and manage Internet traffic, and to find and resolve Internet queries and top-level domains. The Company is the authoritative provider of essential registry services and manages directories of similar resources, or addresses, that its customers use for reliable, fair and secure access and connectivity. In addition, enterprise customers rely on the Company's services to monitor and load-test websites to help identify issues and optimize performance. The Company also provides fixed IP geolocation services that help enterprises identify the location of their online consumers for a variety of purposes, including fraud prevention and marketing. Additionally, the Company provides directory services for the 5- and 6-digit number strings used for all U.S. Common Short Codes, which is part of the short messaging

service relied upon by the U.S. wireless industry. The Company also operates the user authentication and rights management system, which supports the UltraViolet™ digital content locker that consumers can use to access to their entertainment content.

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NEUSTAR, INC.
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- Information Services. The Company's information services include on-demand solutions that help carriers and enterprises identify, verify, evaluate and locate customers and prospective customers. The Company's authoritative databases and solutions enable its clients to return the caller name associated with the calling phone number and to make informed decisions in real time about consumer-initiated interactions on the Internet, over the telephone and at the point of sale, by correlating consumer identifier information with attributes such as demographics, buying behavior surveys and location. This allows the Company's customers to offer consumers more relevant services and products, and leads to higher client conversion rates. Using the Company's proprietary databases, the Company's online display advertising solution allows marketers to display, in real time, advertisements that will be most relevant to online consumers without the need for online behavioral tracking.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited Interim Financial Information

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the nine months ended September 30, 2013 are not necessarily indicative of the results that may be expected for the full fiscal year. The consolidated balance sheet as of December 31, 2012 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and notes required by U.S. generally accepted accounting principles for complete financial statements. These consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2012 (the 2012 Form 10-K) filed with the Securities and Exchange Commission. Certain prior period amounts have been reclassified to conform to current period presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting periods. Significant estimates and assumptions are inherent in the analysis and the measurement of deferred tax assets; the identification and quantification of income tax liabilities due to uncertain tax positions; recoverability of intangible assets, other long-lived assets and goodwill; and the determination of the allowance for doubtful accounts. The Company bases its estimates on historical experience and assumptions that it believes are reasonable. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic Financial Instruments requires disclosures of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Due to their short-term nature, the carrying amounts reported in the accompanying unaudited consolidated financial statements approximate the fair value for cash and cash equivalents, accounts receivable, accounts payable and accrued expenses. The Company determines the fair value of its investments using third-party pricing sources, which primarily use a consensus price or weighted average price for the fair value assessment. The consensus price is determined by using matrix prices from a variety of industry standard pricing services, data providers, large financial institutions and other third party sources and utilizing those matrix prices as inputs into a distribution-curve-based algorithm to determine the estimated market value. Matrix prices are based on quoted prices for securities with similar terms (i.e., coupon rate, maturity, credit rating) (see Note 4). The Company believes the carrying value of its notes receivable approximates fair value as the interest rate approximates a market rate. The Company believes the carrying value of its $325 million senior secured term loan facility (2013 Term Facility) approximates the fair value of the debt as the terms and interest rates approximate market rates (see Note 6). The Company determines the fair value of its $300 million aggregate principal amount of 4.50% senior notes due 2013 (Senior Notes) using a secondary market price on the last trading day in each period as quoted by Bloomberg (see Note 6).

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The estimated fair values of the Company's financial instruments are as follows (in thousands):

	December 31, 2012		September 30, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$340,255	$340,255	$352,714	$352,714
Restricted cash (current assets)	2,543	2,543	1,858	1,858
Short-term investments	3,666	3,666	—	—
Notes receivable (including current portion)	3,748	3,748	1,601	1,601
Marketable securities (other assets, long-term)	4,458	4,458	3,491	3,491
Deferred compensation (other liabilities, long-term)	3,874	3,874	3,599	3,599
2011 Term Facility (including current portion, net of discount)	584,813	584,813	—	—
2013 Term Facility (including current portion, net of discount)	—	—	318,257	318,257
Senior Notes (including current portion)	—	—	300,000	272,063

Restricted Cash

As of December 31, 2012 and September 30, 2013, cash of $2.5 million and $1.9 million, respectively, was restricted for deposits on leased facilities.

Recent Accounting Pronouncements

In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220) — Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. This update requires the presentation, either in a single note or parenthetically on the face of the financial statements, of the effect of significant amounts reclassified from each component of accumulated other comprehensive income based on its source and the income statement line items affected by the reclassification. This ASU is effective prospectively for the Company for annual and interim periods beginning January 1, 2013. The adoption of the amended accounting guidance in the first quarter of 2013 impacted the Company's presentation of other comprehensive income and did not have an impact on the Company's consolidated results of operations.

3. INVESTMENTS

The Company's investments were comprised of pre-refunded municipal bonds, secured by an escrow fund of U.S. Treasury securities. These investments were accounted for as available-for-sale securities in the Company's consolidated balance sheet pursuant to the Investments - Debt and Equity Securities Topic of the FASB ASC. As of December 31, 2012, both the amortized cost and estimated fair value of the investments were $3.7 million. The Company had no investments as of September 30, 2013.

During the three and nine months ended September 30, 2012, the Company sold approximately $3.6 million and $6.0 million, respectively, of available-for-sale securities and recognized minimal gains for both periods. During the three and nine months ended September 30, 2013, the Company sold approximately $1.4 million and $3.5 million, respectively, of available-for-sale securities and recognized minimal gains for both periods. The Company did not record any impairment charges related to these investments during the three and nine months ended September 30, 2012 and 2013.

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4. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received in the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fair Value Measurements and Disclosure Topic of FASB ASC establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value and requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1. Observable inputs, such as quoted prices in active markets;
- Level 2. Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and
- Level 3. Unobservable inputs for which there is little or no market data, which require the reporting entity to develop its own assumptions.

The Company evaluates assets and liabilities subject to fair value measurements on a recurring and non-recurring basis to determine the appropriate level at which to classify them for each reporting period. This determination requires the Company to make significant judgments.

The Company determines the fair value of its investments using third-party pricing sources, which primarily use a consensus price or weighted average price for the fair value assessment. The consensus price is determined by using matrix prices from a variety of industry standard pricing services, data providers, large financial institutions and other third party sources and utilizing those multiple prices as inputs into a distribution-curve-based algorithm to determine the estimated market value. Matrix prices are based on quoted prices for securities with similar terms (i.e., coupon rate, maturity, credit rating). The Company corroborates consensus prices provided by third party pricing sources using reported trade activity, benchmark yield curves, binding broker/dealer quotes or other relevant price information.

The following table sets forth, as of December 31, 2012 and September 30, 2013, the Company's financial and non-financial assets and liabilities that are measured at fair value on a recurring basis, by level within the fair value hierarchy (in thousands):

	December 31, 2012			
	Level 1	Level 2	Level 3	Total
Municipal bonds (maturities less than one year)	$—	$3,666	$—	$3,666
Marketable securities(1)	4,458	—	—	4,458
Total	$4,458	$3,666	$—	$8,124
	September 30, 2013			
	Level 1	Level 2	Level 3	Total
Marketable securities(1)	$3,491	$—	$—	$3,491

(1) The NeuStar, Inc. Deferred Compensation Plan (the Plan) provides directors and certain employees with the ability to defer a portion of their compensation. The assets of the Plan are invested in marketable securities held in a Rabbi Trust and reported at market value in other assets.

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5. GOODWILL AND INTANGIBLE ASSETS
On May 2, 2013, the Company acquired certain assets of a service order administrative business. Total consideration for this purchase included cash consideration of $10.0 million, of which $8.5 million was paid on closing and $1.5 million was retained by the Company as a reserve fund for satisfaction of potential indemnification claims. The transaction was accounted for under the acquisition method of accounting in accordance with the Business Combinations Topic of the FASB ASC and the results of operations have been included within the Carrier Services segment in the Company's consolidated statement of operations since the date of the acquisition. Of the total purchase price, the Company recorded $6.1 million of definite-lived intangible assets and $3.9 million of goodwill. Goodwill is expected to be deductible for tax purposes.
Goodwill
The Company’s goodwill by operating segment as of December 31, 2012 and September 30, 2013 is as follows (in thousands):

	December 31, 2012	Acquisition	September 30, 2013
Carrier Services:			
Gross goodwill	$222,355	$3,860	$226,215
Accumulated impairments	(93,602)	—	(93,602)
Net goodwill	128,753	3,860	132,613
Enterprise Services:			
Gross goodwill	16,198	—	16,198
Accumulated impairments	—	—	—
Net goodwill	16,198	—	16,198
Information Services:			
Gross goodwill	427,227	—	427,227
Accumulated impairments	—	—	—
Net goodwill	427,227	—	427,227
Total:			
Gross goodwill	665,780	3,860	669,640
Accumulated impairments	(93,602)	—	(93,602)
Net goodwill	$572,178	$3,860	$576,038

NEUSTAR, INC.
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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2013

Intangible Assets
Intangible assets consist of the following (in thousands):

	December 31, 2012	September 30, 2013	Weighted-Average Amortization Period (in years)
Intangible assets:			
Customer lists and relationships	$315,098	$320,939	7.9
Accumulated amortization	(69,526)	(97,006)	
Customer lists and relationships, net	245,572	223,933	
Acquired technology	58,859	59,060	4.8
Accumulated amortization	(20,387)	(28,172)	
Acquired technology, net	38,472	30,888	
Trade name	7,630	7,630	3.0
Accumulated amortization	(3,187)	(5,045)	
Trade name, net	4,443	2,585	
Non-compete agreement	—	100	3.0
Non-compete agreement amortization	—	(14)	
Non-compete agreement, net	—	86	
Intangible assets, net	$288,487	$257,492	

Amortization expense related to intangible assets, which is included in depreciation and amortization expense, was approximately $12.6 million and $12.4 million for the three months ended September 30, 2012 and 2013, respectively, and $37.7 million and $37.1 million for the nine months ended September 30, 2012 and 2013, respectively. Amortization expense related to intangible assets for the years ended December 31, 2013, 2014, 2015, 2016, 2017 and thereafter is expected to be approximately $49.4 million, $48.7 million, $46.7 million, $44.9 million, $36.4 million and $68.5 million, respectively. Intangible assets as of September 30, 2013 will be fully amortized during the year ended December 31, 2021.

6. NOTES PAYABLE

Notes payable consist of the following (in thousands):

	December 31, 2012	September 30, 2013
2011 Term Facility (net of discount)	$584,813	$—
2013 Term Facility (net of discount)	—	318,257
Senior Notes	—	300,000
Total	584,813	618,257
Less: current portion, net of discount	(8,125)	(7,972)
Long-term portion	$576,688	$610,285

Debt Refinancing

As of December 31, 2012, the Company’s outstanding borrowings, net of discount, under its credit facility were $584.8 million. This credit facility provided for: (1) a $600 million senior secured term loan facility (2011 Term Facility); (2) a $100 million senior secured revolving credit facility (2011 Revolving Facility and together with the 2011 Term Facility, the 2011 Credit Facilities). As of December 31, 2012, available borrowings under the 2011 Revolving Facility were $92.2 million.

On January 22, 2013, the Company entered into a credit facility that provided for a $325 million senior secured term loan facility (2013 Term Facility) and a $200 million senior secured revolving credit facility (2013 Revolving Facility, and together with the 2013 Term Facility, the 2013 Credit Facilities). In addition, the Company closed an offering of $300 million aggregate principal amount of senior notes (Senior Notes). The Company used the proceeds received from the 2013 Term Facility and

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Senior Notes to repay its outstanding principal borrowings of $592.5 million under the 2011 Term Facility. The Company used available borrowings under the 2013 Revolving Facility to secure outstanding letters of credit totaling $7.8 million that were previously secured by the 2011 Revolving Facility. The 2011 Credit Facilities were terminated in connection with this refinancing event.

Certain investors of the 2011 Credit Facilities reinvested in either or both of the 2013 Credit Facilities and Senior Notes and the change in the present value of future cash flows between the investments was less than 10%. Accordingly, the Company accounted for this refinancing event for these investors as a debt modification. Certain investors of the 2011 Credit Facilities either did not invest in the 2013 Credit Facilities or Senior Notes or the change in the present value of future cash flows between the investments was greater than 10%. Accordingly, the Company accounted for this refinancing event for these investors as a debt extinguishment. In applying debt modification accounting, during the three months ended March 31, 2013, the Company recorded $25.8 million in loan origination fees and deferred financing costs, of which $16.9 million related to investors of the 2011 Credit Facilities that reinvested in either or both of the 2013 Credit Facilities and Senior Notes. This amount is being amortized into interest expense over the term of the 2013 Credit Facilities and Senior Notes using the effective interest method. In addition, the Company recorded $10.9 million in interest and other expense, comprised of $9.4 million in loss on debt extinguishment and $1.5 million in debt modification expense, in connection with this refinancing event.

2013 Credit Facilities

The 2013 Credit Facilities include: (1) the 2013 Term Facility; (2) the 2013 Revolving Facility, of which (a) $100 million is available for the issuance of letters of credit and (b) $25 million is available as a swingline subfacility; and (3) incremental term loan facilities in an amount such that after giving effect to the incurrence of any such incremental loans, either (a) the aggregate amount of incremental loans does not exceed $400 million or (b) the Consolidated Secured Leverage Ratio (as defined in the 2013 Credit Facilities) on a pro forma basis after giving effect to any such increase would not exceed 2.50 to 1.00. The 2013 Revolving Facility and 2013 Term Facility mature on January 22, 2018. As of September 30, 2013, the Company had not borrowed any amounts under the 2013 Revolving Facility and available borrowings were $192.0 million, exclusive of outstanding letters of credit totaling $8.0 million.

Principal payments under the 2013 Term Facility are as follows (in thousands):

2013	$8,125
2014	8,125
2015	8,125
2016	8,125
2017	8,125
Thereafter	284,375
Total principal payments	$325,000

Principal payments under the 2013 Term Facility of $2.0 million are due on the last day of the quarter beginning on March 31, 2013 and ending on December 31, 2017. The remaining 2013 Term Facility principal balance of $284.4 million is due in full on January 22, 2018, subject to early mandatory prepayments.

The loans outstanding under the 2013 Credit Facilities (Loans) bear interest, at the Company’s option, either: (1) at the base rate, which is defined as the highest of (a) the federal funds rate plus 0.50%, (b) the interest rate published by the Wall Street Journal from time to time as the “U.S. Prime Rate” and (c) the adjusted LIBOR rate for a one-month interest period beginning on such day plus 1.00%; or (2) at the LIBOR rate plus, in each case, an applicable margin. The applicable margin is (1) if the Consolidated Leverage Ratio is less than 2.00:1.00, 0.50% per annum for borrowings based on the base rate and 1.50% per annum for borrowings based on the LIBOR rate, or (2) if the Consolidated Leverage Ratio is 2.00:1.00 or greater, 0.75% per annum for borrowings based on the base rate and 1.75% per annum borrowings based on the LIBOR rate. The accrued interest under the 2013 Term Facility is payable quarterly beginning on March 31, 2013.

The Company may voluntarily prepay the Loans at any time in minimum amounts of $1 million or an integral multiple of $500,000 in excess thereof. The 2013 Credit Facilities provide for mandatory prepayments with the net cash proceeds of certain debt issuances, insurance receipts, and dispositions. The 2013 Term Facility also contains certain events of default, upon the occurrence of which, and so long as such event of default is continuing, the amounts outstanding may, at the option of

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the required lenders, accrue interest at an increased rate and payments of such outstanding amounts could be accelerated, or other remedies undertaken.

As of September 30, 2013, deferred financing costs and loan origination fees related to the 2013 Credit Facilities were $8.9 million. Total amortization expense of the deferred financing costs and loan origination fees was $0.5 million and $1.5 million for the three and nine months ended September 30, 2013, respectively, and was reported as interest expense in the consolidated statements of operations.

Senior Notes

On January 22, 2013, the Company closed an offering of $300 million aggregate principal amount of 4.50% senior notes due 2023 to qualified institutional buyers pursuant to Rule 144A, and outside of the United States pursuant to Regulation S, under the Securities Act of 1933, as amended. The Senior Notes were issued pursuant to an indenture, dated as of January 22, 2013, among the Company, certain of its domestic subsidiaries, or the Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as trustee, or the Indenture. The Senior Notes are the general unsecured senior obligations of the Company and are guaranteed on a senior unsecured basis by the Subsidiary Guarantors.

Interest is payable on the Senior Notes semi-annually in arrears at an annual rate of 4.50%, on January 15 and July 15 of each year, beginning on July 15, 2013. The Senior Notes will mature on January 15, 2023. Interest accrues from January 22, 2013. As of September 30, 2013, accrued interest under the Senior Notes was $2.8 million. At September 30, 2013, the estimated fair value of the Senior Notes was $272.1 million and was determined using a secondary market price on the last trading day in each period as quoted by Bloomberg (Level 2 inputs).

At any time and from time to time prior to July 15, 2016, the Company may redeem up to a maximum of 35% of the original aggregate principal amount of the Senior Notes with the proceeds of certain equity offerings, at a redemption price equal to 104.50% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided that: (1) at least 65% of the original aggregate principal amount of the Senior Notes remains outstanding; and (2) the redemption occurs within 90 days of the completion of such equity offering upon not less than 30 nor more than 60 days prior notice.

Prior to January 15, 2018, the Company may redeem some or all of the Senior Notes by paying a “make-whole” premium based on U.S. Treasury rates. During the 12-month period commencing on January 15 of the relevant year listed below, the Company may redeem some or all of the Senior Notes at the prices listed below, plus accrued and unpaid interest, if any, to, but not including, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date): 2018 at a redemption price of 102.25%; 2019 at a redemption price of 101.50%; 2020 at a redemption price of 100.75%; and 2021 and thereafter at a redemption price of 100.00%. If the Company experiences certain changes of control together with a ratings downgrade, it will be required to offer to purchase all of the Senior Notes then outstanding at a purchase price equal to 101.00% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of purchase. If the Company sells certain assets and does not repay certain debt or reinvest the proceeds of such sales within certain time periods, it will be required to offer to repurchase the Senior Notes with such proceeds at 100.00% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

The Senior Notes contain customary events of default, including among other things, payment default, failure to provide certain notices and defaults related to bankruptcy events. The Senior Notes also contain customary negative covenants.

As of September 30, 2013, deferred financing costs related to the Senior Notes were $14.6 million. Total amortization expense of the deferred financing costs was $0.3 million and $0.9 million for the three and nine months ended September 30, 2013, respectively, and is reported as interest expense in the consolidated statements of operations.

7. STOCKHOLDERS’ EQUITY

Stock-Based Compensation

The Company maintains six compensation plans: the NeuStar, Inc. 1999 Equity Incentive Plan (1999 Plan); the NeuStar, Inc. 2005 Stock Incentive Plan (2005 Plan); the Amended and Restated NeuStar, Inc. 2009 Stock Incentive Plan (2009 Plan); the Targus Information Corporation Amended and Restated 2004 Stock Incentive Plan (TARGUSinfo Plan); the AMACAI Information Corporation 2004 Stock Incentive Plan (AMACAI Plan) (collectively, the Plans), and the Neustar, Inc. Employee

Stock Purchase Plan (ESPP). The Company may grant to its directors, employees and consultants awards under the 2009 Plan in the form of incentive stock options, nonqualified stock options, stock appreciation rights, shares of restricted stock, restricted stock units, performance vested restricted stock units (PVRSUs) and other stock-based awards. The aggregate number of shares of Class A common stock with respect to which all awards may be granted under the 2009 Plan is 11,911,646, plus the number of shares underlying awards granted under the 1999 Plan, the 2005 Plan, the TARGUSinfo Plan, and the AMACAI Plan that remain undelivered following any expiration, cancellation or forfeiture of such awards. As of September 30, 2013, a total of 5,972,189 shares were available for grant or award under the 2009 Plan.

The Company's ESPP permits employees to purchase shares of common stock at a 15% discount from the market price of the stock at the beginning or at the end of a six-month purchase period, whichever is less. The six-month purchase periods begin on May 1 and November 1 each year. As of September 30, 2013, a total of 600,000 shares were available to be issued under the ESPP from the Company's treasury stock.

Stock-based compensation expense recognized for the three months ended September 30, 2012 and 2013 was $9.0 million and $9.7 million, respectively, and $20.0 million and $27.7 million for the nine months ended September 30, 2012 and 2013, respectively. As of September 30, 2013, total unrecognized compensation expense related to non-vested stock options, non-vested restricted stock awards, non-vested restricted stock units and non-vested PVRSUs granted prior to that date was estimated at $51.5 million, which the Company expects to recognize over a weighted average period of approximately 1.37 years. Total unrecognized compensation expense as of September 30, 2013 is estimated based on outstanding non-vested stock options, non-vested restricted stock awards, non-vested restricted stock units and non-vested PVRSUs. Stock-based compensation expense may increase or decrease in future periods for subsequent grants or forfeitures, and changes in the estimated fair value of non-vested awards granted to consultants.

Stock Options

The Company utilizes the Black-Scholes option pricing model to estimate the fair value of stock options granted. No options were granted during the three and nine months ended September 30, 2012 and 2013. The following table summarizes the Company’s stock option activity:

	Shares	Weighted-Average Exercise Price	Aggregate Intrinsic Value (in millions)	Weighted-Average Remaining Contractual Life (in years)
Outstanding at December 31, 2012	3,296,040	$24.81		
Options granted	—	—		
Options exercised	(744,865)	24.28		
Options forfeited	(330,873)	27.36		
Outstanding at September 30, 2013	2,220,302	$24.61	$55.2	6.31
Exercisable at September 30, 2013	1,373,579	$23.91	$35.1	5.82

The aggregate intrinsic value of options exercised for the nine months ended September 30, 2013 was $17.8 million.

Restricted Stock Awards

The following table summarizes the Company's non-vested restricted stock activity for the nine months ended September 30, 2013:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2012	305,390	$24.20	
Restricted stock granted	—	—	
Restricted stock vested	(101,520)	25.02	
Restricted stock forfeited	(33,172)	26.43	
Outstanding at September 30, 2013	170,698	$23.28	$8.4

The total aggregate intrinsic value of restricted stock vested during the nine months ended September 30, 2013 was $4.6 million. During the three and nine months ended September 30, 2013, the Company repurchased 2,866 and 37,301 shares of common stock, respectively, for an aggregate purchase price of $0.2 million and $1.7 million, respectively, pursuant to the participants' rights under the Company's stock incentive plans to elect to use common stock to satisfy their tax withholding obligations.

Performance Vested Restricted Stock Units

2012 Long-Term Incentive Program

During the nine months ended September 30, 2013, the Company awarded 99,210 PVRSUs, of which 49,605 PVRSUs were granted with an aggregate fair value of $2.2 million. During the three months ended March 31, 2013, the Company established the performance goals for the period beginning on January 1, 2013 and ending on December 31, 2013. The establishment of the 2013 performance goals resulted in the grant of 606,456 PVRSUs with an aggregate fair value of $26.7 million, originally awarded during the year ended December 31, 2012.

For executive management, the awarded PVRSUs are subject to five one-year performance periods, the first of which began on January 1, 2012 and ended December 31, 2012 and the last of which begins on January 1, 2016 and ends on December 31, 2016. Each executive is eligible to earn up to 150% of one-fifth of the award with respect to each annual performance period, subject to the achievement of the respective performance goals for each one-year performance period. For non-executive management, the PVRSUs awarded are subject to three one-year performance periods, the first of which began on January 1, 2012 and ended December 31, 2012 and the last of which begins on January 1, 2014 and ends on December 31, 2014. Each non-executive is eligible to earn up to 150% of one-third of the award with respect to each annual performance period, subject to the achievement of the respective performance goals for each one-year performance period. For both executive and non-executive management, the performance goals for each of the 2012 and 2013 performance periods were and will be based on: (i) Non-NPAC Revenue, (ii) Total Revenue, and (iii) Adjusted Net Income. The performance goals for the future one-year performance periods will consist of financial measures, weights and payouts to be established no later than 90 days after the beginning of each such period.

Subject to each participant's continued service and to certain other terms and conditions, the portion of the award, if any, earned (a) by executive management with respect to the first three performance periods will vest on January 1, 2015 and the portion of the award, if any, earned with respect to the final two performance periods will vest on January 1, 2016 and January 1, 2017, respectively; and (b) by non-executive management with respect to all three performance periods, 75% of the earned amount will vest on the first business day of 2015, and the remaining 25% of the earned amount will vest on the first business day of 2016. Compensation expense related to these awards is recognized over the requisite service period based on the Company's estimate of the achievement of the performance target and the length of the vesting period.

2013 Long-Term Incentive Program

During the nine months ended September 30, 2013, the Company awarded 230,840 PVRSUs, of which 65,079 PVRSUs were granted with an aggregate fair value of $3.1 million.

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The awarded PVRSUs are subject to three one-year performance periods, the first of which begins on January 1, 2013 and ends on December 31, 2013 and the last of which begins on January 1, 2015 and ends on December 31, 2015. Each participant is eligible to earn up to 150% of one-third of the award with respect to each annual performance period, subject to the achievement of the respective performance goals for each one-year performance period. The performance goal for the performance period from January 1, 2013 through December 31, 2013 will be based on: (i) Non-NPAC Revenue, (ii) Total Revenue, and (iii) Adjusted Net Income. The performance goals for the future one-year performance periods will consist of financial measures, weights and payouts to be established no later than 90 days after the beginning of each such period.

Subject to each participant's continued service and to certain other terms and conditions, the portion of the award, if any, earned will vest on March 1 in the year following the respective annual performance period. Compensation expense related to these awards is recognized over the requisite service period based on the Company's estimate of the achievement of the performance target and the length of the vesting period.

Non-Vested PVRSU Activity

The fair value of a PVRSU is measured by reference to the closing market price of the Company's common stock on the date of the grant. Compensation expense is recognized on a straight-line basis over the requisite service period based on the number of PVRSUs expected to vest. As of September 30, 2013, the level of achievement of the performance target awards for PVRSUs performance years 2011, 2012 and 2013 was 134%, 129.5% and 100%, respectively.

The following table summarizes the Company's non-vested PVRSU activity for the nine months ended September 30, 2013:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Non-vested December 31, 2012	971,023	$31.72	
Granted	721,140	44.34	
Incremental achieved (1)	170,225	36.32	
Vested	(159,346)	22.85	
Forfeited	(233,140)	35.59	
Non-vested September 30, 2013	1,469,902	$38.79	$72.7

(1) Incremental achieved represents the additional awards in excess of the target grant resulting from the achievement of performance goals at levels above the performance targets established at the grant date.

The total aggregate intrinsic value of PVRSUs vested during the nine months ended September 30, 2013 was approximately $6.7 million. The Company repurchased 60,075 shares of common stock for an aggregate purchase price of $2.5 million pursuant to the participants' rights under the Plans to elect to use common stock to satisfy their tax withholding obligations.

Restricted Stock Units

The following table summarizes the Company's restricted stock units activity for the nine months ended September 30, 2013:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2012	922,550	$33.20	
Granted	80,374	48.29	
Vested	(174,065)	38.28	

Forfeited	(73,491)	36.98	
Outstanding at September 30, 2013	755,368	$33.27	$37.4

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During the nine months ended September 30, 2013, the Company granted 80,374 restricted stock units to certain employees with an aggregate fair value of $3.9 million. Restricted stock units granted to executive management will vest annually in 5 equal installments. Restricted stock units granted to non-executive management will vest annually in 4 equal installments.

The restricted stock units previously issued to non-management directors of the Company's Board of Directors will fully vest on the earlier of the first anniversary of the date of grant or the day preceding the date in the following calendar year on which the Company's annual meeting of stockholders is held. Upon vesting of restricted stock units granted prior to 2011, each director's restricted stock units will automatically be converted into deferred stock units, and will be delivered to the director in shares of the Company's stock six months following the director's termination of board service. Upon vesting of restricted stock units that were granted in 2011 and subsequent periods, each director's restricted stock units will automatically be converted into deferred stock units and will be delivered to the director in shares of the Company's stock six months following the director's termination of board service unless a director elected near-term delivery, in which case the vested restricted stock units will be delivered on August 15 in the year following the initial grant.

Employee Stock Purchase Plan

The Company estimated the fair value of stock-based compensation expense associated with its ESPP using the Black-Scholes option pricing model, with the following assumptions:

	Three and Nine Months Ended September 30, 2013	
Dividend yield	—	%
Expected volatility	24.05	%
Risk-free interest rate	0.08	%
Expected life of employee stock purchase plan options (in months)	6	

Dividend yield - The Company has never declared or paid dividends on its common stock and does not anticipate paying dividends in the foreseeable future.

Expected volatility - Volatility is a measure of the amount by which a financial variable such as a share price has fluctuated (historical volatility) or is expected to fluctuate (expected volatility) during a period. The Company considered the historical volatility of its stock price over a term similar to the expected life of the option to purchase shares under the ESPP during a 6 month purchase period.

Risk-free interest rate - The risk-free interest rate is based on U.S. Treasury bonds issued with similar life terms to the expected life of the ESPP options.

Expected life of ESPP options - The expected life of ESPP options was based on the six-month purchase period.

Share Repurchase Program

Under the 2010 share repurchase program, during the nine months ended September 30, 2013, the Company purchased 0.8 million shares of its Class A common stock at an average price of $44.09 per share for a total purchase price of $35.4 million. As of September 30, 2013, a total of 8.0 million shares at an average price of $31.07 per share had been purchased under the 2010 share repurchase program for an aggregate purchase price of $248.1 million. All purchased shares are accounted for as treasury shares.

On May 2, 2013, the Company announced that its Board of Directors authorized a $250 million share repurchase program, commencing in the second quarter of 2013 and expiring on December 31, 2013. This program replaced the 2010 share repurchase program. Under the 2013 share repurchase program, during the three and nine months ended September 30, 2013, the Company purchased 1.8 million and 3.0 million shares, respectively, of its Class A common stock at an average price of $52.06 and $50.38 per share, respectively, for a total purchase price of $96.1 million and $154.5 million, respectively. All purchased shares are accounted for as treasury shares.

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8. BASIC AND DILUTED NET INCOME PER COMMON SHARE

The following table provides a reconciliation of the numerators and denominators used in computing basic and diluted net income per common share (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Computation of basic net income per common share:				
Net income	$45,753	$47,539	$118,307	$124,701
Weighted average common shares and participating securities outstanding – basic	66,523	63,978	66,880	65,223
Basic net income per common share	$0.69	$0.74	$1.77	$1.91
Computation of diluted net income per common share:				
Weighted average common shares and participating securities outstanding – basic	66,523	63,978	66,880	65,223
Effect of dilutive securities:				
Stock-based awards	1,100	1,532	1,081	1,490
Weighted average common shares outstanding – diluted	67,623	65,510	67,961	66,713
Diluted net income per common share	$0.68	$0.73	$1.74	$1.87

Diluted net income per common share reflects the potential dilution of common stock equivalents such as options, warrants and shares issuable under our ESPP, to the extent the impact is dilutive. Stock-based awards to purchase an aggregate of 583,482 and 23,897 shares were excluded from the calculation of the denominator for diluted net income per common share for the three months ended September 30, 2012 and 2013, respectively, due to their anti-dilutive effects. Stock-based awards to purchase an aggregate of 637,385 and 50,703 shares were excluded from the calculation of the denominator for diluted net income per common share for the nine months ended September 30, 2012 and 2013, respectively, due to their anti-dilutive effects.

9. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table provides a reconciliation of the changes in accumulated other comprehensive income, net of tax, by component (in thousands):

	Unrealized Gains and Losses on Investments	Foreign Currency Translation Adjustment	Total
Balance at December 31, 2012	$142	$(909)	$(767)
Other comprehensive loss before reclassifications	(198)	(242)	(440)
Amounts reclassified from accumulated other comprehensive loss	—	—	—
Net current-period other comprehensive loss	(198)	(242)	(440)
Balance at September 30, 2013	$(56)	$(1,151)	$(1,207)

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10. OTHER (EXPENSE) INCOME

Other (expense) income consists of the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Interest and other expense:				
Interest expense	$8,622	$5,809	$25,489	$18,146
Loss on debt modification and extinguishment	—	—	—	10,886
Gain on asset disposals	(31)	(203)	(76)	(248)
Foreign currency transaction gain	(74)	(215)	(299)	(82)
Other	—	105	—	149
Total	$8,517	$5,496	$25,114	$28,851
Interest and other income:				
Interest income	$140	$64	$479	$292
Total	$140	$64	$479	$292

11. INCOME TAXES

The Company's effective tax rate increased to 36.8% for the nine months ended September 30, 2013 from 35.3% for the nine months ended September 30, 2012 primarily due to discrete benefits for the foreign tax credit and domestic production activities deduction recorded in the second and third quarters of 2012.

As of December 31, 2012 and September 30, 2013, the Company had unrecognized tax benefits of $4.4 million and $6.3 million, respectively, of which $4.1 million and $5.9 million, respectively, would affect the Company's effective tax rate if recognized.

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. During the three months ended September 30, 2012 and 2013, the Company recognized potential interest and penalties of $8,000 and $14,000, respectively, and $98,000 and $55,000 for the nine months ended September 30, 2012 and 2013, respectively. As of December 31, 2012 and September 30, 2013, the Company had established reserves of approximately $194,000 and $249,000, respectively, for accrued potential interest and penalties related to uncertain tax positions. To the extent interest and penalties are not assessed with respect to uncertain tax positions, amounts accrued will be reduced and reflected as a reduction of the overall income tax provision.

The Company files income tax returns in the United States Federal jurisdiction and in many state and foreign jurisdictions. The tax years 2007 through 2012 remain open to examination by the major taxing jurisdictions to which the Company is subject. The IRS has initiated an examination of the Company's 2009 federal income tax return. While the ultimate outcome of the audit is uncertain, management does not currently believe that the outcome will have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company anticipates that total unrecognized tax benefits will decrease by approximately $407,000 over the next 12 months due to the expiration of certain statutes of limitations and settlement of tax audits.

12. SEGMENT INFORMATION

The Company has three operating segments, reflective of the manner in which the chief operating decision maker (CODM) allocates resources and assesses performance: Carrier Services, Enterprise Services, and Information Services. The Company's operating segments are the same as its reportable segments.

The Company's Carrier Services operating segment provides services that ensure the seamless connection of its carrier customers' numerous networks, while also enhancing the capabilities and performance of their customer's infrastructure. The Company enables its carrier customers to use, exchange and share critical resources, such as telephone numbers, to facilitate

order management and work flow processing among carriers, and allows operators to manage and optimize the addressing and routing of IP communications.

The Company's Enterprise Services operating segment provides services to its enterprise customers to meet their respective directory-related needs, as well as Internet infrastructure services. The Company is the authoritative provider of essential registry services and manages directories of similar resources, or addresses, that its customers use for reliable, fair and secure access and connectivity. The Company provides a suite of DNS services to its enterprise customers built on a global directory platform. The Company manages a collection of directories that maintain addresses in order to direct, prioritize and manage Internet traffic, and to find and resolve Internet queries and top-level domains. The Company's services monitor and load-test websites to help identify issues and optimize performance. In addition, the Company provides fixed IP geolocation services that help enterprises identify the location of their consumers used in a variety of purposes, including fraud prevention and marketing. Additionally, the Company provides directory services for the 5- and 6-digit number strings used for all U.S. Common Short Codes, which is part of the short messaging service relied upon by the U.S. wireless industry.

The Company's Information Services segment provides a broad portfolio of real-time information and analytics services that enable clients to identify, verify and score their customers and prospective customers, or prospects, to deliver customized responses to a large number of consumer-initiated queries. As an example, the Company provides marketers with the ability to tailor offers made to consumers over the telephone or on the Internet in real time. The Company is one of the largest non-carrier providers of Caller ID services, and provides a comprehensive market analytics platform that enables clients to segment and score customers and prospects for real-time interactive marketing initiatives. Additionally, the Company's business listings identity management service provides local businesses and local search platforms with a single, trusted source of verified business listings for local searches. The Company's online audience solution enables online advertisers to display relevant advertisements to specific audiences, increasing the effectiveness of online advertising and delivering a more useful online experience for consumers using a database and targeting system that protect a consumer's privacy.

The Company reports segment information based on the "management" approach which relies on the internal performance measures used by the CODM to assess the performance of each operating segment in a given period. In connection with that assessment, the CODM reviews revenues and segment contribution, which excludes certain unallocated costs within the following expense classifications: cost of revenue, sales and marketing, research and development and general and administrative. Depreciation and amortization and restructuring charges are also excluded from segment contribution.

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Information for the three and nine months ended September 30, 2012 and 2013 regarding the Company's reportable segments was as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Revenue:				
Carrier Services	$125,202	$139,477	$375,922	$406,381
Enterprise Services	43,630	44,896	125,204	133,466
Information Services	42,340	43,260	116,090	124,552
Total revenue	$211,172	$227,633	$617,216	$664,399
Segment contribution:				
Carrier Services	$109,359	$121,288	$328,243	$352,768
Enterprise Services	20,314	22,393	55,911	65,481
Information Services	24,064	21,741	59,069	57,620
Total segment contribution	153,737	165,422	443,223	475,869
Indirect operating expenses:				
Cost of revenue (excluding depreciation and amortization shown separately below)	24,989	26,091	73,999	78,023
Sales and marketing	6,050	6,524	18,415	19,444
Research and development	4,270	4,551	13,561	13,379
General and administrative	20,213	23,257	60,344	65,095
Depreciation and amortization	23,622	24,586	69,041	73,941
Restructuring charges	(32)	—	492	2
Income from operations	$74,625	$80,413	$207,371	$225,985

Assets are not tracked by segment and the CODM does not evaluate segment performance based on asset utilization.

Enterprise-Wide Disclosures

Geographic area revenues and service offering revenues from external customers for the three and nine months ended September 30, 2012 and 2013, and geographic area long-lived assets as of December 31, 2012 and September 30, 2013 are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Revenues by geographical areas:				
North America	$200,891	$213,403	$584,486	$627,652
Europe and Middle East	6,391	7,560	20,624	21,487
Other regions	3,890	6,670	12,106	15,260
Total revenues	$211,172	$227,633	$617,216	$664,399

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NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2013

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2013	2012	2013
Revenues by service offerings:				
Carrier Services:				
Numbering Services	$111,726	$119,873	$333,111	$355,693
Order Management Services	10,104	16,299	31,555	39,561
IP Services	3,372	3,305	11,256	11,127
Total Carrier Services	125,202	139,477	375,922	406,381
Enterprise Services:				
Internet Infrastructure Services	22,856	25,026	67,034	72,528
Registry Services	20,774	19,870	58,170	60,938
Total Enterprise Services	43,630	44,896	125,204	133,466
Information Services:				
Identification Services	24,212	23,246	69,888	68,915
Verification & Analytics Services	13,078	14,081	31,135	38,650
Local Search & Licensed Data Services	5,050	5,933	15,067	16,987
Total Information Services	42,340	43,260	116,090	124,552
Total revenues	$211,172	$227,633	$617,216	$664,399

	December 31, 2012	September 30, 2013
Long-lived assets, net		
North America	$406,973	$369,012
Central America	16	9
Europe and Middle East	10	11
Other regions	1	1
Total long-lived assets, net	$407,000	$369,033

13. SUPPLEMENTAL GUARANTOR INFORMATION

The following schedules present condensed consolidating financial information of the Company as of December 31, 2012 and September 30, 2013 and for the three and nine months ended September 30, 2012 and 2013 for (a) Neustar, Inc., the parent company; (b) certain of the Company's 100% owned domestic subsidiaries (collectively, the Subsidiary Guarantors); and (c) certain wholly-owned domestic and foreign subsidiaries of the Company (collectively, the Non-Guarantor Subsidiaries). Investments in subsidiaries are accounted for using the equity method; accordingly, entries necessary to consolidate the parent company and all of the guarantor and non-guarantor subsidiaries are reflected in the eliminations column. Intercompany amounts that will not be settled between entities are treated as contributions or distributions for purposes of these consolidated financial statements. The guarantees, as outlined in Note 6, are full and unconditional and joint and several.

NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2013

CONDENSED CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2012
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$330,849	$5,372	$ 4,034	$—	$340,255
Restricted cash	1,481	845	217	—	2,543
Short-term investments	3,666	—	—	—	3,666
Accounts receivable, net	75,849	54,599	1,357	—	131,805
Unbilled receivables	1,221	5,030	121	—	6,372
Notes receivable	2,740	—	—	—	2,740
Prepaid expenses and other current assets	14,306	3,057	344	—	17,707
Deferred costs	6,989	296	94	—	7,379
Income taxes receivable	7,043	—	—	(447)	6,596
Deferred tax assets	3,278	4,020	—	(605)	6,693
Intercompany receivable	16,856	—	—	(16,856)	—
Total current assets	464,278	73,219	6,167	(17,908)	525,756
Property and equipment, net	92,183	26,303	27	—	118,513
Goodwill	80,911	467,538	23,729	—	572,178
Intangible assets, net	18,025	270,462	—	—	288,487
Notes receivable, long-term	1,008	—	—	—	1,008
Net investments in subsidiaries	703,394	—	—	(703,394)	—
Deferred tax assets, long-term	—	—	710	(710)	—
Other assets, long-term	20,224	548	10	—	20,782
Total assets	$1,380,023	$838,070	$ 30,643	$(722,012)	$1,526,724
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$6,117	$2,819	$ 333	$—	$9,269
Accrued expenses	65,956	17,382	2,086	—	85,424
Income taxes payable	—	—	447	(447)	—
Deferred revenue	29,031	18,473	1,566	—	49,070
Notes payable	8,125	—	—	—	8,125
Capital lease obligations	1,686	—	—	—	1,686
Deferred tax liabilities	—	—	605	(605)	—
Other liabilities	2,288	1,432	136	—	3,856
Intercompany payable	—	115	16,741	(16,856)	—
Total current liabilities	113,203	40,221	21,914	(17,908)	157,430
Deferred revenue, long-term	9,234	688	—	—	9,922
Notes payable, long-term	576,688	—	—	—	576,688
Capital lease obligations, long-term	817	—	—	—	817
Deferred tax liabilities, long-term	17,448	97,392	—	(710)	114,130
Other liabilities, long-term	14,772	6,357	—	—	21,129
Total liabilities	732,162	144,658	21,914	(18,618)	880,116

Total stockholders’ equity	647,861	693,412	8,729	(703,394)	646,608
Total liabilities and stockholders’ equity	$1,380,023	$838,070	$ 30,643	$(722,012)	$1,526,724

NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2013

CONDENSED CONSOLIDATED BALANCE SHEET
SEPTEMBER 30, 2013
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$346,639	$228	$ 5,847	$—	$352,714
Restricted cash	1,260	595	3	—	1,858
Accounts receivable, net	87,133	53,605	1,392	—	142,130
Unbilled receivables	3,198	7,489	2,240	—	12,927
Notes receivable	1,601	—	—	—	1,601
Prepaid expenses and other current assets	16,427	3,707	201	—	20,335
Deferred costs	6,406	371	96	—	6,873
Income taxes receivable	5,134	—	—	(810)	4,324
Deferred tax assets	4,133	1,974	—	(822)	5,285
Intercompany receivable	12,255	—	—	(12,255)	—
Total current assets	484,186	67,969	9,779	(13,887)	548,047
Property and equipment, net	90,897	20,623	21	—	111,541
Goodwill	84,771	467,538	23,729	—	576,038
Intangible assets, net	21,993	235,499	—	—	257,492
Net investments in subsidiaries	686,209	—	—	(686,209)	—
Deferred tax assets, long-term	—	—	148	(148)	—
Other assets, long-term	24,656	763	166	—	25,585
Total assets	$1,392,712	$792,392	$ 33,843	$(700,244)	$1,518,703
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$4,146	$1,584	$ —	$—	$5,730
Accrued expenses	60,138	15,517	3,532	—	79,187
Income taxes payable	—	—	810	(810)	—
Deferred revenue	30,726	17,682	935	—	49,343
Notes payable	7,972	—	—	—	7,972
Capital lease obligations	572	—	—	—	572
Deferred tax liability	—	—	822	(822)	—
Other liabilities	1,999	817	10	—	2,826
Intercompany payable	—	—	12,255	(12,255)	—
Total current liabilities	105,553	35,600	18,364	(13,887)	145,630
Deferred revenue, long-term	9,354	666	—	—	10,020
Notes payable, long-term	610,285	—	—	—	610,285
Capital lease obligations, long-term	245	—	—	—	245
Deferred tax liabilities, long-term	22,939	80,754	—	(148)	103,545
Other liabilities, long-term	16,302	5,962	—	—	22,264
Total liabilities	764,678	122,982	18,364	(14,035)	891,989
Total stockholders' equity	628,034	669,410	15,479	(686,209)	626,714
Total liabilities and stockholders' equity	$1,392,712	$792,392	$ 33,843	$(700,244)	$1,518,703

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NEUSTAR, INC.
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FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2013

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 2012
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:	$144,913	$64,445	$ 2,296	$(482)	$211,172
Operating expense:					
Cost of revenue (excluding depreciation and amortization shown separately below)	37,359	7,470	1,895	(385)	46,339
Sales and marketing	20,072	16,691	1,303	(26)	38,040
Research and development	4,076	3,565	22	—	7,663
General and administrative	18,088	2,453	445	(71)	20,915
Depreciation and amortization	8,807	14,806	9	—	23,622
Restructuring recoveries	(32)	—	—	—	(32)
	88,370	44,985	3,674	(482)	136,547
Income (loss) from operations	56,543	19,460	(1,378)	—	74,625
Other (expense) income:					
Interest and other expense	(8,538)	56	(35)	—	(8,517)
Interest and other income	149	10	(19)	—	140
Income (loss) before income taxes and equity income (loss) in consolidated subsidiaries	48,154	19,526	(1,432)	—	66,248
Provision for income taxes	12,643	7,595	257	—	20,495
Income (loss) before equity income (loss) in consolidated subsidiaries	35,511	11,931	(1,689)	—	45,753
Equity income (loss) in consolidated subsidiaries	10,207	(883)	—	(9,324)	—
Net income (loss)	$45,718	$11,048	$ (1,689)	$(9,324)	$45,753
Comprehensive income (loss)	$45,809	$11,048	$ (1,673)	$(9,324)	$45,860

NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2013

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
THREE MONTHS ENDED SEPTEMBER 30, 2013
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:	$156,508	$67,140	$4,942	$(957)	$227,633
Operating expense:					
Cost of revenue (excluding depreciation and amortization shown separately below)	39,493	10,796	1,976	(831)	51,434
Sales and marketing	16,744	22,566	955	(12)	40,253
Research and development	4,463	2,732	1	—	7,196
General and administrative	22,336	1,458	71	(114)	23,751
Depreciation and amortization	10,199	14,383	4	—	24,586
	93,235	51,935	3,007	(957)	147,220
Income from operations	63,273	15,205	1,935	—	80,413
Other (expense) income:					
Interest and other expense	(5,462)	(10)	(24)	—	(5,496)
Interest and other income	59	—	5	—	64
Income before income taxes and equity income in consolidated subsidiaries	57,870	15,195	1,916	—	74,981
Provision for income taxes	20,340	6,619	483	—	27,442
Income before equity income in consolidated subsidiaries	37,530	8,576	1,433	—	47,539
Equity income in consolidated subsidiaries	10,009	617	—	(10,626)	—
Net income	$47,539	$9,193	$1,433	$(10,626)	$47,539
Comprehensive income	$47,412	$9,207	$1,492	$(10,626)	$47,485

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CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2012
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:	$430,224	$180,956	$ 7,752	$(1,716)	$617,216
Operating expense:					
Cost of revenue (excluding depreciation and amortization shown separately below)	108,827	23,533	6,253	(1,249)	137,364
Sales and marketing	55,416	58,373	3,878	(201)	117,466
Research and development	12,804	10,450	229	—	23,483
General and administrative	52,747	9,230	288	(266)	61,999
Depreciation and amortization	25,311	43,696	34	—	69,041
Restructuring charges (recoveries)	623	—	(131)	—	492
	255,728	145,282	10,551	(1,716)	409,845
Income (loss) from operations	174,496	35,674	(2,799)	—	207,371
Other (expense) income:					
Interest and other expense	(25,511)	211	186	—	(25,114)
Interest and other income	557	43	(121)	—	479
Income (loss) before income taxes and equity income (loss) in consolidated subsidiaries	149,542	35,928	(2,734)	—	182,736
Provision for income taxes	50,123	13,211	1,095	—	64,429
Income (loss) before equity income (loss) in consolidated subsidiaries	99,419	22,717	(3,829)	—	118,307
Equity income (loss) in consolidated subsidiaries	18,853	(1,895)	—	(16,958)	—
Net income (loss)	$118,272	$20,822	$ (3,829)	$(16,958)	$118,307
Comprehensive income (loss)	$118,555	$20,670	$ (3,811)	$(16,958)	$118,456

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NEUSTAR, INC.
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CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
NINE MONTHS ENDED SEPTEMBER 30, 2013
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue:	$462,132	$193,698	$ 11,353	$(2,784)	$664,399
Operating expense:					
Cost of revenue (excluding depreciation and amortization shown separately below)	120,257	30,382	2,838	(2,527)	150,950
Sales and marketing	51,630	69,670	3,192	(24)	124,468
Research and development	12,883	9,411	2	—	22,296
General and administrative	60,836	5,401	753	(233)	66,757
Depreciation and amortization	30,239	43,686	16	—	73,941
Restructuring charges	2	—	—	—	2
	275,847	158,550	6,801	(2,784)	438,414
Income from operations	186,285	35,148	4,552	—	225,985
Other (expense) income:					
Interest and other expense	(28,807)	5	(49)	—	(28,851)
Interest and other income	278	1	13	—	292
Income before income taxes and equity income in consolidated subsidiaries	157,756	35,154	4,516	—	197,426
Provision for income taxes	56,499	15,145	1,081	—	72,725
Income before equity income in consolidated subsidiaries	101,257	20,009	3,435	—	124,701
Equity income in consolidated subsidiaries	23,444	1,671	—	(25,115)	—
Net income	$124,701	$21,680	$ 3,435	$(25,115)	$124,701
Comprehensive income	$124,396	$21,694	$ 3,286	$(25,115)	$124,261

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NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2012
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	$203,887	$62,678	$ 728	$(65,924)	$201,369
Investing activities:					
Purchases of property and equipment	(27,830)	(7,800)	—	—	(35,630)
Sales and maturities of investments	5,968	—	—	—	5,968
Purchases of investments	(1,494)	—	—	—	(1,494)
Net cash used in investing activities	(23,356)	(7,800)	—	—	(31,156)
Financing activities:					
Decrease of restricted cash	—	—	3	—	3
Payments under notes payable obligations	(4,500)	—	—	—	(4,500)
Principal repayments on capital lease obligations	(2,886)	—	—	—	(2,886)
Proceeds from exercise of common stock options	52,085	—	—	—	52,085
Excess tax benefits from stock-based compensation	7,676	—	12	—	7,688
Repurchase of restricted stock awards	(9,631)	—	—	—	(9,631)
Repurchase of common stock	(73,803)	—	—	—	(73,803)
Distribution to parent	—	(65,783)	(141)	65,924	—
Net cash used in financing activities	(31,059)	(65,783)	(126)	65,924	(31,044)
Effect of foreign exchange rates on cash and cash equivalents	(224)	(152)	19	—	(357)
Net increase (decrease) in cash and cash equivalents	149,248	(11,057)	621	—	138,812
Cash and cash equivalents at beginning of period	103,029	17,136	2,072	—	122,237
Cash and cash equivalents at end of period	$252,277	$6,079	$ 2,693	$—	$261,049

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NEUSTAR, INC.
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
NINE MONTHS ENDED SEPTEMBER 30, 2013
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	$211,336	$76,858	$ 10,716	$(87,888)	$211,022
Investing activities:					
Purchases of property and equipment	(32,206)	(3,044)	(9)	—	(35,259)
Sales and maturities of investments	3,543	—	—	—	3,543
Business acquired	(8,500)	—	—	—	(8,500)
Net cash used in investing activities	(37,163)	(3,044)	(9)	—	(40,216)
Financing activities:					
Decrease (increase) of restricted cash	444	248	(7)	—	685
Proceeds from notes payable, net of discount	624,244	—	—	—	624,244
Extinguishment of note payable	(592,500)	—	—	—	(592,500)
Debt issuance costs	(11,410)	—	—	—	(11,410)
Payments under notes payable obligations	(6,094)	—	—	—	(6,094)
Principal repayments on capital lease obligations	(1,686)	—	—	—	(1,686)
Proceeds from exercise of common stock options	18,225	—	—	—	18,225
Excess tax benefits from stock-based compensation	7,094	—	3	—	7,097
Repurchase of restricted stock awards	(6,861)	—	—	—	(6,861)
Repurchase of common stock	(189,834)	—	—	—	(189,834)
Distribution to parent	—	(79,206)	(8,682)	87,888	—
Net cash used in financing activities	(158,378)	(78,958)	(8,686)	87,888	(158,134)
Effect of foreign exchange rates on cash and cash equivalents	(5)	—	(208)	—	(213)
Net increase (decrease) in cash and cash equivalents	15,790	(5,144)	1,813	—	12,459
Cash and cash equivalents at beginning of period	330,849	5,372	4,034	—	340,255
Cash and cash equivalents at end of period	$346,639	$228	$ 5,847	$—	$352,714

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NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2013

13. SUBSEQUENT EVENT

On October 29, 2013, the Company acquired Aggregate Knowledge, Inc., (Aggregate Knowledge), a leading campaign and predictive analytics platform for advertising agencies and brand marketers, for approximately $119 million in cash consideration. The combination of the Company's real-time, offline and online marketing solutions and Aggregate Knowledge's media intelligence platform provides agencies and marketers the ability to plan, target, engage and measure cross-channel campaigns more effectively in a single view. The comprehensive workflow solution allows marketers to tailor their media spending plans, efficiently reach target audiences, and improve performance and engagement across devices and channels. This privacy-by-design marketing suite will help clients drive greater campaign success and increase return on investment. The purchase will be accounted for under the acquisition method of accounting in accordance with the Business Combinations Topic of the FASB ASC and the results of operations will be included within the Information Services segment. The purchase was funded with cash on hand.

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

Forward-Looking Statements

This quarterly report on Form 10-Q contains forward-looking statements, including, without limitation, statements concerning the conditions in our industry, our operations and economic performance, and our business and growth strategy. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "intends," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these other comparable terminology. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to differ materially from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Many of these risks are beyond our ability to control or predict. These forward-looking statements are based on estimates and assumptions by our management that we believe to be reasonable but are inherently uncertain and subject to a number of risks and uncertainties. These risks and uncertainties include, without limitation, those described in this report, in Part II, "Item 1A. Risk Factors" and in subsequent filings with the Securities and Exchange Commission. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as required by law.

Overview

During the third quarter, we continued to experience increased demand for our services. Revenue increased 8% to $227.6 million as compared to $211.2 million in the third quarter of 2012. Our Carrier Services segment contributed 7% of this increase, driven by a contractual increase of 6.5% in the fixed fee under our contracts to provide number portability services.

Further, we continued to execute our capital allocation strategy of returning cash to shareholders through share repurchases. During the third quarter of 2013, we purchased 1.8 million shares of our Class A common stock under the 2013 share repurchase program at an average price of $52.06 per share for a total price of $96.1 million.

As previously disclosed, in the second quarter of 2013, we submitted our response to the NAPM's Request for Proposal, or RFP, for the selection of the next local number portability administrator in accordance with the RFP submission requirements and timeline. In August 2013, the NAPM announced the commencement of a best and final offer process. The NAPM's timeline remains unchanged with vendor selection expected to be made in January 2014. We remain confident in the strength of our response to the NAPM's RFP, and we continue to believe that the high quality of our services provides us the best opportunity to remain the NPAC administrator of local number portability for the communications industry.

On October 29, 2013, we acquired Aggregate Knowledge, Inc., or Aggregate Knowledge, a leading campaign and predictive analytics platform for advertising agencies and brand marketers, for approximately $119 million in cash consideration. The combination of our real-time, offline and online marketing solutions and Aggregate Knowledge's media intelligence platform provides agencies and marketers the ability to plan, target, engage and measure cross-channel campaigns more effectively in a single view. The comprehensive workflow solution allows marketers to tailor their media spending plans, efficiently reach target audiences, and improve performance and engagement across devices and channels. This privacy-by-design marketing suite will help clients drive greater campaign success and increase return on investment. The purchase was funded with cash on hand.

As part of our 2013 strategic planning update, we continue to evolve the way in which we serve our clients and the way in which we go to market with solutions. As part of this planning process, we have been evaluating and continue to evaluate how we manage our business to most effectively serve our clients.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based on our unaudited consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of these financial statements in accordance with U.S. GAAP requires us to utilize accounting policies and make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies as of the date of the financial statements and the reported amounts of revenue and expense during a fiscal period. The Securities and Exchange Commission, or SEC, considers an accounting policy to be critical if it is important to a company’s financial condition and results of operations, and if it requires significant judgment and estimates on the part of management in its application. We have discussed the selection and development of the critical accounting policies with the audit committee of our Board of Directors, and the audit committee has reviewed our related disclosures in this report.

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Although we believe that our judgments and estimates are appropriate and reasonable, actual results may differ from those estimates. In addition, while we have used our best estimates based on the facts and circumstances available to us at the time, we reasonably could have used different estimates in the current period. Changes in the accounting estimates we use are reasonably likely to occur from period to period, which may have a material impact on the presentation of our financial condition and results of operations. If actual results or events differ materially from those contemplated by us in making these estimates, our reported financial condition and results of operations could be materially affected. See the information in our filings with the SEC from time to time, including Part I, "Item 1A. Risk Factors" of this Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, for certain matters that may bear on our results of operations.

The following discussion of selected critical accounting policies supplements the information relating to our critical accounting policies described in Part II, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2012.

Stock-Based Compensation

We recognize stock-based compensation expense in accordance with the Compensation – Stock Compensation Topic of the FASB ASC which requires the measurement and recognition of compensation expense for stock-based awards granted to employees based on estimated fair values on the date of grant.

See Note 7 to our Unaudited Consolidated Financial Statements in Item 1 of Part I of this report for information regarding our assumptions related to stock-based compensation and the amount of stock-based compensation expense we incurred for the periods covered in this report.

We estimate the fair value of our restricted stock unit awards based on the fair value of our common stock on the date of grant. Our outstanding restricted stock unit awards are subject to service-based vesting conditions and performance-based vesting conditions. We recognize the estimated fair value of service-based awards, net of estimated forfeitures, as stock-based compensation expense over the vesting period on a straight-line basis. Awards with performance-based vesting conditions require the achievement of specific financial targets at the end of the specified performance period and the employee's continued employment over the vesting period. We recognize the estimated fair value of performance-based awards, net of estimated forfeitures, as stock-based compensation expense over the vesting period, which considers each performance period or tranche separately, based upon our determination of whether it is probable that the performance targets will be achieved. At each reporting period, we reassess the probability of achieving the performance targets within the related performance period. Determining whether the performance targets will be achieved involves judgment, and the estimate of stock-based compensation expense may be revised periodically based on changes in the probability of achieving the performance targets. If any performance goals specific to the restricted stock unit awards are not met, no compensation cost ultimately is recognized for such awards, and to the extent previously recognized, compensation cost is reversed. As of September 30, 2013, we estimated that the level of achievement of the performance targets for performance vested restricted stock units granted during 2013 was 100%.

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Consolidated Results of Operations
Three Months Ended September 30, 2012 Compared to Three Months Ended September 30, 2013
The following table presents an overview of our results of operations for the three months ended September 30, 2012 and 2013:

	Three Months Ended September 30,			
	2012	2013	2012 vs. 2013	
	$	$	$ Change	% Change
	(unaudited)			
	(dollars in thousands, except per share data)			
Revenue:				
Carrier Services	$125,202	$139,477	$14,275	11.4 %
Enterprise Services	43,630	44,896	1,266	2.9 %
Information Services	42,340	43,260	920	2.2 %
Total revenue	211,172	227,633	16,461	7.8 %
Operating expense:				
Cost of revenue (excludes depreciation and amortization shown separately below)	46,339	51,434	5,095	11.0 %
Sales and marketing	38,040	40,253	2,213	5.8 %
Research and development	7,663	7,196	(467)	(6.1)%
General and administrative	20,915	23,751	2,836	13.6 %
Depreciation and amortization	23,622	24,586	964	4.1 %
Restructuring recoveries	(32)	—	32	(100.0)%
	136,547	147,220	10,673	7.8 %
Income from operations	74,625	80,413	5,788	7.8 %
Other (expense) income:				
Interest and other expense	(8,517)	(5,496)	3,021	(35.5)%
Interest and other income	140	64	(76)	(54.3)%
Income before income taxes	66,248	74,981	8,733	13.2 %
Provision for income taxes	20,495	27,442	6,947	33.9 %
Net income	$45,753	$47,539	$1,786	3.9 %
Net income per share:				
Basic	$0.69	$0.74		
Diluted	$0.68	$0.73		
Weighted average common shares outstanding:				
Basic	66,523	63,978		
Diluted	67,623	65,510		

Revenue

Carrier Services. Revenue from our Carrier Services operating segment increased $14.3 million due to an increase of $8.1 million in revenue from Numbering Services and an increase of $6.2 million in revenue from our Order Management Services, or OMS. In particular, the Numbering Services revenue increase was driven by a $6.7 million increase in the fixed fee established under our contracts to provide NPAC Services and an increase of $1.8 million in revenue from international local number portability, or LNP. The increase in our OMS revenue was driven by the addition of new customers and increased transactions from existing customers.

Enterprise Services. Revenue from our Enterprise Services operating segment increased $1.3 million due to an increase of $2.2 million in revenue from Internet Infrastructure Services, or IIS, and a decrease of $0.9 million in revenue from Registry Services. In particular, the IIS revenue increase was driven by higher demand for our managed domain name systems, or DNS, solutions, to direct and manage Internet traffic. The decrease in our Registry Services revenue was driven by a reduction in revenue from system enhancements, partially offset by continued growth in the number of domain names under management.

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Information Services. Revenue from our Information Services operating segment increased $0.9 million due to an increase of $1.0 million in revenue from Verification & Analytics Services, an increase of $0.9 million in revenue from Local Search & Licensed Data Services, and a decrease of $1.0 million in Identification Services. In particular, the Verification & Analytics Services revenue increase was driven by new clients and continued demand for our services that provide customized commercial insights. In addition, Local Search & Licensed Data Services revenue increased due to higher demand for our online local business listing identity management solutions.

Expense

Cost of revenue. Cost of revenue increased $5.1 million due to an increase of $2.9 million in costs related to our information technology and systems and an increase of $1.4 million in deferred costs. The increase in costs related to our information technology and systems was driven by revenue growth that resulted in increased data processing, telecommunications and maintenance costs.

Sales and marketing. Sales and marketing expense increased $2.2 million due to an increase of $3.2 million in advertising and marketing costs and a decrease of $1.0 million in personnel and personnel-related expense. In particular, the increase in advertising and marketing costs was driven by costs incurred to promote awareness of our services and outsourced fees incurred to support our long-term sales strategy.

Research and development. Research and development expense for the three months ended September 30, 2012 was comparable to the expense for the three months ended September 30, 2013.

General and administrative. General and administrative expense increased $2.8 million due to an increase of $2.1 million in professional fees. The increase in professional fees was driven by costs incurred to support business growth, strategic planning and to pursue new business opportunities.

Depreciation and amortization. Depreciation and amortization expense increased $1.0 million due to an increase of $1.7 million in depreciation expense related to capitalized software costs. This increase was partially offset by a decrease of $0.6 million in depreciation expense related to capital leases.

Restructuring recoveries. Restructuring recoveries for the three months ended September 30, 2012 were minimal. We did not incur any restructuring charges or recoveries for the three months ended September 30, 2013.

Interest and other expense. Interest and other expense decreased $3.0 million due to a decrease in interest expense of $2.8 million driven by the refinancing of our 2011 Credit Facilities.

Interest and other income. Interest and other income for the three months ended September 30, 2012 was comparable to the income for the three months ended September 30, 2013.

Provision for income taxes. Our effective tax rate increased to 36.6% for the three months ended September 30, 2013 from 30.9% for the three months ended September 30, 2012. In the third quarter of 2012 we recorded $5.2 million in discrete tax benefits, primarily due to a net tax benefit associated with our domestic production activities deduction. Excluding discrete tax benefits, our effective tax rate was approximately 38.8% and 37.9% for the three months ended September 30, 2012 and 2013, respectively.

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Summary of Operating Segments

The following table presents a summary of our operating segments' revenue, contribution and the reconciliation to income from operations for the three months ended September 30, 2012 and 2013 (in thousands):

	Three Months Ended September 30,			
	2012	2013	2012 vs. 2013	
	$	$	$ Change	% Change
Revenue:				
Carrier Services	$125,202	$139,477	$14,275	11.4 %
Enterprise Services	43,630	44,896	1,266	2.9 %
Information Services	42,340	43,260	920	2.2 %
Total revenue	$211,172	$227,633	$16,461	7.8 %
Segment contribution:				
Carrier Services	$109,359	$121,288	$11,929	10.9 %
Enterprise Services	20,314	22,393	2,079	10.2 %
Information Services	24,064	21,741	(2,323)	(9.7)%
Total segment contribution	153,737	165,422	11,685	7.6 %
Indirect operating expenses:				
Cost of revenue (excluding depreciation and amortization shown separately below)	24,989	26,091	1,102	4.4 %
Sales and marketing	6,050	6,524	474	7.8 %
Research and development	4,270	4,551	281	6.6 %
General and administrative	20,213	23,257	3,044	15.1 %
Depreciation and amortization	23,622	24,586	964	4.1 %
Restructuring charges	(32)	—	32	(100.0)%
Income from operations	$74,625	$80,413	$5,788	7.8 %

Segment contribution is determined based on internal performance measures used by the chief operating decision maker, or CODM, to assess the performance of each operating segment in a given period. In connection with this assessment, the CODM reviews revenue and segment contribution, which excludes certain unallocated costs within the following expense classifications: cost of revenue, sales and marketing, research and development and general and administrative. Depreciation and amortization and restructuring charges are also excluded from the segment contribution.

The following is a discussion of our operating segment results for the three months ended September 30, 2012 and 2013:

Carrier Services. Revenue from our Carrier Services operating segment increased $14.3 million due to an increase of $8.1 million in revenue from Numbering Services and an increase of $6.2 million in revenue from our OMS. In particular, the Numbering Services revenue increase was driven by a $6.7 million increase in the fixed fee established under our contracts to provide NPAC Services and an increase of $1.8 million in revenue from international LNP. The increase in our OMS revenue was driven by the addition of new customers and increased transactions from existing customers. Segment operating costs for Carrier Services totaled $18.2 million, an increase of $2.3 million. This increase in segment operating costs was due to an increase of $1.7 million in royalty expense and an increase of $1.5 million in information technology and systems costs. These increases were partially offset by a decrease of $1.0 million in personnel and personnel-related expense. The increase in royalty expense was driven by revenue growth. The increase in information and technology and systems costs was driven by increased data processing, telecommunications and maintenance costs. Carrier Services segment revenue less its segment operating costs resulted in a segment contribution of $121.3 million, an increase of $11.9 million.

Enterprise Services. Revenue from our Enterprise Services operating segment increased $1.3 million due to an increase of $2.2 million in revenue from IIS and a decrease of $0.9 million in revenue from Registry Services. In particular, the IIS revenue increase was driven by higher demand for our managed DNS solutions, to direct and manage Internet traffic. The decrease in our Registry Services revenue was driven by a reduction in revenue from system enhancements, partially offset by continued growth in the number of domain names under management. Segment operating costs for Enterprise Services totaled $22.5 million, a decrease of $0.8 million. This decrease in segment operating costs was due to a decrease of $1.8 million in personnel and personnel-related expense, partially offset by an increase of $0.7 million in advertising and marketing costs.

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Enterprise Services segment revenue less its segment operating costs resulted in a segment contribution of $22.4 million, an increase of $2.1 million.

Information Services. Revenue from our Information Services operating segment increased $0.9 million due to an increase of $1.0 million in revenue from Verification & Analytics Services, an increase of $0.9 million in revenue from Local Search & Licensed Data Services, and a decrease of $1.0 million in Identification Services. In particular, the Verification & Analytics Services revenue increase was driven by new clients and continued demand for our services that provide customized commercial insights. In addition, Local Search & Licensed Data Services revenue increased due to higher demand for our online local business listing identity management solutions. Segment operating costs for Information Services totaled $21.5 million, an increase of $3.2 million. This increase in segment operating costs was due to an increase of $1.9 million in personnel and personnel-related expense and an increase of $1.2 million in information technology and systems costs. In particular, the increase in personnel and personnel-related expense was driven by increased headcount in sales and marketing. Information Services segment revenue less its segment operating costs resulted in a segment contribution of $21.7 million, a decrease of $2.3 million.

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Nine Months Ended September 30, 2012 Compared to Nine Months Ended September 30, 2013

The following table presents an overview of our results of operations for the nine months ended September 30, 2012 and 2013:

	Nine Months Ended September 30,			
	2012	2013	2012 vs. 2013	
	$	$	$ Change	% Change
	(unaudited)			
	(dollars in thousands, except per share data)			
Revenue:				
Carrier Services	$375,922	$406,381	$30,459	8.1 %
Enterprise Services	125,204	133,466	8,262	6.6 %
Information Services	116,090	124,552	8,462	7.3 %
Total revenue	617,216	664,399	47,183	7.6 %
Operating expense:				
Cost of revenue (excludes depreciation and amortization shown separately below)	137,364	150,950	13,586	9.9 %
Sales and marketing	117,466	124,468	7,002	6.0 %
Research and development	23,483	22,296	(1,187)	(5.1)%
General and administrative	61,999	66,757	4,758	7.7 %
Depreciation and amortization	69,041	73,941	4,900	7.1 %
Restructuring charges	492	2	(490)	(99.6)%
	409,845	438,414	28,569	7.0 %
Income from operations	207,371	225,985	18,614	9.0 %
Other (expense) income:				
Interest and other expense	(25,114)	(28,851)	(3,737)	14.9 %
Interest and other income	479	292	(187)	(39.0)%
Income before income taxes	182,736	197,426	14,690	8.0 %
Provision for income taxes	64,429	72,725	8,296	12.9 %
Net income	$118,307	$124,701	$6,394	5.4 %
Net income per share:				
Basic	$1.77	$1.91		
Diluted	$1.74	$1.87		
Weighted average common shares outstanding:				
Basic	66,880	65,223		
Diluted	67,961	66,713		

Revenue

Carrier Services. Revenue from our Carrier Services operating segment increased $30.5 million due to an increase of $22.6 million in revenue from Numbering Services and an increase of $8.0 million in revenue from our OMS. In particular, the Numbering Services revenue increase was driven by a $20.0 million increase in the fixed fee established under our contracts to provide NPAC Services. The increase in our OMS revenue was driven by increased transactions from existing customers and the addition of new customers.

Enterprise Services. Revenue from our Enterprise Services operating segment increased $8.3 million due to an increase of $5.5 million in revenue from IIS and an increase of $2.8 million in revenue from Registry Services. In particular, the IIS revenue increase was driven by higher demand for our managed DNS solutions to direct and manage Internet traffic. The increase in our Registry Services revenue was due to continued growth in the number of domain names under management.

Information Services. Revenue from our Information Services operating segment increased $8.5 million due to an increase of $7.5 million in revenue from Verification & Analytics Services, an increase of $1.9 million in revenue from Local Search & Licensed Data Services, and a decrease of $0.9 million in revenue from Identification Services.

In particular, the Verification & Analytics Services revenue increase was driven by new customers and continued demand for our services that

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provide customized commercial insights. In addition, Local Search & Licensed Data Services revenue increased due to higher demand for our online local business listing identity management solutions.

Expense

Cost of revenue. Cost of revenue increased $13.6 million due to an increase of $6.7 million in costs related to our information technology and systems, an increase of $3.8 million in personnel and personnel-related expense, and an increase of $2.3 million in royalties. The increase in costs related to our information technology and systems was driven by revenue growth that resulted in increased data processing, telecommunications and maintenance costs. The increase in personnel and personnel-related expense was due to an increase in stock-based compensation and salary. The increase in stock-based compensation expense was driven by the grant of performance-based equity to a higher number of existing and new employees.

Sales and marketing. Sales and marketing expense increased $7.0 million due to an increase of $4.2 million in personnel and personnel-related expense and an increase of $2.7 million in advertising and marketing costs. In particular, the increase in personnel and personnel-related expense was due to an increase in stock-based compensation and salary and benefits. The increase in stock-based compensation expense was driven by the grant of performance-based equity to a higher number of existing and new employees. The increase in salary and benefits was driven by increased headcount in our sales and marketing teams to support service offerings and the migration of employees to a common benefits plan. The increase in advertising and marketing costs was driven by costs incurred to promote awareness of our services and outsourced fees incurred to support our long-term sales strategy.

Research and development. Research and development expense decreased $1.2 million due to a decrease of $1.1 million in personnel and personnel-related expense.

General and administrative. General and administrative expense increased $4.8 million due to an increase of $2.5 million in personnel and personnel-related expense, an increase of $1.2 million in bad debt expense, and an increase of $0.5 million in general facilities costs. In particular, stock-based compensation expense increased $3.4 million driven by the grant of performance-based equity to a higher number of existing and new employees.

Depreciation and amortization. Depreciation and amortization expense increased $4.9 million due to an increase of $7.2 million in depreciation expense related to capitalized software costs. This increase was partially offset by a decrease of $1.7 million in depreciation expense related to capital leases.

Restructuring charges. Restructuring charges for the nine months ended September 30, 2012 were comparable to the charges recorded for the nine months ended September 30, 2013.

Interest and other expense. Interest and other expense increased $3.7 million due to a $10.9 million loss on debt modification and extinguishment recorded in connection with the refinancing of our 2011 Credit Facilities. This increase was partially offset by $7.3 million in lower interest expense as a result of the refinancing of our 2011 Credit Facilities.

Interest and other income. Interest and other income for the nine months ended September 30, 2012 was comparable to the income for the nine months ended September 30, 2013.

Provision for income taxes. Our effective tax rate increased to 36.8% for the nine months ended September 30, 2013 from 35.3% for the nine months ended September 30, 2012. During the nine months ended September 30, 2012, we recorded $6.4 million of discrete tax benefits, primarily due to a net tax benefit associated with our domestic production activities deduction and utilization of foreign tax credits against federal income taxes. Excluding discrete tax benefits, our effective tax rate was approximately 38.8% and 37.9% for the nine months ended September 30, 2012 and 2013, respectively.

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Summary of Operating Segments

The following table presents a summary of our operating segments' revenue, contribution and the reconciliation to income from operations for the nine months ended September 30, 2012 and 2013 (in thousands):

	Nine Months Ended September 30,			
	2012	2013	2012 vs. 2013	
	$	$	$ Change	% Change
Revenue:				
Carrier Services	$375,922	$406,381	$30,459	8.1 %
Enterprise Services	125,204	133,466	8,262	6.6 %
Information Services	116,090	124,552	8,462	7.3 %
Total revenue	$617,216	$664,399	$47,183	7.6 %
Segment contribution:				
Carrier Services	$328,243	$352,768	$24,525	7.5 %
Enterprise Services	55,911	65,481	9,570	17.1 %
Information Services	59,069	57,620	(1,449)	(2.5)%
Total segment contribution	443,223	475,869	32,646	7.4 %
Indirect operating expenses:				
Cost of revenue (excluding depreciation and amortization shown separately below)	73,999	78,023	4,024	5.4 %
Sales and marketing	18,415	19,444	1,029	5.6 %
Research and development	13,561	13,379	(182)	(1.3)%
General and administrative	60,344	65,095	4,751	7.9 %
Depreciation and amortization	69,041	73,941	4,900	7.1 %
Restructuring charges	492	2	(490)	(99.6)%
Income from operations	$207,371	$225,985	$18,614	9.0 %

Segment contribution is determined based on internal performance measures used by the CODM to assess the performance of each operating segment in a given period. In connection with this assessment, the CODM reviews revenue and segment contribution, which excludes certain unallocated costs within the following expense classifications: cost of revenue, sales and marketing, research and development and general and administrative. Depreciation and amortization and restructuring charges are also excluded from the segment contribution.

The following is a discussion of our operating segment results for the nine months ended September 30, 2012 and 2013:

Carrier Services. Revenue from our Carrier Services operating segment increased $30.5 million due to an increase of $22.6 million in revenue from Numbering Services and an increase of $8.0 million in revenue from our OMS. In particular, the Numbering Services revenue increase was driven by a $20.0 million increase in the fixed fee established under our contracts to provide NPAC Services. The increase in our OMS revenue was driven by increased transactions from existing customers and the addition of new customers. Segment operating costs for Carrier Services totaled $53.6 million, an increase of $5.9 million. This increase in segment operating costs was due to an increase of $4.2 million in information technology and systems costs and an increase of $2.4 million in royalty expense. The increase in information and technology and systems costs was driven by increased data processing, telecommunications and maintenance costs. The increase in royalty expense was driven by revenue growth. Carrier Services segment revenue less its segment operating costs resulted in a segment contribution of $352.8 million, an increase of $24.5 million.

Enterprise Services. Revenue from our Enterprise Services operating segment increased $8.3 million due to an increase of $5.5 million in revenue from IIS and an increase of $2.8 million in revenue from Registry Services. In particular, the IIS revenue increase was driven by higher demand for our managed DNS solutions to direct and manage Internet traffic. The increase in our Registry Services revenue was due to continued growth in the number of domain names under management. Segment operating costs for Enterprise Services totaled $68.0 million, a decrease of $1.3 million. This decrease in segment operating costs was due to a decrease of $2.2 million in personnel and personnel-related expense, partially offset by an increase of $0.8 million in advertising and marketing costs. Enterprise Services segment revenue less its segment operating costs resulted in a segment contribution of $65.5 million, an increase of $9.6 million.

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Information Services. Revenue from our Information Services operating segment increased $8.5 million due to an increase of $7.5 million in revenue from Verification & Analytics Services, an increase of $1.9 million in revenue from Local Search & Licensed Data Services, and a decrease of $0.9 million in revenue from Identification Services. In particular, the Verification & Analytics Services revenue increase was driven by new customers and continued demand for our services that provide customized commercial insights. In addition, Local Search & Licensed Data Services revenue increased due to higher demand for our online local business listing identity management solutions. Segment operating costs for Information Services totaled $66.9 million, an increase of $9.9 million. This increase in segment operating costs was due to an increase of $6.8 million in personnel and personnel-related expense and an increase of $2.4 million in information technology and systems costs. In particular, the increase in personnel and personnel-related expense was driven by increased headcount in sales and marketing. Information Services segment revenue less its segment operating costs resulted in a segment contribution of $57.6 million, a decrease of $1.4 million.

Liquidity and Capital Resources

Our principal source of liquidity is cash provided by operating activities. Our principal uses of cash have been to fund share repurchases, capital expenditures, and debt service requirements. We anticipate that our principal uses of cash in the future will be for acquisitions, share repurchases, capital expenditures and debt service requirements.

Total cash, cash equivalents and investments were $352.7 million at September 30, 2013, an increase of $8.8 million from $343.9 million at December 31, 2012. This increase in cash, cash equivalents and investments was primarily due to cash provided by operations.

We believe that our existing cash and cash equivalents, short-term investments, cash from operations and available borrowings under our credit facilities will be sufficient to fund our operations for the next twelve months.

Credit Facilities

On January 22, 2013, we entered into a credit facility that provided for a $325 million senior secured term loan facility, or 2013 Term Facility, and a $200 million senior secured revolving credit facility, or the 2013 Revolving Facility, and together with the 2013 Term Facility, the 2013 Credit Facilities. In addition, we closed an offering of $300 million aggregate principal amount of senior notes, or Senior Notes. We used the proceeds received from the 2013 Term Facility and Senior Notes to repay our outstanding principal borrowings of $592.5 million under our existing 2011 Term Facility. We used available borrowings under the new 2013 Revolving Facility to secure outstanding letters of credit totaling $7.8 million that were previously secured by our 2011 Revolving Facility. Our 2011 Term Facility and 2011 Revolving Facility were terminated in connection with this refinancing event. For further discussion of this debt refinancing, see Note 6 to our Consolidated Financial Statements in Item 1 of Part I of this report.

2013 Credit Facilities

The 2013 Credit Facilities include: (1) the 2013 Term Facility; (2) the 2013 Revolving Facility, of which (a) $100 million is available for the issuance of letters of credit and (b) $25 million is available as a swingline subfacility; and (3) incremental term loan facilities in an amount such that after giving effect to the incurrence of any such incremental loans, either (a) the aggregate amount of incremental loans does not exceed $400 million or (b) the Consolidated Secured Leverage Ratio on a pro forma basis after giving effect to any such increase would not exceed 2.50 to 1.00. The 2013 Revolving Facility and 2013 Term Facility mature on January 22, 2018. As of September 30, 2013, we had not borrowed any amounts under the 2013 Revolving Facility and available borrowings were $192.0 million, exclusive of outstanding letters of credit totaling $8.0 million.

Principal payments under the 2013 Term Facility of $2.0 million are due on the last day of the quarter beginning on March 31, 2013 and ending on December 31, 2017. The remaining 2013 Term Facility principal balance of $284.4 million is due in full on January 22, 2018, subject to early mandatory prepayments.

The loans outstanding under the 2013 Credit Facilities (Loans) bear interest, at our option, either: (1) at the base rate, which is defined as the highest of (a) the federal funds rate plus 0.50%, (b) the interest rate published by the Wall Street Journal from time to time as the “U.S. Prime Rate” and (c) the adjusted LIBOR rate for a one-month interest period beginning on such day plus 1.00%; or (2) at the LIBOR rate plus, in each case, an applicable margin. The applicable margin is (1) if the Consolidated Leverage Ratio is less than 2.00:1.00, 0.50% per annum for borrowings based on the base rate and 1.50% per annum for borrowings based on the LIBOR rate, or (2) if the Consolidated Leverage Ratio is 2.00:1.00 or greater, 0.75% per annum for borrowings based on the base rate and 1.75% per annum borrowings based on the LIBOR rate. The accrued interest under the 2013 Term Facility is payable quarterly beginning on March 31, 2013.

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We may voluntarily prepay the Loans at any time in minimum amounts of $1 million or an integral multiple of $500,000 in excess thereof. The 2013 Credit Facilities provide for mandatory prepayments with the net cash proceeds of certain debt issuances, insurance receipts, and dispositions. The 2013 Term Facility also contains certain events of default, upon the occurrence of which, and so long as such event of default is continuing, the amounts outstanding may, at the option of the required lenders, accrue interest at an increased rate and payments of such outstanding amounts could be accelerated, or other remedies undertaken.

As of September 30, 2013, deferred financing costs and loan origination fees related to the 2013 Credit Facilities were $8.9 million. Total amortization expense of the deferred financing costs and loan origination fees was $0.5 million and $1.5 million for the three and nine months ended September 30, 2013, respectively, and was reported as interest expense in the consolidated statements of operations.

Senior Notes

On January 22, 2013, we closed an offering of $300 million aggregate principal amount of 4.50% senior notes due 2023 to qualified institutional buyers pursuant to Rule 144A, and outside of the United States pursuant to Regulation S, under the Securities Act of 1933, as amended. The Senior Notes were issued pursuant to an indenture, dated as of January 22, 2013, among us, certain of our domestic subsidiaries, or the Subsidiary Guarantors, and The Bank of New York Mellon Trust Company, N.A., as trustee, or the Indenture. The Senior Notes are the general unsecured senior obligations of us and are guaranteed on a senior unsecured basis by the Subsidiary Guarantors.

Interest is payable on the Senior Notes semi-annually in arrears at an annual rate of 4.50%, on January 15 and July 15 of each year, beginning on July 15, 2013. The Senior Notes will mature on January 15, 2023. Interest accrues from January 22, 2013. As of September 30, 2013, accrued interest under the Senior Notes was $2.8 million.

At any time and from time to time prior to July 15, 2016, we may redeem up to a maximum of 35% of the original aggregate principal amount of the Senior Notes with the proceeds of certain equity offerings, at a redemption price equal to 104.50% of the principal amount thereof, plus accrued and unpaid interest thereon, if any, to the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided that: (1) at least 65% of the original aggregate principal amount of the Senior Notes remains outstanding; and (2) the redemption occurs within 90 days of the completion of such equity offering upon not less than 30 nor more than 60 days prior notice.

Prior to January 15, 2018, we may redeem some or all of the Senior Notes by paying a “make-whole” premium based on U.S. Treasury rates. During the 12-month period commencing on January 15 of the relevant year listed below, we may redeem some or all of the Senior Notes at the prices listed below, plus accrued and unpaid interest, if any, to, but not including, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date): 2018 at a redemption price of 102.25%; 2019 at a redemption price of 101.50%; 2020 at a redemption price of 100.75%; and 2021 and thereafter at a redemption price of 100.00%. If we experience certain changes of control together with a ratings downgrade, we will be required to offer to purchase all of the Senior Notes then outstanding at a purchase price equal to 101.00% of the principal amount thereof, plus accrued and unpaid interest, if any, to, the date of purchase. If we sell certain assets and do not repay certain debt or reinvest the proceeds of such sales within certain time periods, we will be required to offer to repurchase the Senior Notes with such proceeds at 100.00% of their principal amount, plus accrued and unpaid interest, if any, to the date of purchase.

The Senior Notes contain customary events of default, including among other things, payment default, failure to provide certain notices and defaults related to bankruptcy events. The Senior Notes also contain customary negative covenants.

As of September 30, 2013, deferred financing costs related to the Senior Notes were $14.6 million. Total amortization expense of the deferred financing costs was $0.3 million and $0.9 million for the three and nine months ended September 30, 2013, respectively, and is reported as interest expense in the consolidated statements of operations.

Discussion of Cash Flows

Cash flows from operations

Net cash provided by operating activities for the nine months ended September 30, 2013 was $211.0 million, as compared to $201.4 million for the nine months ended September 30, 2012. This $9.6 million increase in net cash provided by operating activities was the result of an increase in net income of $6.4 million, and increase in non-cash adjustments of $18.9 million, partially offset by a decrease in net changes in operating assets and liabilities of $15.7 million.

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Non-cash adjustments increased $18.9 million driven by a loss on debt modification and extinguishment of $10.9 million recorded in the first quarter of 2013 related to our debt refinancing, an increase of $7.7 million in stock-based compensation, an increase of $4.9 million in depreciation and amortization expense, and an increase of $1.2 million in bad debt expense. These increases in non-cash adjustments were partially offset by a decrease of $5.6 million in deferred income taxes.

Net changes in operating assets and liabilities decreased $15.7 million primarily due to a decrease of $32.9 million in income taxes receivable, a decrease of $13.9 million in prepaid expenses and other current assets, and a decrease of $6.5 million in deferred revenue. These decreases in net changes in operating assets and liabilities were partially offset by an increase of $24.5 million in accounts and unbilled receivables, an increase of $10.5 million in accounts payable and accrued expenses, and an increase of $3.1 million in other liabilities.

Cash flows from investing

Net cash used in investing activities for the nine months ended September 30, 2013 was $40.2 million, as compared to $31.2 million for nine months ended September 30, 2012. This $9.0 million increase in net cash used in investing activities was due to an increase of $8.5 million in cash used for the acquisition of certain assets of a service order administrative business.

Cash flows from financing

Net cash used in financing activities was $158.1 million for the nine months ended September 30, 2013, as compared to $31.0 million for the nine months ended September 30, 2012. This $127.1 million increase in net cash used in financing activities was primarily due to an increase of $116.0 million in cash used for the purchase of our Class A common stock under our share repurchase programs, a decrease of $33.9 million in proceeds from the exercise of stock options, and cash used of $11.4 million for debt issuance costs attributable to our debt refinancing completed in the first quarter of 2013. These increases in cash used were partially offset by net proceeds of $31.7 million attributable to our debt refinancing, and a decrease of $2.8 million in cash used for the purchase of restricted stock awards attributable to participants' electing to use stock to satisfy their tax withholdings.

Recent Accounting Pronouncements

See Note 2 to our Unaudited Consolidated Financial Statements in Item 1 of Part 1 of this report for a discussion of the effects of recent accounting pronouncements.

Off-Balance Sheet Arrangements

None.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about our market risk, see "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of Part II of our Annual Report on Form 10-K for the fiscal year ended December 31, 2012. Our exposure to market risk has not changed materially since December 31, 2012.

Item 4. Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of September 30, 2013, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective and were operating at the reasonable assurance level.

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In addition, there were no changes in our internal control over financial reporting that occurred in the third quarter of 2013 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are subject to claims in legal proceedings arising in the normal course of our business. We do not believe that we are party to any pending legal action that could reasonably be expected to have a material adverse effect on our business or operating results.

Item 1A. Risk Factors

The following sets forth risk factors associated with our business. The risks set forth below could materially affect our business, financial condition and future results and are not the only risks facing us. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially and adversely affect our business, financial condition or operating results.

Risks related to our business

The loss of, or damage to, a data center or any other failure or interruption to our network infrastructure could materially harm our revenue and impair our ability to conduct our operations.

Because virtually all of the services we provide require our customers to query a copy of our continuously updated databases and directories to obtain necessary routing, operational and marketing data, the integrity of our data centers, including network elements managed by third parties throughout the world, and the systems through which we deliver our services are essential to our business. Notably, certain of our data centers and related systems are essential to the orderly operation of the U.S. telecommunications system because they enable carriers to ensure that telephone calls are routed to the appropriate destinations.

Our system architecture is integral to our ability to process a high volume of transactions in a timely and effective manner. Moreover, both we and our customers rely on hardware, software and other equipment developed, supported and maintained by third-party providers. We could experience failures or interruptions of our systems and services, or other problems in connection with our operations, as a result of, for example:

- damage to, or failure of, our computer software or hardware or our connections to, and outsourced service arrangements with, third parties;
- failure of, or defects in, the third-party systems, software or equipment on which we or our customers rely to access our data centers and other systems;
- errors in the processing of data by our systems;
- computer viruses, malware or software defects;
- physical or electronic break-ins, sabotage, distributed denial of service, or DDoS, penetration attacks, intentional acts of vandalism and similar events;
- increased capacity demands or changes in systems requirements of our customers;
- virtual hijacking of traffic destined to our systems;
- power loss, communications failures, pandemics, wars, acts of terrorism, political unrest or other man-made or natural disasters; and
- successful DDoS attacks.

We may not have sufficient redundant systems or back-up facilities to allow us to receive and process data if one of the foregoing events occurs. Further, increases in the scope of services that we provide increase the complexity of our network infrastructure. As the scope of services we provide expands or changes in the future, we may be required to make significant expenditures to establish new data centers and acquire additional network capacity from which we may provide services. Moreover, as we add customers, expand our service offerings and increase our visibility in the market we may become a more likely target of attacks similar to those listed in the bullets above. The number of electronic attacks and viruses grows

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significantly every year, as does the sophistication of these attacks. For example, undetected attackers may be able to monitor unencrypted Internet traffic anywhere in the world and modify it before it reaches our destination, and these attackers may harm our customers by stealing personal or proprietary information, Internet email or IP addresses. If we are not able to react to threats quickly and effectively and stop attackers from exploiting vulnerabilities or circumventing our security measures, the integrity of our systems and networks, and those of our customers and trading partners, may be adversely affected. If we cannot adequately secure and protect the ability of our data centers, offices, networks and related systems to perform consistently at a high level and without interruptions, or if we otherwise fail to meet our customers' expectations:

- our reputation may be damaged, which may adversely affect our ability to market our services and attract or retain customers;
- we may be subject to significant penalties or damages claims, under our contracts or otherwise;
- we may be required to make significant expenditures to repair or replace equipment, third-party systems or an entire data center, to establish new data centers and systems from which we may provide services or to take other required corrective action; or
- one or more of our significant contracts may be terminated early, or may not be renewed.

Any of these consequences would adversely affect our revenue, performance and business prospects.

If our security measures are breached and personally identifiable information is obtained by an unauthorized person, we may be subject to litigation and our services may also be perceived as not being secure and customers may curtail or stop using our services.

Many of our products and services, such as our registry, UltraViolet™, mobile and information service offerings may involve the storage and transmission of consumer information, such as names, addresses, email addresses and other personally identifiable information, and security breaches could expose us to a risk of loss of this information, litigation and possible liability. If someone obtains unauthorized access to consumers' data, as a result of third-party action, technical malfunctions, employee error, malfeasance or otherwise, our reputation, brands and competitive position will be damaged, the adoption of our products and services could be severely limited, and we could incur costly litigation and significant liability, any of which may cause our business to suffer. Accordingly, we may need to expend significant resources to protect against security breaches, including encrypting personal information, or remedy breaches after they occur, including notifying each person whose personal data may have been compromised. The risk that these types of events could seriously harm our business is likely to increase as we expand the scale and scope of information services we offer and the number of Internet or DNS-based products and services we offer, and increase the number of countries in which we operate. Even a perceived breach of our security measures could damage the market perception of the effectiveness of our security measures and our reputation, and we could lose sales, existing and future business opportunities and customers, and potentially face costly litigation.

Our seven contracts with North American Portability Management LLC represent in the aggregate a substantial portion of our revenue, are not exclusive and could be terminated or modified in ways unfavorable to us. These contracts are due to expire in June 2015 and we may not win a competitive procurement.

Our seven contracts with North American Portability Management LLC, or NAPM, an industry group that represents all carriers in the United States, to provide NPAC Services are not exclusive and could be terminated or modified in ways unfavorable to us. These seven separate contracts, each of which represented between 4.5% and 9.2% of our total revenue in 2012, represented in the aggregate approximately 49.4% of our total revenue in 2012. These contracts have finite terms and are currently scheduled to expire in June 2015.

NAPM has initiated a selection process for the administration of NPAC services at the expiration of the current contract. The FCC Wireline Competition Bureau has released a Request for Proposal, or RFP. The most recent selection timeline published by NAPM anticipates that the NAPM will make a recommendation to the FCC in November 2013 with the FCC approval of the recommendation to be completed in January 2014. These dates are subject to change.

We expect that there will be significant competition as a result of this process. We may not win this competitive procurement if another provider offers to provide the same or similar services at a lower cost. The failure to win the competitive procurement would have a material adverse effect on our business, prospects, financial condition and results of operations. Even if we win the competitive procurement, the new contracts may have different pricing structures or performance requirements than are currently in effect, which could negatively affect our operating performance and may result in additional costs and expenses and possibly lower revenues.

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In addition, under our current contracts, NAPM could, at any time, solicit or receive proposals from other providers to provide services that are the same as or similar to ours. These contracts can be terminated or modified in advance of their scheduled expiration date in limited circumstances, most notably if we are in default of these agreements. Although these contracts do not contain cross-default provisions, conditions leading to a default by us under one of our contracts could lead to a default under others, or all seven. If these contracts are terminated or modified in a manner that is adverse to us, it would have a material adverse effect on our business, prospects, financial condition and results of operations.

A significant decline in the volume of transactions we handle could have a material adverse effect on our results of operations.

Under our contracts with NAPM, we earn revenue for NPAC Services on an annual, fixed-fee basis. However, in the event that the volume of transactions in a given year is above or below the contractually established volume range for that year, the fixed-fee may be adjusted up or down, respectively, with any such adjustment being applied to the following year's invoices. In addition, under our contract with the Canadian LNP Consortium Inc., we earn revenue on a per transaction basis. As a result, if industry participants in the United States reduce their usage of our services in a particular year to levels below the established volume range for that year or if industry participants in Canada reduce their usage of our services from their current levels, our revenue and results of operations may suffer. For example, consolidation in the industry could result in a decline in transactions if the remaining carriers decide to handle changes to their networks internally rather than use the services that we provide. Moreover, if customer turnover among carriers in the industry stabilizes or declines, or if carriers do not compete vigorously to lure customers away from their competitors, use of our telephone number portability and other services may decline. If carriers develop internal systems to address their infrastructure needs, or if the cost of such transactions makes it impractical for a given carrier to use our services for these purposes, we may experience a reduction in transaction volumes. Carriers might be able to charge consumers directly for our services, which could also have an adverse impact on transaction volumes. Finally, the trends that we believe will drive the future demand for our services, such as the emergence of IP services, growth of wireless services, consolidation in the industry, and pressure on carriers to reduce costs, may not actually result in increased demand for our existing services or for the ancillary directory services that we expect to offer, which would harm our future revenue and growth prospects.

Certain of our other contracts may be terminated or modified at any time prior to their completion, which could lead to an unexpected loss of revenue and damage our reputation.

In addition to our contracts with NAPM, we provide other services that generate revenue and bolster our reputation as a premier data services, infrastructure, and solutions provider to the communications sector, other major enterprises in a wide variety of sectors, trade associations, and government agencies. For example, we serve as the provider of NPAC Services in Canada; as operator of the .biz registry under contract with ICANN; as operator of the registry of U.S. Common Short Codes; as the provider of DNS services to a wide variety of major corporations, and as a provider of data services to major retailers and marketers. Each of these contracts provides for early termination in limited circumstances, most notably if we are in default. In addition, our contracts to serve as the North American Numbering Plan Administrator and as the National Pooling Administrator, each of which is with the U.S. government, may be terminated by the government at will. If we fail to meet the expectations of the FCC, the U.S. Department of Commerce or any of our other major customers for any reason, including for performance-related or other reasons, the customers may unilaterally terminate or modify the contracts. A termination arising out of our default could expose us to liability, adversely affect our operating performance and lead to an unexpected loss of revenue. Further, the loss or significant modification of a major contract could cause us to suffer a loss of reputation that would make it more difficult for us to compete for contracts to provide similar services in the future.

Failure to comply with neutrality requirements could result in loss of significant contracts.

Pursuant to orders and regulations of the U.S. government and provisions contained in our material contracts, we must continue to comply with certain neutrality requirements, meaning generally that we cannot favor any particular telecommunications service provider, telecommunications industry segment or technology or group of telecommunications consumers over any other telecommunications service provider, industry segment, technology or group of consumers in the conduct of our business. The FCC oversees our compliance with the neutrality requirements applicable to us in connection with some of the services we provide. We provide to the FCC and the North American Numbering Council, a federal advisory committee established by the FCC to advise and make recommendations on telephone numbering issues, regular certifications relating to our compliance with these requirements. Our ability to comply with the neutrality requirements to which we are subject may be affected by the activities of our stockholders or lenders. For example, if the ownership of our capital stock subjects us to undue influence by parties with a vested interest in the outcome of numbering administration, the FCC could determine that we are not in compliance with our neutrality obligations. Our failure to continue to comply with the neutrality requirements to which we are subject under applicable orders and regulations of the U.S. government and commercial contracts

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may result in fines, corrective measures, termination of our contracts, or exclusion from bidding on future contracts, any one of which could have a material adverse effect on our results of operations.

Regulatory and statutory changes that affect us or the communications industry in general may increase our costs or otherwise adversely affect our business.

Certain of our domestic operations and many of our customers' operations are subject to regulation by the FCC and other federal, state and local agencies. As communications technologies and the communications industry continue to evolve, the statutes governing the communications industry or the regulatory policies of the FCC may change. If this were to occur, the demand for many of our services could change in ways that we cannot predict and our revenue could decline. These risks include the ability of the federal government, most notably the FCC and the Department of Commerce, to:

- increase or change regulatory oversight over services we provide;
- adopt or modify statutes, regulations, policies, procedures or programs in ways that are disadvantageous to the services we provide, or that are inconsistent with our current or future plans, or that require modification of the terms of our existing contracts or contracts like the NPAC that are subject to a competitive procurement process, including the manner in which we charge for certain of our services. For example,
- in November 2005 and in 2010, major carriers filed petitions with the FCC seeking changes in the way our customers are billed for services provided by us under our contracts with North American Portability Management LLC; Verizon Corporation filed a similar petition with the FCC in May 2011, and
- after the amendment of our contracts with North American Portability Management LLC in September 2006, Telcordia Technologies, Inc. filed a petition with the FCC requesting an order that would require North American Portability Management LLC to conduct a new bidding process to appoint a provider of telephone number portability services in the United States. In response to our amendment of these contracts in January 2009, Telcordia filed another petition asking that the FCC abrogate these contracts and initiate a government managed procurement in their place. If successful, either of these petitions could result in the loss of one or more of our contracts with North American Portability Management LLC or otherwise frustrate our strategic plans. Although the FCC has not initiated a formal rulemaking process on either of the Telcordia petitions, the FCC's Wireline Competition Bureau issued orders on March 8, 2011 and May 16, 2011 for NAPM to complete a selection process for the administration of NPAC Services at the expiration of the current contracts. See "—Our seven contracts with North American Portability Management LLC represent in the aggregate a substantial portion of our revenue, are not exclusive and could be terminated or modified in ways unfavorable to us. These contracts are due to expire in June 2015 and we may not win a competitive procurement";
- prohibit us from entering into new contracts or extending existing contracts to provide services to the communications industry based on actual or suspected violations of our neutrality requirements, business performance concerns, or other reasons;
- adopt or modify statutes, regulations, policies, procedures or programs in a way that could cause changes to our operations or costs or the operations of our customers (e.g., regulatory changes to support migration of public switched telephone network to IP Carrier Interconnect);
- appoint, or cause others to appoint, substitute or add additional parties to perform the services that we currently provide including abrogation of our contracts to provide NPAC Services; and
- prohibit or restrict the provision or export of new or expanded services under our contracts, or prevent the introduction of other services not under the contracts based upon restrictions within the contracts or in FCC policies.

In addition, we are subject to risks arising out of the delegation of the Department of Commerce's responsibilities for the domain name system to ICANN. Changes in the regulations or statutes to which our customers are subject could cause our customers to alter or decrease the services they purchase from us. We cannot predict when, or upon what terms and conditions, further regulation, deregulation or litigation designed to delay or prevent the introduction of new top-level domains might occur or the effect future regulation or deregulation may have on our business.

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If we are unable to protect our intellectual property rights adequately, the value of our services and solutions could be diminished.

Our success is dependent in part on obtaining, maintaining and enforcing our proprietary rights and our ability to avoid infringing on the proprietary rights of others. While we take precautionary steps to protect our technological advantages and intellectual property and rely in part on patent, trademark, trade secret and copyright laws, we cannot assure that the precautionary steps we have taken will completely protect our intellectual property rights. Effectively policing our intellectual property is time consuming and costly, and the steps taken by us may not prevent infringement of our intellectual property or proprietary rights in our products, technology and trademarks, particularly in foreign countries where in many instances the local laws or legal systems do not offer the same level of protection as in the United States. Further, because patent applications in the United States are maintained in secrecy until either the patent application is published or a patent is issued, we may not be aware of third-party patents, patent applications and other intellectual property relevant to our services and solutions that may block our use of our intellectual property or may be used by third-parties who compete with our services and solutions. As we expand our business and introduce new services and solutions, there may be an increased risk of infringement and other intellectual property claims by third-parties. From time to time, we and our customers may receive claims alleging infringement of intellectual property rights, or may become aware of certain third-party patents that may relate to our services and solutions.

Additionally, some of our customer agreements require that we indemnify our customers for infringement claims resulting from their use of our intellectual property embedded in their products. Any litigation regarding patents or other intellectual property could be costly and time consuming and could divert our management and key personnel from our business operations. The complexity of the technology involved, and the number of parties holding intellectual property within the communications industry, increase the risks associated with intellectual property litigation. Moreover, the commercial success of our services and solutions may increase the risk that an infringement claim may be made against us. Royalty or licensing arrangements, if required, may not be available on terms acceptable to us, if at all. Any infringement claim successfully asserted against us or against a customer for which we have an obligation to defend could result in costly litigation, the payment of substantial damages, and an injunction that prohibits us from continuing to offer the service or solution in question, any of which could have a material adverse effect on our business, operating results and financial condition.

The market for our carrier, enterprise and information services is competitive, and if we do not adapt to rapid technological change, we could lose customers or market share.

We compete against well-funded providers of carrier, enterprise and information services, communications software companies and system integrators that provide systems and services used by carriers and enterprises to manage their networks and internal operations in connection with telephone number portability and other communications transactions. In addition, our industry is characterized by rapid technological change and frequent new service offerings. Significant technological changes could make our technology and services obsolete. We must adapt to our rapidly changing market by continually improving the features, functionality, reliability and responsiveness of our services, and by developing new features, services and applications to meet changing customer needs. Our ability to take advantage of opportunities in the market may require us to invest in development and incur other expenses well in advance of our ability to generate revenue from these services. We cannot guarantee that we will be able to adapt to these challenges or respond successfully or in a cost-effective way, particularly in the early stages of launching a new service. Further, we may experience delays in the development of one or more features of our solutions, which could materially reduce the potential benefits to us for providing these services. In addition, there can be no assurance that our solutions will be adopted by potential customers, or that we will be able to reach acceptable contract terms with customers to provide these services. Our failure to adapt to meet market demand in a cost-effective manner could adversely affect our ability to compete and retain customers or market share.

If we are not able to obtain the data required to provide our information services, or we obtain inaccurate data, our operating results could be adversely affected.

Much of the data that we use in connection with our Information Services segment is purchased or licensed from third parties, obtained from public record sources or provided to us as part of a broader business relationship with a customer. If we are not able to obtain this data on favorable economic terms or otherwise, or if the data we obtain is inaccurate, our ability to provide information services to our clients could be materially adversely impacted, which could result in decreased revenues, net income and earnings per share.

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Regulatory and statutory requirements, changes in requirements regarding privacy and data protection or public perceptions of data usage may increase our costs or otherwise adversely affect our business.

Our business operations are subject to a variety of complex privacy and data protection laws and regulations in the United States and in other jurisdictions. These statutory and regulatory requirements are evolving and may change significantly. Judicial and regulatory application and interpretation of these statutory and regulatory requirements are often uncertain. In addition, data usage both by governments and corporations is currently a matter of keen public concern and press attention. We may need to incur significant costs or modify our business practices and/ or our services in order to comply with existing or revised laws and regulations, or to adapt to changing public attitudes about data usage. Any such costs or changes could have a material adverse effect on our results of operations or prospects. If we are not able to comply with applicable laws, we may be subject to significant monetary penalties and/or orders demanding that we cease alleged noncompliant activities. These or other remedies could have a material adverse effect on our results of operation or financial condition. Our failure or alleged failure to comply with privacy and data protection laws, or with public attitudes about data usage, could harm our reputation, result in legal actions against us by governmental authorities or private claimants or cause us to lose customers, any of which could have a material adverse effect on our results of operations or prospects.

In addition, new legislation may be passed or judicial interpretations may be issued that restrict our use of data to provide information services to our clients. Any restrictions on our ability to provide these services to our clients could have a material adverse effect on our business, results of operation, financial condition and prospects.

If we are unable to manage our costs, our profits could be adversely affected.

Historically, sustaining our growth has placed significant demands on our management as well as on our administrative, operational and financial resources. For us to continue to manage our expanded operations, as well as any future growth, we must continue to improve our operational, financial and management information systems and expand, motivate and manage our workforce. If our quality of service is compromised because we are unable to successfully manage our costs, or if new systems that we implement to assist in managing our operations do not produce the expected benefits, we may experience higher turnover in our customer base and our revenue and profits could be adversely affected.

Changes in our tax rates or exposure to additional income tax liabilities could affect our profitability. In addition, audits by tax authorities could result in additional tax payments for prior periods.

We are subject to income taxes in the U.S. and in various non-U.S. jurisdictions. Our effective tax rate can be affected by changes in our mix of earnings in countries with differing statutory tax rates (including as a result of business acquisitions and dispositions), changes in the valuation of deferred tax assets and liabilities, establishment of accruals related to contingent tax liabilities and period-to-period changes in such accruals, the expiration of statutes of limitations, the implementation of tax planning strategies and changes in tax laws. The impact of these factors may be substantially different from period to period. Due to the ambiguity of tax laws and the subjectivity of factual interpretations, our estimates of income tax liabilities may differ from actual payments or assessments. In addition, our income tax returns are subject to ongoing audits by U.S. federal, state and local tax authorities and by non-U.S. tax authorities. If these audits result in payments or assessments different from our reserves, our future results may include unfavorable adjustments to our tax liabilities, which may negatively affect our results of operations.

Our operating results and margins could fluctuate due to factors relating to stock-based compensation.

Similar to many other companies, we use stock awards as a form of compensation for certain employees and non-employee directors. We must recognize the fair value of all stock-based awards, including grants of employee stock options, in our financial statements. The valuation model we use to estimate the fair value of our stock-based awards requires us to make several estimates and assumptions, such as the expected holding period of the awards and expected price volatility of our common stock. The amount we recognize for stock-based compensation expense could vary materially depending on changes in these estimates and assumptions. Other factors that could impact the amount of stock-based compensation expense we recognize include changes in the mix and type of stock-based awards we grant, changes in our compensation plans or tax rate, changes in the award forfeiture rate and differences in our company’s actual operating results compared to management’s estimates for performance-based awards.

Changes in accounting principles and guidance, or their interpretation, could result in unfavorable accounting charges or effects, including changes to previously filed financial statements.

We prepare our consolidated financial statements in accordance with U.S. generally accepted accounting principles, or GAAP. These principles are subject to interpretation by the SEC and various bodies formed to interpret and create appropriate

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accounting principles and guidance. A change in these principles or guidance, or in their interpretations, may have a significant effect on our reported results and may retroactively affect previously reported results.

We must recruit and retain skilled employees to succeed in our business, and our failure to recruit and retain qualified employees could harm our ability to maintain and grow our business.

We believe that an integral part of our success is our ability to recruit and retain employees who have advanced skills in the services and solutions that we provide and who work well with our customers. In particular, we must hire and retain employees with the technical expertise and industry knowledge necessary to maintain and continue to develop our operations and who can effectively manage our growing sales and marketing organization to ensure the growth of our operations. Our future success depends on the ability of the employees in our sales and marketing organization to establish direct sales channels and to develop multiple distribution channels. The employees with the skills we require are in great demand and are likely to remain a limited resource in the foreseeable future. If we are unable to recruit and retain a sufficient number of these employees at all levels, our ability to maintain and grow our business could be negatively impacted.

Any adverse change in reputation, whether as a result of decreases in revenue, an unfavorable outcome in the competitive procurement process for the new contracts with NAPM, a decline in the market price of our common stock or for any other reason, could impair our ability to retain existing employees or attract additional qualified employees with the requisite experience, expertise and knowledge.

Our failure to achieve or sustain market acceptance of our services at desired pricing levels could impact our ability to maintain profitability or positive cash flow.

Our competitors and customers may cause us to reduce the prices we charge for our services and solutions. The primary sources of pricing pressure include:

- competitors offering our customers services at reduced prices, or bundling and pricing services in a manner that makes it difficult for us to compete. For example, a competing provider of Internet infrastructure services might offer its services at lower rates than we do, or a competing domain name registry provider may reduce its prices for domain name registration;
- customers with a significant volume of transactions may have enhanced leverage in pricing negotiations with us; and
- if our prices are too high, potential customers may find it economically advantageous to handle certain functions internally instead of using our services.

We may not be able to offset the effects of any price reductions by increasing the number of transactions we handle or the number of customers we serve, by generating higher revenue from enhanced services or by reducing our costs.

Our expansion into international markets may be subject to uncertainties that could increase our costs to comply with regulatory requirements in foreign jurisdictions, disrupt our operations, and require increased focus from our management.

We currently provide services to customers located in various international locations such as Brazil, Taiwan and China. We intend to pursue additional international business opportunities. International operations and business expansion plans are subject to numerous additional risks, including:

- economic and political risks in foreign jurisdictions in which we operate or seek to operate;
- difficulties in enforcing contracts and collecting receivables through foreign legal systems;
- differences in foreign laws and regulations, including foreign tax, intellectual property, privacy, labor and contract law, as well as unexpected changes in legal and regulatory requirements;
- differing technology standards and pace of adoption;
- export restrictions on encryption and other technologies;
- fluctuations in currency exchange rates and any imposition of currency exchange controls;
- increased competition by local, regional, or global companies; and
- difficulties associated with managing a large organization spread throughout various countries.

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If we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. However, any of these factors could adversely affect our international operations and, consequently, our operating results.

If we are not successful in growing our new Information Services business at the rate that we anticipate, our operating results could be negatively impacted.

The operations of Targus Information Corporation ("TARGUSinfo"), which we acquired in November 2011, comprise our new Information Services segment. We are shifting our business to focus increasingly on sales of information services in addition to our carrier and enterprise services. Our ability to successfully grow our information services business depends on a number of different factors, including market acceptance of our information services, the expansion of our information services capabilities and geographic coverage, and continued public and regulatory acceptance of data usage for the provision of our information services, among others. If we are not successful in growing our information services business at the rate that we anticipate, we may not meet expected growth and gross margin projections or expectations, and our operating results, prospects and the market price of our securities could be adversely affected.

We may be unable to complete acquisitions, or we may undertake acquisitions that increase our costs or liabilities or are disruptive to our business.

We have made a number of acquisitions in the past, and one of our strategies is to pursue acquisitions selectively in the future. We may not be able to locate acquisition candidates at prices that we consider appropriate or on terms that are satisfactory to us. If we do identify an appropriate acquisition candidate, we may not be able to successfully negotiate the terms of the acquisition or, if the acquisition occurs, integrate the acquired business into our existing business. Acquisitions of businesses or other material operations may require additional debt or equity financing, resulting in additional leverage or dilution to our stockholders.

Integration of acquired business operations is a time consuming process that could disrupt our business by diverting significant management attention and resources away from day-to-day operations. The difficulties of integration may be increased by the necessity of coordinating geographically dispersed organizations, integrating personnel with disparate business backgrounds and combining different corporate cultures. It is also possible that the integration process could result in the loss of key employees, the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with customers, suppliers, distributors, creditors, or lessors, or to achieve the anticipated benefits of the acquisition. Further, if we cannot successfully integrate an acquired company's internal control over financial reporting, the reliability of our financial statements may be impaired and we may not be able to meet our reporting obligations under applicable law. Any such impairment or failure could cause investor confidence and, in turn, the market price of our common stock, to be materially adversely affected.

Even if we are able to integrate acquired businesses successfully, there can be no assurance that we will realize the full benefits of the cost efficiencies or synergies or other benefits that we anticipated when selecting our acquisition candidates or that these benefits will be achieved within a reasonable period of time, and we may be required to invest significant capital and resources after acquisition to maintain or grow the businesses that we acquire. In addition, we may need to record write-downs from impairments of goodwill, intangible assets, or long-lived assets, or record adjustments to the purchase price that occur after the closing of the transaction, which could reduce our future reported earnings. If we fail to successfully integrate and support the operations of the businesses we acquire, or if anticipated revenue enhancements and cost savings are not realized from these acquired businesses, our business, results of operations and financial condition would be materially adversely affected. Further, acquired businesses may have unforeseen liabilities, neutrality-related risks or adverse operating issues that we fail to discover through due diligence prior to the acquisition. These liabilities could include employment, retirement or severance-related obligations under applicable law, other benefits arrangements, legal claims, warranty or similar liabilities to customers, claims by or amounts owed to vendors, tax liabilities or other amounts owed by the acquired companies. The failure to discover such issues prior to such acquisition, should they be significant, could have a material adverse effect on our business and results of operations.

Risks related to financial market conditions

We may be unable to raise additional capital, if needed, or to raise capital on favorable terms.

The general economic and capital market conditions in the United States and other parts of the world have deteriorated significantly since 2008 and have adversely affected access to capital and increased the cost of capital. If funds generated by our operations or available under our 2013 Credit Facilities are insufficient to fund our future activities, including acquisitions, organic business ventures, or capital expenditures, we may need to raise additional funds through public or private equity or debt financing. If unfavorable capital market conditions exist when we seek additional financing, we may not be able to raise

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sufficient capital on favorable terms or at all. Failure to obtain capital on a timely basis could have a material adverse effect on our results of operations and we may not be able to fund further organic and inorganic growth of our business.

Risks related to the notes and our other indebtedness

Our indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes.

As of September 30, 2013, borrowings under our 2013 Credit Facilities and Senior Notes was approximately $618.3 million, and we had unused revolving commitments of $192.0 million (after giving effect to $8.0 million of outstanding letters of credit). In addition, the 2013 Term Facility allows us to request one or more increases to the available term commitments under such facility. We are entitled to request such increases in an amount such that, after giving effect to such increases, either (a) the aggregate amount of increases does not exceed $400 million or (b) our consolidated secured leverage ratio on a pro forma basis after giving effect to any such increase is below 2.50 to 1.00. As of September 30, 2013, the total amount of such potential incremental increases we could request was approximately $748.8 million.

Subject to the limits contained in the credit agreement that governs our 2013 Term Facility, the indenture that governs the Senior Notes and our other debt instruments, we may be able to incur substantial additional debt from time to time to finance investments or acquisitions, or for other general corporate purposes. If we do so, the risks related to our level of debt could intensify. Specifically, our level of debt could have important consequences to the holders of our securities, including the following:

- making it more difficult for us to satisfy our obligations with respect to the Senior Notes and our other debt;
- limiting our ability to obtain additional financing to fund future acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our 2013 Term Facility, are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

In addition, the indenture that governs the Senior Notes and the credit agreement that governs our 2013 Term Facility contain restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all our debt.

We may not be able to generate sufficient cash to service all of our indebtedness, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The credit agreement that governs our 2013 Term Facility and the indenture that governs the Senior Notes restricts our ability to dispose of assets and use the proceeds from those dispositions and also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

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Our inability to generate sufficient cash flows to satisfy our debt obligations would materially and adversely affect our financial position and results of operations and our ability to satisfy our debt obligations.

If we cannot make scheduled payments on our debt, we will be in default and holders of the Senior Notes could declare all outstanding principal and interest to be due and payable, the lenders under our 2013 Term Facility could terminate their commitments to loan money, the lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our 2013 Term Facility will be at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. Assuming all loans are fully drawn, each quarter point change in interest rates would result in a $1.3 million change in annual interest expense on our indebtedness under our 2013 Term Facility. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may increase our future borrowing costs and reduce our access to capital.

Our debt currently has a non-investment grade rating, and any rating assigned could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Any downgrade by either Standard & Poor's or Moody's could increase the interest rate on the 2013 Credit Facilities, result in higher borrowing costs and decrease earnings. Any future adverse changes to our ratings likely would make it more difficult or more expensive for us to obtain additional debt financing.

Risks Related to Our Common Stock

Our common stock price may be volatile.

The market price of our Class A common stock may fluctuate widely. Fluctuations in the market price of our Class A common stock could be caused by many things, including:

- our perceived prospects and the prospects of the telephone, Internet and data analytics industries in general;
- differences between our actual financial and operating results and those expected by investors and analysts;
- changes in analysts' recommendations or projections;
- changes in general valuations for communications companies;
- adoption or modification of regulations, policies, procedures or programs applicable to our business;
- sales of our Class A common stock by our officers, directors or principal stockholders;
- sales of significant amounts of our Class A common stock in the public market, or the perception that such sales may occur;
- sales of our Class A common stock due to a required divestiture under the terms of our certificate of incorporation; and
- changes in general economic or market conditions and broad market fluctuations.

Each of these factors, among others, could have a material adverse effect on the market price of our Class A common stock. Recently, the stock market in general has experienced extreme price fluctuations. This volatility has had a substantial effect on the market prices of securities issued by many companies for reasons unrelated to the operating performance of the specific companies. Some companies that have had volatile market prices for their securities have had securities class action suits filed against them. If a suit were to be filed against us, regardless of the outcome, it could result in substantial costs and a diversion of our management's attention and resources. This could have a material adverse effect on our business, prospects, financial condition and results of operations.

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Delaware law and provisions in our certificate of incorporation and bylaws could make a merger, tender offer or proxy contest difficult, and the market price of our Class A common stock may be lower as a result.

We are a Delaware corporation, and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our certificate of incorporation and bylaws may discourage, delay or prevent a change in our management or control over us that stockholders may consider favorable. Our certificate of incorporation and bylaws:

- authorize the issuance of "blank check" preferred stock that could be issued by our Board of Directors to thwart a takeover attempt;
- prohibit cumulative voting in the election of directors, which would otherwise enable holders of less than a majority of our voting securities to elect some of our directors;
- establish a classified Board of Directors, as a result of which the successors to the directors whose terms have expired will be elected to serve from the time of election and qualification until the third annual meeting following election;
- require that directors only be removed from office for cause;
- provide that vacancies on the Board of Directors, including newly-created directorships, may be filled only by a majority vote of directors then in office;
- disqualify any individual from serving on our board if such individual's service as a director would cause us to violate our neutrality requirements;
- limit who may call special meetings of stockholders;
- prohibit stockholder action by written consent, requiring all actions to be taken at a meeting of the stockholders; and
- establish advance notice requirements for nominating candidates for election to the Board of Directors or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In order to comply with our neutrality requirements, our certificate of incorporation contains ownership and transfer restrictions relating to telecommunications service providers and their affiliates, which may inhibit potential acquisition bids that our stockholders may consider favorable, and the market price of our Class A common stock may be lower as a result.

In order to comply with neutrality requirements imposed by the FCC in its orders and rules, no entity that qualifies as a "telecommunications service provider" or affiliate of a telecommunications service provider, as defined under the Communications Act of 1934 and FCC rules and orders, may beneficially own 5% or more of our capital stock. In general, a telecommunications service provider is an entity that offers telecommunications services to the public at large, and is, therefore, providing telecommunications services on a common carrier basis. Moreover, a party will be deemed to be an affiliate of a telecommunications service provider if that party controls, is controlled by, or is under common control with, a telecommunications service provider. A party is deemed to control another if that party, directly or indirectly:

- owns 10% or more of the total outstanding equity of the other party;
- has the power to vote 10% or more of the securities having ordinary voting power for the election of the directors or management of the other party; or
- has the power to direct or cause the direction of the management and policies of the other party.

As a result of this regulation, subject to limited exceptions, our certificate of incorporation (a) prohibits any telecommunications service provider or affiliate of a telecommunications service provider from beneficially owning, directly or indirectly, 5% or more of our outstanding capital stock and (b) empowers our Board of Directors to determine whether any particular holder of our capital stock is a telecommunications service provider or an affiliate of a telecommunications service provider. Among other things, our certificate of incorporation provides that:

- if one of our stockholders experiences a change in status or other event that results in the stockholder violating this restriction, or if any transfer of our stock occurs that, if effective, would violate the 5% restriction, we may elect to

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purchase the excess shares (i.e., the shares that cause the violation of the restriction) or require that the excess shares be sold to a third-party whose ownership will not violate the restriction;

- pending a required divestiture of these excess shares, the holder whose beneficial ownership violates the 5% restriction may not vote the shares in excess of the 5% threshold; and
- if our Board of Directors, or its permitted designee, determines that a transfer, attempted transfer or other event violating this restriction has taken place, we must take whatever action we deem advisable to prevent or refuse to give effect to the transfer, including refusal to register the transfer, disregard of any vote of the shares by the prohibited owner, or the institution of proceedings to enjoin the transfer.

Any person who acquires, or attempts or intends to acquire, beneficial ownership of our stock that will or may violate this restriction must notify us as provided in our certificate of incorporation. In addition, any person who becomes the beneficial owner of 5% or more of our stock must notify us and certify that such person is not a telecommunications service provider or an affiliate of a telecommunications service provider. If a 5% stockholder fails to supply the required certification, we are authorized to treat that stockholder as a prohibited owner — meaning, among other things, that we may elect to require that the excess shares be sold. We may request additional information from our stockholders to ensure compliance with this restriction. Our board will treat any “group,” as that term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as a single person for purposes of applying the ownership and transfer restrictions in our certificate of incorporation.

Nothing in our certificate of incorporation restricts our ability to purchase shares of our capital stock. If a purchase by us of shares of our capital stock results in a stockholder’s percentage interest in our outstanding capital stock increasing to over the 5% threshold, such stockholder must deliver the required certification regarding such stockholder’s status as a telecommunications service provider or affiliate of a telecommunications service provider. In addition, to the extent that a repurchase by us of shares of our capital stock causes any stockholder to violate the restrictions on ownership and transfer contained in our certificate of incorporation, that stockholder will be subject to all of the provisions applicable to prohibited owners, including required divestiture and loss of voting rights.

These restrictions and requirements may:

- discourage industry participants that might have otherwise been interested in acquiring us from making a tender offer or proposing some other form of transaction that could involve a premium price for our shares or otherwise be in the best interests of our stockholders; and
- discourage investment in us by other investors who are telecommunications service providers or who may be deemed to be affiliates of a telecommunications service provider, which may decrease the demand for our Class A common stock and cause the market price of our Class A common stock to be lower.

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

The following table is a summary of our repurchases of common stock during each of the three months in the quarter ended September 30, 2013:

Month	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)(3)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (3)
July 1 through July 31, 2013	639,031	$51.80	637,850	$ 158,594,100
August 1 through August 31, 2013	626,386	52.92	624,450	125,536,341
September 1 through September 30, 2013	585,075	51.42	584,150	95,485,046
Total	1,850,492	$52.06	1,846,450	$ 95,485,046

(1) The number of shares purchased includes shares of common stock tendered by employees to us to satisfy the employees’ minimum tax withholding obligations arising as a result of vesting of restricted stock grants under our stock incentive plan. We purchased these shares for their fair market value on the vesting date.

(2) The difference between the total number of shares purchased and the total number of shares purchased as part of publicly announced plans or programs is 4,042 shares, all of which relate to shares surrendered to us by employees to satisfy the

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employees' tax withholding obligations arising as a result of vesting of restricted stock grants under our incentive stock plans.

(3) On July 28, 2010, we announced the adoption of a share repurchase program. The 2010 program authorized the purchase of up to $300 million of Class A common shares through Rule 10b5-1 programs, open market purchases, privately negotiated transactions or otherwise as market conditions warranted, at prices we deemed appropriate. On May 2, 2013, we announced the adoption of a 2013 share repurchase program, which will expire on December 31, 2013. We may purchase up to $250 million of Class A common shares under the 2013 program, which replaced the 2010 program.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

See exhibits listed under the Exhibit Index below.

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SIGNATURES

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

	NeuStar, Inc.
Date: October 30, 2013	By: /s/ Paul S. Lalljie
	Paul S. Lalljie
	Chief Financial Officer
	(Principal Financial and Accounting Officer and Duly Authorized Officer)

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EXHIBIT INDEX

Exhibit No.	Description
3.1	Restated Certificate of Incorporation, incorporated herein by reference to Exhibit 3.1 to Amendment No. 7 to NeuStar's Registration Statement on Form S-1, filed June 28, 2005 (File No. 333-123635).
3.2	Amended and Restated Bylaws, incorporated herein by reference to Exhibit 3.2 to our Current Report on Form 8-K, filed June 25, 2012.
10.1.6	Amendment to the contractor services agreement entered into the 7th day of November 1997 by and between Neustar, Inc. and North American Portability Management, LLC.*
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 of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation
101.DEF	XBRL Taxonomy Extension Definition
101.LAB	XBRL Taxonomy Extension Label
101.PRE	XBRL Taxonomy Extension Presentation

* Confidential treatment has been requested for portions of this document. The omitted portions of this document have been filed with the Securities and Exchange Commission.