NEUSTAR INC
Form 10-Q
October 30, 2013
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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.

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.

- 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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NEUSTAR, INC.
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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.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
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 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

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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.

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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.
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	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.

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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

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NEUSTAR, INC.
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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

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, 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

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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		