NEUSTAR INC
Form 10-Q
July 23, 2014
Table of Contents

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 June 30, 2014
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 56,089,727 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 July 18, 2014.

Table of Contents

NEUSTAR, INC.
INDEX

EX – 101 INSTANCE DOCUMENT
EX – 101 SCHEMA DOCUMENT
EX – 101 CALCULATION LINKBASE DOCUMENT
EX – 101 DEFINITION LINBASE DOCUMENT
EX – 101 LABELS LINKBASE DOCUMENT
EX – 101 PRESENTATION LINKBASE DOCUMENT

Table of Contents

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

	December 31, 2013	June 30, 2014 (unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$223,309	$245,852
Restricted cash	1,858	2,249
Accounts receivable, net of allowance for doubtful accounts of $2,507 and $2,415, respectively	152,821	152,204
Unbilled receivables	10,790	9,269
Notes receivable	1,008	—
Prepaid expenses and other current assets	23,914	23,078
Deferred costs	6,324	6,807
Income taxes receivable	7,341	—
Deferred tax assets	8,380	11,714
Total current assets	435,745	451,173
Property and equipment, net	124,285	142,718
Goodwill	641,663	685,644
Intangible assets, net	275,141	334,875
Other assets, long-term	28,704	27,710
Total assets	$1,505,538	$1,642,120

See accompanying notes.

Table of Contents

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

	December 31, 2013	June 30, 2014 (unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$9,620	$11,009
Accrued expenses	94,457	80,288
Income taxes payable	—	8,305
Deferred revenue	54,004	63,129
Notes payable	7,972	7,972
Capital lease obligations	1,894	2,058
Other liabilities	3,580	3,907
Total current liabilities	171,527	176,668
Deferred revenue, long-term	12,061	15,198
Notes payable, long-term	608,292	779,306
Capital lease obligations, long-term	2,419	4,164
Deferred tax liabilities, long-term	80,395	63,593
Other liabilities, long-term	41,270	59,513
Total liabilities	915,964	1,098,442
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, 2013 and June 30, 2014	—	—
Class A common stock, par value $0.001; 200,000,000 shares authorized; 87,147,586 and 82,760,670 shares issued; and 61,400,908 and 56,911,038 shares outstanding at December 31, 2013 and June 30, 2014, respectively	87	83
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, 2013 and June 30, 2014, respectively	—	—
Additional paid-in capital	602,796	634,869
Treasury stock, 25,746,678 and 25,849,632 shares at December 31, 2013 and June 30, 2014, respectively, at cost	(893,852)	(899,205)
Accumulated other comprehensive loss	(797)	(865)
Retained earnings	881,340	808,796
Total stockholders' equity	589,574	543,678
Total liabilities and stockholders' equity	$1,505,538	$1,642,120

See accompanying notes.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
Revenue	$220,350	$237,457	$436,766	$467,354
Operating expense:				
Cost of revenue (excluding depreciation and amortization shown separately below)	50,219	60,844	99,516	119,455
Sales and marketing	41,955	48,637	84,215	98,628
Research and development	7,616	6,932	15,100	13,991
General and administrative	21,124	26,008	43,006	52,299
Depreciation and amortization	24,690	30,086	49,355	57,726
Restructuring charges	—	200	2	5,166
	145,604	172,707	291,194	347,265
Income from operations	74,746	64,750	145,572	120,089
Other (expense) income:				
Interest and other expense	(5,793)	(7,270)	(23,355)	(13,267)
Interest and other income	87	163	228	258
Income before income taxes	69,040	57,643	122,445	107,080
Provision for income taxes	25,642	20,796	45,283	38,550
Net income	$43,398	$36,847	$77,162	$68,530
Net income per share:				
Basic	$0.66	$0.62	$1.17	$1.14
Diluted	$0.65	$0.61	$1.15	$1.11
Weighted average common shares outstanding:				
Basic	65,531	58,973	65,855	60,100
Diluted	66,990	60,388	67,301	61,539

See accompanying notes.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
Net income	$43,398	$36,847	$77,162	$68,530
Other comprehensive loss, net of tax:				
Available for sale investments, net of tax:				
Change in net unrealized gains, net of tax of $25, $(29), $68 and $(19), respectively	(40)	46	(105)	99
Reclassification for gains included in net income, net of tax of $0, $0, $0 and $12, respectively	—	—	—	(19)
Net change in unrealized gains on investments, net of tax	(40)	46	(105)	80
Foreign currency translation adjustment, net of tax:				
Change in foreign currency translation adjustment, net of tax of $79, $87, $68 and $163, respectively	(315)	(94)	(281)	(148)
Reclassification adjustment included in net income	—	—	—	—
Foreign currency translation adjustment, net of tax	(315)	(94)	(281)	(148)
Other comprehensive loss, net of tax	(355)	(48)	(386)	(68)
Comprehensive income	$43,043	$36,799	$76,776	$68,462

See accompanying notes.

6

Table of Contents

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

	Six Months Ended June 30, 2013	2014
Operating activities:		
Net income	$77,162	$68,530
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,355	57,726
Stock-based compensation	18,012	27,285
Loss on debt modification and extinguishment	10,886	—
Amortization of deferred financing costs and original issue discount on debt	1,707	1,671
Excess tax benefits from stock option exercises	(4,691)	(2,194)
Deferred income taxes	(5,544)	(20,361)
Provision for doubtful accounts	2,800	3,113
Loss on disposal of assets	—	1,057
Amortization of bond premium	86	—
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(13,180)	(1,722)
Unbilled receivables	(1,904)	1,950
Notes receivable	1,457	1,008
Prepaid expenses and other current assets	(3,412)	1,330
Deferred costs	665	1,463
Other assets	(224)	(279)
Other liabilities	66	4,126
Accounts payable and accrued expenses	(12,687)	(25,225)
Income taxes	15,062	17,843
Deferred revenue	(804)	(718)
Net cash provided by operating activities	134,812	136,603
Investing activities:		
Purchases of property and equipment	(24,924)	(25,671)
Sales and maturities of investments	2,118	—
Business acquired, net of cash acquired	(8,500)	(120,371)
Net cash used in investing activities	(31,306)	(146,042)
Financing activities:		
Decrease in restricted cash	243	72
Proceeds from notes payable	624,244	175,000
Extinguishment of note payable	(592,500)	—
Debt issuance costs	(11,410)	—
Payments under notes payable obligations	(4,062)	(4,062)
Principal repayments on capital lease obligations	(1,492)	(1,544)
Proceeds from issuance of stock	12,677	6,156
Excess tax benefits from stock-based compensation	4,691	2,194
Repurchase of restricted stock awards	(6,650)	(8,740)
Repurchase of common stock	(89,204)	(137,086)
Net cash (used in) provided by financing activities	(63,463)	31,990
Effect of foreign exchange rates on cash and cash equivalents	(145)	(8)

Net increase in cash and cash equivalents	39,898	22,543
Cash and cash equivalents at beginning of period	340,255	223,309
Cash and cash equivalents at end of period	$380,153	$245,852

See accompanying notes.

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

1. DESCRIPTION OF BUSINESS AND ORGANIZATION

NeuStar, Inc. (the Company or Neustar) is a neutral and trusted provider of real-time information services and analytics, using authoritative, hard-to-replicate datasets and proprietary analytics to help its clients promote and protect their businesses. The Company develops unique solutions using proprietary, third-party and client data sets. These solutions provide accurate, up-to-the-minute insights and data driven intelligence, enabling its clients to make informed, actionable decisions in real time, one customer interaction at a time. The Company's Marketing Services enhance its clients' ability to acquire and retain valuable customers across disparate platforms. The Company's Security Services help its clients direct and manage Internet traffic flow, resolve Internet queries and protect clients' online assets against a growing number of cyber threats. The Company also offers a broad range of data services. The Company primarily serves clients in the communications, financial services, media and advertising, retail and eCommerce, Internet, and technology industries.

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 six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for the full fiscal year. The consolidated balance sheet as of December 31, 2013 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. GAAP 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, 2013 (the 2013 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, contingent consideration 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 believes the carrying value of its notes receivable approximates fair value as the interest rate approximates a market rate (Level 2) (see Note 5). The Company believes the carrying value of its $325 million senior secured term loan facility (2013 Term Facility) and borrowings on its revolving credit facility (2013 Revolving Facility) approximate the fair value of the debt as the terms and interest rates approximate market rates (Level 2) (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 (Level 2) (see Note 6). The Company determines the fair value of marketable securities and deferred compensation based on quoted market prices (Level 1).

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

	December 31, 2013		June 30, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$223,309	$223,309	$245,852	$245,852
Restricted cash (current assets)	1,858	1,858	2,249	2,249
Notes receivable	1,008	1,008	—	—
Marketable securities (other assets, long-term)	3,567	3,567	3,918	3,918
Deferred compensation (other liabilities, long-term)	3,620	3,620	3,566	3,566
2013 Term Facility (including current portion, net of discount)	316,264	316,264	312,278	312,278
2013 Revolving Facility	—	—	175,000	175,000
Senior Notes (including current portion)	300,000	273,375	300,000	269,280

Restricted Cash

As of December 31, 2013 and June 30, 2014, cash of $1.9 million and $2.2 million, respectively, was restricted as collateral for certain of the Company's outstanding letters of credit and for deposits on leased facilities.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606). Under this standard, revenue is recognized when promised goods or services are transferred to customers, in an amount that reflects the consideration to which a company expects to be entitled in exchange for those goods or services. The standard will be effective for annual and interim periods beginning after December 15, 2016. The standard allows for either full retrospective adoption, meaning the standard is applied to all of the periods presented, or a modified retrospective adoption, meaning the standard is applied only to the most current period presented. The Company is currently evaluating the impact of adoption on its consolidated financial statements.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The standard raises the threshold for a disposal to qualify as a discontinued operation and requires new disclosures of both discontinued operations and certain other disposals that do not meet the threshold for a discontinued operation. The standard will be applied prospectively and will be effective for disposals that occur within annual periods, and interim periods within those annual periods, beginning after December 15, 2014. The Company does not currently expect the adoption of this guidance to have a material impact on its consolidated financial statements.

3. ACQUISITIONS

The application of the acquisition method of accounting for business combinations requires management to make significant estimates and assumptions in the determination of the fair value of the assets acquired and liabilities assumed in order to properly allocate purchase price consideration. These assumptions and estimates include a market participant's expected use of the asset and the appropriate discount rates from a market participant's perspective. The Company's estimates are based on historical experience and information obtained from the management of the acquired company, and are determined with assistance from an independent third-party. The Company's significant assumptions and estimates made in connection with the application of the acquisition method of accounting for business combinations include the cash flows that an acquired asset is expected to generate in the future, the weighted-average cost of capital, long-term projected revenue and growth rates, and estimated replacement costs.

On October 29, 2013, the Company acquired Aggregate Knowledge, Inc., a leading campaign and predictive analytics platform for advertising agencies and brand marketers. The total preliminary purchase price was $117.4 million, consisting of cash consideration of $116.5 million, and non-cash consideration of $0.9 million attributable to replacement equity awards granted to employees of the acquired company. Of the total purchase price, the Company initially recorded $66.8 million of goodwill and $31.0 million of definite-lived intangible assets. During the six months ended June 30, 2014, the Company adjusted its preliminary valuation of its acquired net deferred tax assets based upon new information pertaining to acquisition date fair values of the acquired company's federal research and development tax credits pertaining to pre-acquisition tax periods. As of June 30, 2014, the adjusted goodwill balance related to this acquisition was $65.6 million. The consolidated balance sheet as of December 31, 2013 has been retrospectively adjusted to include the effect of the measurement period adjustments. As of June 30, 2014, the allocation of the purchase price is preliminary pending the finalization of the fair value of acquired deferred tax assets and assumed income and non-income based tax liabilities.

On January 15, 2014, the Company acquired an entity that designs, develops, and maintains software tools and applications that enable North American communications service providers to exchange back-office provisioning information within and between carriers' networks. Total consideration for this purchase included cash consideration of $14.1 million, of which $12.1 million was paid at closing and $2.0 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 in the Company's consolidated statement of operations since the date of the acquisition. Of the total purchase price, the Company recorded $5.9 million of definite-lived intangible assets and $7.7 million of goodwill. The allocation of the purchase price is preliminary pending finalization of the fair value of acquired deferred tax assets and assumed income and non-income based tax liabilities. Goodwill is expected to be deductible for tax purposes. During the three months ended March 31, 2014, the Company recorded $0.3 million of acquisition costs in general and administrative expense related to this transaction.

On April 14, 2014, the Company acquired .CO Internet S.A.S (.CO Internet) and certain associated assets. .CO Internet is the exclusive operator of the worldwide registry for Internet addresses with the ".co" top-level domain. This acquisition expands the Company's registry services, which includes the .biz and .us top-level domains. Total consideration for this purchase, which is subject to certain customary working capital adjustments, includes cash consideration of $113.7 million, of which $86.7 million was paid at closing and $27.0 million was deposited into escrow for the satisfaction of potential indemnification claims and certain performance obligations. In addition, the Company may be required to make a contingent payment of up to $6.0 million prior to or during the first quarter of 2020 in the event that the sellers satisfy certain post-closing performance obligations (see Note 5). The transaction was accounted for under the acquisition method of accounting in accordance with Business Combination Topic of the FASB ASC. Of the total purchase price of $114.8 million, the Company recorded $85.1 million of definite-lived intangible assets and $36.3 million of goodwill. The allocation of the purchase price is preliminary pending the finalization of the working capital amounts, and the fair value of acquired deferred tax assets and assumed income and non-income based tax liabilities. Goodwill is expected to be deductible for tax purposes. During the three and six months ended June 30, 2014, the Company recorded $0.8 million and $2.1 million, respectively, of acquisition costs in general and administrative expense related to this transaction.

4. GOODWILL AND INTANGIBLE ASSETS

Goodwill

The Company's goodwill as of December 31, 2013 and June 30, 2014 is as follows (in thousands):

	December 31, 2013[1]	Adjustments	Acquisitions	June 30, 2014
Gross goodwill	$736,414	$(1,149)	$43,981	$779,246
Accumulated impairments	(93,602)	—	—	(93,602)
Net goodwill	$642,812	$(1,149)	$43,981	$685,644

(1) Balance as originally reported at December 31, 2013, prior to the reflection of measurement period adjustments.

During the six months ended June 30, 2014, the Company adjusted its preliminary valuation of acquired deferred tax assets and assumed income and non-income based tax liabilities related to its acquisition of Aggregate Knowledge, Inc. (see Note 3).

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

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

	December 31, 2013	June 30, 2014	Weighted-Average Amortization Period (in years)
Intangible assets:			
Customer lists and relationships	$323,539	$409,638	8.3
Accumulated amortization	(106,254)	(127,990)	
Customer lists and relationships, net	217,285	281,648	
Acquired technology	87,059	91,959	4.9
Accumulated amortization	(31,649)	(39,927)	
Acquired technology, net	55,410	52,032	
Trade name	8,030	8,030	3.0
Accumulated amortization	(5,662)	(6,896)	
Trade name, net	2,368	1,134	
Non-compete agreement	100	100	3.0
Accumulated amortization	(22)	(39)	
Non-compete agreement, net	78	61	
Intangible assets, net	$275,141	$334,875	

Amortization expense related to intangible assets, which is included in depreciation and amortization expense, was approximately $12.4 million and $16.0 million for the three months ended June 30, 2013 and 2014, respectively, and $24.7 million and $30.1 million for the six months ended June 30, 2013 and 2014, respectively. Amortization expense related to intangible assets for the years ended December 31, 2014, 2015, 2016, 2017, 2018 and thereafter is expected to be approximately $62.3 million, $62.8 million, $61.0 million, $52.4 million, $49.7 million and $76.8 million, respectively. Intangible assets as of June 30, 2014 will be fully amortized during the year ended December 31, 2024.

5. 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.

The following table sets forth, as of December 31, 2013 and June 30, 2014, 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, 2013			
	Level 1	Level 2	Level 3	Total
Marketable securities[(1)]	$3,567	$—	$—	$3,567

	June 30, 2014			
	Level 1	Level 2	Level 3	Total
Marketable securities[(1)]	$3,918	$—	$—	$3,918
Contingent consideration	—	—	3,250	3,250

(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.

On April 14, 2014, the Company acquired .CO Internet and certain associated assets (see Note 3). The Company may be required to make a contingent payment to the sellers of up to $6.0 million prior to or during the first quarter of 2020 in the event that the sellers satisfy a certain post-closing performance obligation. The Company has classified this contingent consideration within Level 3 of the fair value hierarchy and is required to remeasure the fair value on a recurring basis at each reporting date. The Company determines the fair value of this contingent consideration based on a probability-weighted discounted cash flow approach. The Company's probability estimate is based on historical experience and information obtained from the management of .CO Internet. Significant judgment is employed in determining the appropriateness of the assumptions used in the determination of fair value.

As of June 30, 2014, key assumptions used in estimating the fair value of the contingent consideration included a probability assessment of 90% that the post-closing performance obligation will be achieved and a discount rate of 6.9%. An increase in the probability of achievement could result in an increase in the estimated fair value of the contingent consideration. The initial fair value of the contingent consideration was included in the preliminary purchase price. Changes in the fair value of the contingent consideration will be included within the Company's consolidated statements of operations.

The following table reflects the activity for the contingent consideration measured at fair value using Level 3 inputs (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
Balance, beginning of period	$—	$—	$—	$—
Addition of contingent consideration	—	3,250	—	3,250
Balance, end of period	$—	$3,250	$—	$3,250

6. NOTES PAYABLE

Notes payable consist of the following (in thousands):

	December 31, 2013	June 30, 2014
2013 Term Facility (net of discount)	$316,264	$312,278
2013 Revolving Facility	—	175,000
Senior Notes	300,000	300,000
Total	616,264	787,278
Less: current portion, net of discount	(7,972)	(7,972)
Long-term portion	$608,292	$779,306

12

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).

As of June 30, 2014, available borrowings under the 2013 Revolving Facility were $17.1 million after borrowings of $175.0 million and outstanding letters of credit totaling $7.9 million.

As of June 30, 2014, deferred financing costs and loan origination fees related to the 2013 Credit Facilities were $7.3 million. Total amortization expense of the deferred financing costs and loan origination fees was $0.5 million and $0.5 million for the three months ended June 30, 2013 and 2014, respectively, and $0.9 million and $1.0 million for the six months ended June 30, 2013 and 2014, respectively, and was reported as interest expense in the consolidated statements of operations.

As of June 30, 2014, deferred financing costs related to the Senior Notes were $13.6 million. Total amortization expense of the deferred financing costs was $0.3 million and $0.3 million for the three months ended June 30, 2013 and 2014, respectively, and $0.5 million and $0.6 million for the six months ended June 30, 2013 and 2014, 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 June 30, 2014, a total of 4,500,338 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 June 30, 2014, a total of 458,764 shares were available to be issued under the ESPP.

The term of any stock option granted under the Plans may not exceed ten years. The exercise price per share for options granted under the Plans may not be less than 100% of the fair market value of the common stock on the option grant date. The Board of Directors or Compensation Committee of the Board of Directors determines the vesting schedule of the options, with a maximum vesting period of ten years. Options granted generally vest with respect to 25% of the shares underlying the option award on the first anniversary of the grant date and 2.083% of the shares on the last day of each succeeding calendar month thereafter. The options expire seven to ten years from the date of grant and are forfeitable upon termination of an option holder’s service.

The Company has granted and may in the future grant restricted stock to directors, employees and consultants. The Board of Directors or Compensation Committee of the Board of Directors determines the vesting schedule of the restricted stock, with a maximum vesting period of ten years. Restricted stock granted generally vests in equal annual installments over a four-year term.

For grants under the Company's Plans, stock-based compensation expense recognized for the three months ended June 30, 2013 and 2014 was $9.1 million and $15.6 million, respectively, and $18.0 million and $27.3 million for the six months ended June 30, 2013 and 2014, respectively. As of June 30, 2014, 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 $59.6 million, which the Company expects to recognize over a weighted average period of

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

approximately 1.25 years. Total unrecognized compensation expense as of June 30, 2014 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. The Company did not grant any options during the six months ended June 30, 2013 and 2014. 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, 2013	2,037,118	$24.70		
Granted	—	—		
Exercised	(167,579)	23.35		
Forfeited	(111,639)	28.49		
Outstanding at June 30, 2014	1,757,900	$24.59	$2.5	2.89
Exercisable at June 30, 2014	1,423,395	$24.15	$2.7	2.67

The aggregate intrinsic value of options exercised for the six months ended June 30, 2014 was $1.9 million.

Restricted Stock Awards

The following table summarizes the Company's non-vested restricted stock activity for the six months ended June 30, 2014:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2013	154,772	$22.82	
Granted	—	—	
Vested	(88,102)	25.41	
Forfeited	(9,542)	26.55	
Outstanding at June 30, 2014	57,128	$18.21	$1.5

The total aggregate intrinsic value of restricted stock vested during the six months ended June 30, 2014 was $3.0 million. During the six months ended June 30, 2014, the Company repurchased 33,615 shares of common stock for an aggregate purchase price of approximately $1.2 million pursuant to the participants' rights under the Company's stock incentive plans to elect to use common stock to satisfy their minimum tax withholding obligations.

Performance Vested Restricted Stock Units

2012 Long-Term Incentive Program

During the three months ended March 31, 2014, the Company established the performance goals for the period beginning on January 1, 2014 and ending on December 31, 2014. The establishment of the 2014 performance goals resulted in the grant of 476,080 PVRSUs with an aggregate fair value of $16.7 million.

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

14

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

on January 1, 2012 and ended December 31, 2012 and the last of which began 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, 2013 and 2014 performance periods were 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.

Long-Term Incentive Program

During the three months ended March 31, 2014, the Company established the performance goals for the period beginning on January 1, 2014 and ending on December 31, 2014. The establishment of the 2014 performance goals resulted in the grant of 123,945 PVRSUs with an aggregate fair value of $4.3 million, originally awarded during the year ended December 31, 2013.
The awarded PVRSUs are subject to three one-year performance periods. 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, 2014 through December 31, 2014 was 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 over the requisite service period based on the number of PVRSUs expected to vest. As of June 30, 2014, the level of achievement of the performance target awards for the 2012, 2013 and 2014 performance years was 129.5%, 111.2% and 100%, respectively.
The following table summarizes the Company's non-vested PVRSU activity for the six months ended June 30, 2014:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Non-vested December 31, 2013	1,440,467	$39.04	
Incremental achieved (1)	65,476	38.35	
Granted	839,233	34.19	
Vested	(264,149)	31.75	
Forfeited	(181,150)	38.82	

Non-vested June 30, 2014	1,899,877	$37.90	$49.4

(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.

15

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

The total aggregate intrinsic value of PVRSUs vested during the six months ended June 30, 2014 was approximately $12.2 million. The Company repurchased 99,829 shares of common stock for an aggregate purchase price of $4.6 million pursuant to the participants’ rights under the Plans to elect to use common stock to satisfy their minimum tax withholding obligations.

Restricted Stock Units

The following table summarizes the Company’s restricted stock units activity for the six months ended June 30, 2014:

	Shares	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value (in millions)
Outstanding at December 31, 2013	1,378,162	$40.23	
Granted	43,001	28.80	
Vested	(138,709)	37.65	
Forfeited	(94,438)	45.52	
Outstanding at June 30, 2014	1,188,016	$39.70	$30.9

The restricted stock units previously granted 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 automatically will 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 automatically will 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.

The total aggregate intrinsic value of restricted stock units vested during the six months ended June 30, 2014 was approximately $6.8 million. The Company repurchased 55,174 shares of common stock for an aggregate purchase price of $2.7 million pursuant to the participants’ rights under the Plans to elect to use common stock to satisfy their minimum tax withholding obligations.

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 weighted-average assumptions:

	Three and Six Months Ended June 30, 2014
Dividend yield	— %
Expected volatility	32.26 %
Risk-free interest rate	0.07 %
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.

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

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

Share Repurchase Program

On January 29, 2014, the Company announced that its Board of Directors authorized a $200 million share repurchase program. The program commenced on January 30, 2014 and will expire on December 31, 2014. Share repurchases under the program will be completed in accordance with guidelines specified under Rule 10b5-1 and Rule 10b-18 of the Securities and Exchange Act of 1934. All repurchased shares are retired. During the three and six months ended June 30, 2014, the Company repurchased 3.7 million and 4.9 million shares, respectively, of its Class A common stock at an average price of $26.48 and $28.51 per share, respectively, for a total purchase price of $99.1 million and $141.1 million, respectively.

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 June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
Computation of basic net income per common share:				
Net income	$43,398	$36,847	$77,162	$68,530
Weighted average common shares and participating securities outstanding – basic	65,531	58,973	65,855	60,100
Basic net income per common share	$0.66	$0.62	$1.17	$1.14
Computation of diluted net income per common share:				
Weighted average common shares and participating securities outstanding – basic	65,531	58,973	65,855	60,100
Effect of dilutive securities:				
Stock-based awards	1,459	1,415	1,446	1,439
Weighted average common shares outstanding – diluted	66,990	60,388	67,301	61,539
Diluted net income per common share	$0.65	$0.61	$1.15	$1.11

Diluted net income per common share reflects the potential dilution of common stock equivalents such as options and shares issuable under the ESPP, to the extent the impact is dilutive. Stock-based awards to purchase an aggregate of 52,071 and 1,090,367 shares were excluded from the calculation of the denominator for diluted net income per common share for the three months ended June 30, 2013 and 2014, respectively, due to their anti-dilutive effects. Stock-based awards to purchase an aggregate of 49,220 and 934,787 shares were excluded from the calculation of the denominator for diluted net income per common share for the six months ended June 30, 2013 and 2014, respectively, due to their anti-dilutive effects.

9. ACCUMULATED OTHER COMPREHENSIVE LOSS

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

	Unrealized Gains and Losses on Investments	Foreign Currency Translation Adjustment	Total
Balance at December 31, 2013	$(14)	$(783)	$(797)
Other comprehensive loss before reclassifications	99	(148)	(49)
Amounts reclassified from accumulated other comprehensive loss	(19)	—	(19)
Net current-period other comprehensive loss	80	(148)	(68)

Balance at June 30, 2014	$66	$(931)	$(865)

17

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

10. RESTRUCTURING CHARGES

In the first quarter of 2014, the Company initiated a realignment of its organization. In connection with the realignment, the Company recorded restructuring charges of $0.2 million and $5.2 million for the three and six months ended June 30, 2014, respectively. The Company anticipates it may incur additional restructuring charges of approximately $6.8 million in severance and severance-related costs and lease and facilities exit costs during the remainder of 2014. Accrued restructuring costs are recorded in other current liabilities presented in the Company's consolidated balance sheets.

	December 31, 2013	Additional Costs	Cash Payments	Adjustments	June 30, 2014
2014 Restructuring Plan:					
Severance and severance-related costs	$—	$4,966	$(4,384)	$(2)	$580
Lease and facilities exit costs	—	202	—	—	202
Total	$—	$5,168	$(4,384)	$(2)	$782

11. INTEREST AND OTHER EXPENSE

Interest and other expense consists of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
Interest and other expense:				
Interest expense	$5,772	$6,175	$12,337	$12,260
Loss on debt modification and extinguishment	—	—	10,886	—
Loss (gain) on asset disposals	20	1,057	(45)	1,057
Foreign currency transaction (gain) loss	(43)	18	133	(48)
Other	44	20	44	(2)
Total interest and other expense	$5,793	$7,270	$23,355	$13,267

In 2013, the Company refinanced its 2011 credit facilities. 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, in January 2013, the Company recorded $25.8 million in loan origination fees and deferred financing costs, of which $16.9 million related to investors 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, related to this refinancing event, 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.

12. INCOME TAXES

The Company’s effective tax rate decreased to 36.0% for the six months ended June 30, 2014 from 37.0% for the six months ended June 30, 2013 primarily due to the reversal of the Company's unrecorded tax benefits upon the completion of an Internal Revenue Service (IRS) audit for the year ended December 31, 2009 and a domestic production activities deduction during the six months ended June 30, 2014 offset by the benefit of the federal research tax credit for the six months ended June 30, 2013.

As of December 31, 2013 and June 30, 2014, the Company had unrecognized tax benefits of $6.8 million and $6.5 million, respectively, of which $6.4 million and $6.0 million, respectively, would affect the Company's effective tax rate if recognized.

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. During the three months ended June 30, 2013 and 2014, the Company recognized potential interest and penalties of $23,000 and $21,000, respectively. During the six months ended June 30, 2013 and 2014, the Company recognized potential interest and penalties of $42,000 and $55,000, respectively. As of December 31, 2013 and June 30, 2014, the Company had established reserves of approximately $0.3 million and $0.2 million, 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. During the six months ended June 30, 2014, accrued interest and penalties decreased by $0.1 million primarily due to the completion of the Company's IRS audit for the year ended December 31, 2009.
The Company files income tax returns in the United States Federal jurisdiction and in many state and foreign jurisdictions. The tax years 2008 through 2012 remain open to examination by the major taxing jurisdictions to which the Company is subject. The IRS completed an examination of the Company's federal income tax return for the year ended December 31, 2009. The audit resulted in no adjustments.
The Company anticipates that total unrecognized tax benefits will decrease by approximately $39,000 over the next 12 months due to the expiration of certain statutes of limitations and settlement of tax audits.

13. SEGMENT INFORMATION

The Company engages in business activities as a single entity and the chief operating decision maker reviews consolidated operating results and allocates resources based on consolidated results. Under this structure, the Company has a single operating segment.

Enterprise-Wide Disclosures

Geographic area revenue and service revenue from external clients for the three and six months ended June 30, 2013 and 2014, and geographic area long-lived assets as of December 31, 2013 and June 30, 2014 are as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2014	2013	2014
Revenue by geographical areas:				
North America	$208,788	$224,851	$413,913	$442,011
Europe	6,606	7,204	13,153	14,004
Other regions	4,956	5,402	9,700	11,339
Total revenue	$220,350	$237,457	$436,766	$467,354
Revenue by service:				
Marketing Services	$29,491	$34,972	$56,548	$67,826
Security Services	26,917	34,412	54,048	64,544
Data Services	52,399	49,384	102,888	97,502
NPAC Services	111,543	118,689	223,282	237,482
Total revenue	$220,350	$237,457	$436,766	$467,354

	December 31, 2013	June 30, 2014
Long-lived assets, net		
North America	$399,407	$394,355
South America	—	83,224
Europe	10	10
Other regions	9	4

Total long-lived assets, net	$399,426	$477,593

Table of Contents

14. CONTINGENCIES

On July 15, 2014, the Oklahoma Firefighters Pension and Retirement System (the Plaintiff), individually and on behalf of all other similarly situated stockholders, filed a putative class action complaint in the United States District Court for the Eastern District of Virginia (Alexandria Division) against the Company and certain of the Company's senior executive officers. The complaint asserts claims for purported violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 on behalf of those who purchased the Company's securities between April 19, 2013 and June 6, 2014, inclusive. The Plaintiff seeks unspecified compensatory damages, costs and expenses, including attorneys' and experts' fees, and injunctive relief. The Company believes the allegations are without merit and intends to defend against this action vigorously. At this stage, the Company is unable to quantify the impact of these claims on its future consolidated financial position or results of operations.

15. SUPPLEMENTAL GUARANTOR INFORMATION

The following schedules present condensed consolidating financial information of the Company as of December 31, 2013 and June 30, 2014 and for the three and six months ended June 30, 2013 and 2014 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 are full and unconditional and joint and several. A Subsidiary Guarantor will be released from its obligations under the Senior Notes when: (a) the Subsidiary Guarantor is sold or sells substantially all of its assets; (b) the Subsidiary Guarantor is designated as an unrestricted subsidiary as defined by the Senior Notes; (c) the Subsidiary Guarantor's guarantee of indebtedness under the Senior Notes is released (other than discharge through repayment); or (d) the requirements for legal or covenant defeasance or discharge of the indenture have been satisfied.

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

CONDENSED CONSOLIDATED BALANCE SHEET
DECEMBER 31, 2013
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$214,959	$1,075	$ 7,275	$—	$223,309
Restricted cash	1,260	595	3	—	1,858
Accounts receivable, net	85,830	63,366	3,625	—	152,821
Unbilled receivables	4,029	5,523	1,238	—	10,790
Notes receivable	1,008	—	—	—	1,008
Prepaid expenses and other current assets	19,349	3,880	685	—	23,914
Deferred costs	5,978	346	—	—	6,324
Income taxes receivable	8,409	—	—	(1,068)	7,341
Deferred tax assets	2,729	6,105	—	(454)	8,380
Intercompany receivable	18,409	—	—	(18,409)	—
Total current assets	361,960	80,890	12,826	(19,931)	435,745
Property and equipment, net	103,898	20,368	19	—	124,285
Goodwill	84,771	533,163	23,729	—	641,663
Intangible assets, net	21,179	253,962	—	—	275,141
Net investments in subsidiaries	782,025	—	—	(782,025)	—
Deferred tax assets, long-term	—	—	152	(152)	—
Other assets, long-term	27,588	1,008	108	—	28,704
Total assets	$1,381,421	$889,391	$ 36,834	$(802,108)	$1,505,538
LIABILITIES AND STOCKHOLDERS’ EQUITY					
Current liabilities:					
Accounts payable	$4,521	$2,162	$ 2,937	$—	$9,620
Accrued expenses	68,820	24,685	952	—	94,457
Income taxes payable	—	83	985	(1,068)	—
Deferred revenue	29,496	23,167	1,341	—	54,004
Notes payable	7,972	—	—	—	7,972
Capital lease obligations	1,894	—	—	—	1,894
Deferred tax liabilities	—	—	454	(454)	—
Other liabilities	2,457	1,112	11	—	3,580
Intercompany payable	—	5,139	13,270	(18,409)	—
Total current liabilities	115,160	56,348	19,950	(19,931)	171,527
Deferred revenue, long-term	8,987	3,074	—	—	12,061
Notes payable, long-term	608,292	—	—	—	608,292
Capital lease obligations, long-term	2,419	—	—	—	2,419
Deferred tax liabilities, long-term	20,218	60,329	—	(152)	80,395
Other liabilities, long-term	35,507	5,763	—	—	41,270
Total liabilities	790,583	125,514	19,950	(20,083)	915,964
Total stockholders’ equity	590,838	763,877	16,884	(782,025)	589,574

Total liabilities and stockholders’ equity	$1,381,421	$889,391	$ 36,834	$(802,108)	$1,505,538

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

CONDENSED CONSOLIDATED BALANCE SHEET
JUNE 30, 2014
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$226,777	$296	$ 18,779	$—	$245,852
Restricted cash	1,260	525	464	—	2,249
Accounts receivable, net	96,348	52,438	3,418	—	152,204
Unbilled receivables	3,394	5,662	213	—	9,269
Prepaid expenses and other current assets	18,509	4,031	747	(209)	23,078
Deferred costs	5,067	484	1,256	—	6,807
Deferred tax assets	4,471	6,882	361	—	11,714
Intercompany receivable	20,798	—	—	(20,798)	—
Total current assets	376,624	70,318	25,238	(21,007)	451,173
Property and equipment, net	127,402	14,985	331	—	142,718
Goodwill	95,061	533,163	57,420	—	685,644
Intangible assets, net	18,379	227,924	88,572	—	334,875
Net investments in subsidiaries	885,960	—	—	(885,960)	—
Deferred tax assets, long-term	—	—	183	(183)	—
Other assets, long-term	26,850	835	25	—	27,710
Total assets	$1,530,276	$847,225	$ 171,769	$(907,150)	$1,642,120
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$8,084	$2,334	$ 591	$—	$11,009
Accrued expenses	62,613	14,622	3,053	—	80,288
Income taxes payable	7,140	—	1,374	(209)	8,305
Deferred revenue	28,478	20,115	14,536	—	63,129
Notes payable	7,972	—	—	—	7,972
Capital lease obligations	2,058	—	—	—	2,058
Other liabilities	2,432	1,405	70	—	3,907
Intercompany payable	—	8,732	12,066	(20,798)	—
Total current liabilities	118,777	47,208	31,690	(21,007)	176,668
Deferred revenue, long-term	8,894	2,453	3,851	—	15,198
Notes payable, long-term	779,306	—	—	—	779,306
Capital lease obligations, long-term	4,164	—	—	—	4,164
Deferred tax liabilities, long-term	9,791	53,985	—	(183)	63,593
Other liabilities, long-term	54,142	5,371	—	—	59,513
Total liabilities	975,074	109,017	35,541	(21,190)	1,098,442
Total stockholders' equity	555,202	738,208	136,228	(885,960)	543,678
Total liabilities and stockholders' equity	$1,530,276	$847,225	$ 171,769	$(907,150)	$1,642,120

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

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

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$153,460	$64,422	$ 3,342	$(874)	$220,350
Operating expense:					
Cost of revenue (excluding depreciation and amortization shown separately below)	40,343	10,372	434	(930)	50,219
Sales and marketing	16,855	24,061	1,025	14	41,955
Research and development	4,394	3,221	1	—	7,616
General and administrative	18,944	1,997	141	42	21,124
Depreciation and amortization	10,158	14,527	5	—	24,690
	90,694	54,178	1,606	(874)	145,604
Income from operations	62,766	10,244	1,736	—	74,746
Other (expense) income:					
Interest and other expense	(5,787)	10	(16)	—	(5,793)
Interest and other income	83	—	4	—	87
Income before income taxes and equity income in consolidated subsidiaries	57,062	10,254	1,724	—	69,040
Provision for income taxes	21,221	3,988	433	—	25,642
Income before equity income in consolidated subsidiaries	35,841	6,266	1,291	—	43,398
Equity income in consolidated subsidiaries	7,557	742	—	(8,299)	—
Net income	$43,398	$7,008	$ 1,291	$(8,299)	$43,398
Comprehensive income	$43,289	$7,008	$ 1,045	$(8,299)	$43,043

Table of Contents

NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
THREE MONTHS ENDED JUNE 30, 2014
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$163,374	$68,878	$ 6,155	$(950)	$237,457
Operating expense:					
Cost of revenue (excluding depreciation and amortization shown separately below)	41,238	18,574	1,908	(876)	60,844
Sales and marketing	35,040	11,767	1,845	(15)	48,637
Research and development	6,591	324	17	—	6,932
General and administrative	23,980	2,244	(157)	(59)	26,008
Depreciation and amortization	12,152	15,720	2,214	—	30,086
Restructuring charges (recoveries)	—	202	(2)	—	200
	119,001	48,831	5,825	(950)	172,707
Income from operations	44,373	20,047	330	—	64,750
Other (expense) income:					
Interest and other expense	(7,335)	—	65	—	(7,270)
Interest and other income	159	—	4	—	163
Income before income taxes and equity income (loss) in consolidated subsidiaries	37,197	20,047	399	—	57,643
Provision for income taxes	10,959	8,842	995	—	20,796
Income before equity income (loss) in consolidated subsidiaries	26,238	11,205	(596)	—	36,847
Equity income (loss) in consolidated subsidiaries	10,609	(1,111)	—	(9,498)	—
Net income	$36,847	$10,094	$ (596)	$(9,498)	$36,847
Comprehensive income (loss)	$36,790	$10,090	$ (584)	$(9,497)	$36,799

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2013
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$305,624	$126,558	$ 6,411	$(1,827)	$436,766
Operating expense:					
Cost of revenue (excluding depreciation and amortization shown separately below)	80,764	19,586	862	(1,696)	99,516
Sales and marketing	34,886	47,104	2,237	(12)	84,215
Research and development	8,420	6,679	1	—	15,100
General and administrative	38,500	3,943	682	(119)	43,006
Depreciation and amortization	20,040	29,303	12	—	49,355
Restructuring charges	2	—	—	—	2
	182,612	106,615	3,794	(1,827)	291,194
Income from operations	123,012	19,943	2,617	—	145,572
Other (expense) income:					
Interest and other expense	(23,345)	15	(25)	—	(23,355)
Interest and other income	219	1	8	—	228
Income before income taxes and equity income in consolidated subsidiaries	99,886	19,959	2,600	—	122,445
Provision for income taxes	36,159	8,526	598	—	45,283
Income before equity income in consolidated subsidiaries	63,727	11,433	2,002	—	77,162
Equity income in consolidated subsidiaries	13,435	1,054	—	(14,489)	—
Net income	$77,162	$12,487	$ 2,002	$(14,489)	$77,162
Comprehensive income	$76,984	$12,487	$ 1,794	$(14,489)	$76,776

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2014
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$325,430	$134,420	$ 9,643	$(2,139)	$467,354
Operating expense:					
Cost of revenue (excluding depreciation and amortization shown separately below)	82,983	36,148	2,335	(2,011)	119,455
Sales and marketing	72,234	23,424	2,997	(27)	98,628
Research and development	13,000	967	24	—	13,991
General and administrative	48,224	4,088	88	(101)	52,299
Depreciation and amortization	23,930	31,332	2,464	—	57,726
Restructuring charges	3,338	1,691	137	—	5,166
	243,709	97,650	8,045	(2,139)	347,265
Income from operations	81,721	36,770	1,598	—	120,089
Other (expense) income:					
Interest and other expense	(13,398)	5	126	—	(13,267)
Interest and other income	250	1	7	—	258
Income before income taxes and equity income (loss) in consolidated subsidiaries	68,573	36,776	1,731	—	107,080
Provision for income taxes	21,389	16,056	1,105	—	38,550
Income before equity income (loss) in consolidated subsidiaries	47,184	20,720	626	—	68,530
Equity income (loss) in consolidated subsidiaries	21,346	(336)	—	(21,010)	—
Net income	$68,530	$20,384	$ 626	$(21,010)	$68,530
Comprehensive income	$68,442	$20,381	$ 648	$(21,009)	$68,462

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2013
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	$138,005	$51,039	$ 9,053	$(63,285)	$134,812
Investing activities:					
Purchases of property and equipment	(23,413)	(1,507)	(4)	—	(24,924)
Sales and maturities of investments	2,118	—	—	—	2,118
Business acquired	(8,500)	—	—	—	(8,500)
Net cash used in investing activities	(29,795)	(1,507)	(4)	—	(31,306)
Financing activities:					
Decrease (increase) in restricted cash	2	248	(7)	—	243
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	(4,062)	—	—	—	(4,062)
Principal repayments on capital lease obligations	(1,492)	—	—	—	(1,492)
Proceeds from issuance of stock	12,677	—	—	—	12,677
Excess tax benefits from stock-based compensation	4,666	—	25	—	4,691
Repurchase of restricted stock awards	(6,650)	—	—	—	(6,650)
Repurchase of common stock	(89,204)	—	—	—	(89,204)
Distribution to parent	—	(54,889)	(8,396)	63,285	—
Net cash used in financing activities	(63,729)	(54,641)	(8,378)	63,285	(63,463)
Effect of foreign exchange rates on cash and cash equivalents	65	(2)	(208)	—	(145)
Net increase (decrease) in cash and cash equivalents	44,546	(5,111)	463	—	39,898
Cash and cash equivalents at beginning of period	330,849	5,372	4,034	—	340,255
Cash and cash equivalents at end of period	$375,395	$261	$ 4,497	$—	$380,153

Table of Contents
NEUSTAR, INC.
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2013 AND 2014

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2014
(in thousands)

	NeuStar, Inc.	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net cash provided by operating activities	$124,430	$72,284	$ 10,914	$(71,025)	$136,603
Investing activities:					
Purchases of property and equipment	(24,352)	(801)	(518)	—	(25,671)
Business acquired, net of cash acquired	(120,145)	(226)	—	—	(120,371)
Net cash used in investing activities	(144,497)	(1,027)	(518)	—	(146,042)
Financing activities:					
(Increase) decrease of restricted cash	(1)	70	3	—	72
Proceeds from notes payable	175,000	—	—	—	175,000
Payments under notes payable obligations	(4,062)	—	—	—	(4,062)
Principal repayments on capital lease obligations	(1,544)	—	—	—	(1,544)
Proceeds from issuance of stock	6,156	—	—	—	6,156
Excess tax benefits from stock-based compensation	2,189	—	5	—	2,194
Repurchase of restricted stock awards	(8,740)	—	—	—	(8,740)
Repurchase of common stock	(137,086)	—	—	—	(137,086)
(Distribution to) investment by parent	—	(72,104)	1,079	71,025	—
Net cash provided by (used in) financing activities	31,912	(72,034)	1,087	71,025	31,990
Effect of foreign exchange rates on cash and cash equivalents	(27)	(2)	21	—	(8)
Net increase in cash and cash equivalents	11,818	(779)	11,504	—	22,543
Cash and cash equivalents at beginning of period	214,959	1,075	7,275	—	223,309
Cash and cash equivalents at end of period	$226,777	$296	$ 18,779	$—	$245,852

Table of Contents

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 made 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 second quarter, revenue increased 8% to $237.5 million. Revenue from information services and analytics, which represents 50% of total revenue, increased 9% and NPAC Services revenue increased 6% compared to the prior year. In particular, Marketing Services increased 19% and Security Services increased 28%. Of this increase in Security Services, our recent acquisition of .CO contributed 12%.

On April 14, 2014, we completed our acquisition of .CO Internet S.A.S for cash consideration of $113.7 million, subject to certain customary working capital adjustments. .CO Internet is the exclusive operator of the worldwide registry for Internet addresses with the “.co” top-level domain. This acquisition expands our registry services, which includes the .biz and .us top-level domains.

On June 9, 2014, the Wireline Competition Bureau of the Federal Communications Commission, or FCC, issued a public notice seeking comment on the North American Numbering Council's, or NANC, recommendation to select Telcordia Technologies, Inc. as the sole vendor to serve as the next Local Number Portability Administrator, or LNPA. The FCC established a deadline of July 25, 2014 for comments on the NANC recommendation and August 8, 2014 for reply comments. The authority to select the vendor to serve as the next LNPA rests with the FCC. We continue to compete vigorously in the selection process and maintain the positions that we have set forth in our filings with the FCC to date.

On June 17, 2014, Moody's downgraded our corporate credit rating due to an increase in perceived NPAC-related business risk. Downgrades in our credit ratings do not accelerate the scheduled maturity dates of our debt, or affect the interest rates charged on any of our debt, our debt covenant requirements, or cause any other operating issue.

Further, we continued to execute our capital allocation strategy through share repurchases. During the quarter, we purchased approximately 3.7 million shares of our common stock at an average price of $26.48 per share for a total of $99.1 million. As a result of these repurchases, we have approximately $58.8 million remaining capacity under our $200 million share repurchase plan as of June 30, 2014.

Our Services

Our primary services are as follows:

Marketing Services

Our Marketing Services provide clients the ability to plan and execute marketing strategies and measure the effectiveness of advertising campaigns across multiple channels with advanced marketing analytics, custom segmentation and media optimization. Using our workflow solutions, marketers are able to tailor their media spending plans, efficiently reach target audiences, and measure campaign performance across an array of channels and devices. In particular, our services help our clients identify and target their highest value potential customers and reach them through online and offline channels. These workflow solutions enable clients dealing with large volumes of continuous customer interactions and data to make informed and high-impact decisions designed to promote their businesses and increase customer retention. Our privacy-by-design

Table of Contents

marketing suite of services enhances our clients' ability to achieve greater campaign success and increase their return on investment.

Our Marketing Services provide:

- Marketing analytics and segmentation. We provide scientific, cloud-based solutions that enable marketers to analyze their customer base and build granular, highly predictive segmentation in real time. This provides our clients with a consistent view of customer and prospect groups most highly predisposed to purchase their products and services based on attributes such as demographics, geography, and buying propensities. Our services enable clients to plan data-driven marketing strategies, develop high-impact advertising and lead generation campaigns and execute informed media planning for consistent execution across multiple channels.
- Customer targeting. Our customer targeting services enable effective online display ad targeting of prospect audiences and customers. Our predictive segmentation and geo-targeting capabilities enable clients to reach highly predisposed online customers with relevant messages, either by deploying propensity, geography or a combination of each, in a privacy compliant manner.
- Identity verification and scoring. We provide services that allow clients to interact efficiently with their customers, for example, to validate customer data, distinguish between an existing customer and a prospect, enhance leads and assign a lead quality rating. Our lead scoring service assigns a real-time predictive score to inbound telephone and web leads and predicts which prospects are most likely to convert into customers and/or become high-value customers, or which current customers are likely to respond to additional offers.
- Local search and licensed business data. We provide a business listing and identity management solution that serves search platforms, national brands, authorized channel partners and local businesses. This service provides businesses, national brands and channel partners the essential tools to verify, enhance and manage the identity of local listings on search platforms across the Web, and offers search platforms an accurate, complete and up-to-date database of local business listings for online publishing.
- Measurement and attribution. We provide campaign conversion analytics that enable clients to measure advertising effectiveness, for example, by assessing the offline consumer behavior of persons exposed to online advertising campaigns, consistent with privacy-by-design principles. We also provide a single, neutral media intelligence platform for measurement and optimization of multi-channel, multi-device advertising campaigns and conversion-attribution analytics.

Security Services

We provide a suite of domain name systems, or DNS services, built on a global directory platform. These services play a key role in directing and managing the flow of Internet traffic, resolving Internet queries and providing security protection against cyber attacks. We also provide the management of authoritative domain-name registries.

Our Security Services provide:

- DDoS protection. We provide Distributed Denial of Service, or DDoS, alerting and detection systems, as both a stand-alone DDoS mitigation solution, or together with advanced services to strengthen and protect an enterprise's defenses. By identifying suspicious traffic, we reduce risk, downtime and revenue loss for our clients. We help protect an enterprise's intellectual capital by providing early warning of attacks so it can act quickly to minimize damage.
- Registries. We operate the authoritative registries of Internet domain names for the .biz, .us, .co, .tel, and .travel top-level domains, and provide international registry gateways. We provide back-end support for generic top-level domains, or gTLDs. All Internet communications routed to any of these domains must query a copy of our directory to ensure that the communication is routed to the appropriate destination.
- Internet infrastructure. Our solutions protect an enterprise's Internet ecosystem and defend most standard transmission control protocol based applications, including, among others, websites, email servers, application programming interfaces, and databases. Our managed and recursive DNS services deliver fast, accurate responses to online queries with the scalability that today's enterprises demand.

Table of Contents

- Website performance monitoring. We help clients identify a wide range of online performance issues, and set up synthetic and real user monitors from a single interface. In addition, we provide load-testing analysis to help an enterprise prepare for severe stress to new and existing systems. Our extensive diagnostics and multi-domain views give customers a holistic perspective both inside and outside the firewall.

Data Services

We manage large, complex data sets that enable clients to process decisions and transactions in real time. Our workflow solutions enable the exchange of essential operating information with multiple carriers in order to provision and manage services. Our services assist clients with fast and accurate order processing, and immediate routing of customer inquiries.

Our Data Services provide:

- Carrier provisioning. We provide network services that permit our carrier customers to exchange essential operating information with multiple carriers to provision and manage services for their subscribers. In addition, we offer inventory management services to allow our carrier customers to manage efficiently their assigned telephone numbers and associated resources.
- Caller-name identification. We offer caller-name and related information to telephony providers, which drives customer satisfaction with authoritative, accurate and current caller-name data.
- Common short codes. We operate the authoritative common short codes registry on behalf of the U.S. wireless industry.
- User authentication and rights management. We operate the user authentication and rights management system, which supports the UltraViolet™ digital content locker that consumers use to access their entertainment content.

NPAC Services

NPAC Services includes the dynamic routing of calls and text messages among all competing communications service providers in the United States and related connection services and system enhancements.

Our NPAC Services provide:

- Numbering. We operate and maintain authoritative databases that help manage the increasing complexity in the telecommunications industry. Our numbering services include number portability administration center services, or NPAC Services, in the United States and number inventory and allocation management. The NPAC is the world’s largest and most complex number portability system with connections to over 4,800 individual customers and is a critical component of the national telecommunications network infrastructure. Our NPAC Services provide a key foundation for subscriber acquisition and for a robust and competitive telecommunications market. These services also support the industry’s needs for real-time network and resource optimization, emergency preparedness and disaster recovery, and efficient telephone number utilization.

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 U.S. 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.

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 II, "Item 1A. Risk Factors" of this Quarterly Report on Form 10-Q for the quarter ended June 30, 2014, 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, 2013.

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 are subject to 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 the level of achievement of the performance targets. At each reporting period, we reassess the level of achievement of the performance targets within the related performance period. Determining the level of achievement of the performance targets involves judgment, and the estimate of stock-based compensation expense may be revised periodically based on changes. If any performance goals specific to the restricted stock unit awards are not met, we do not recognize any compensation cost for such awards, and we reverse any such compensation cost to the extent previously recognized. As of June 30, 2014, the level of achievement of the performance target awards for the 2014 performance year was 100%.

Table of Contents

Consolidated Results of Operations

Three Months Ended June 30, 2013 Compared to Three Months Ended June 30, 2014

The following table presents an overview of our results of operations for the three months ended June 30, 2013 and 2014:

	Three Months Ended June 30,			
	2013	2014	2013 vs. 2014	
	$	$	$ Change	% Change
	(unaudited)			
	(dollars in thousands, except per share data)			
Revenue	$220,350	$237,457	$17,107	7.8 %
Operating expense:				
Cost of revenue (excludes depreciation and amortization shown separately below)	50,219	60,844	10,625	21.2 %
Sales and marketing	41,955	48,637	6,682	15.9 %
Research and development	7,616	6,932	(684)	(9.0)%
General and administrative	21,124	26,008	4,884	23.1 %
Depreciation and amortization	24,690	30,086	5,396	21.9 %
Restructuring charges	—	200	200	100.0 %
	145,604	172,707	27,103	18.6 %
Income from operations	74,746	64,750	(9,996)	(13.4)%
Other (expense) income:				
Interest and other expense	(5,793)	(7,270)	(1,477)	25.5 %
Interest and other income	87	163	76	87.4 %
Income before income taxes	69,040	57,643	(11,397)	(16.5)%
Provision for income taxes	25,642	20,796	(4,846)	(18.9)%
Net income	$43,398	$36,847	$(6,551)	(15.1)%
Net income per share:				
Basic	$0.66	$0.62		
Diluted	$0.65	$0.61		
Weighted average common shares outstanding:				
Basic	65,531	58,973		
Diluted	66,990	60,388		

Revenue

Revenue. Revenue increased $17.1 million driven by strong demand for our Marketing and Security Services and a $7.1 million increase in NPAC Services. Revenue from our Marketing Services increased $5.5 million, driven by increased demand for our services that help clients make informed and high impact decisions to promote their businesses and increase customer retention. Security Services revenue increased $7.5 million driven by domain name registries and an increase in demand for our DDoS protection services. Data Services revenue decreased $3.0 million due to a decrease in revenue from caller identification services and common short codes, partially offset by an increase in revenue from our carrier provisioning services.

Expense

Cost of revenue. Cost of revenue increased $10.6 million due to an increase of $7.0 million in costs related to our information technology and systems and an increase of $4.1 million in personnel and personnel-related expense. The increase in costs related to our information technology and systems was driven by increased data processing, telecommunications, and maintenance costs. The increase in personnel and personnel-related expense was due to increases in salary and stock-based compensation expense, which were driven by increased headcount.

Sales and marketing. Sales and marketing expense increased $6.7 million due to an increase of $2.9 million in personnel and personnel-related expense, an increase of $2.2 million in advertising and marketing costs and an increase of $1.6 million in

Table of Contents

maintenance and general facilities costs. The increase in advertising and marketing costs was driven by advertising campaigns to drive brand awareness and NPAC-related campaigns. The increase in personnel and personnel-related expense was driven by an increase in stock-based compensation expense.

Research and development. Research and development expense for the three months ended June 30, 2014 was comparable to the three months ended June 30, 2013.

General and administrative. General and administrative expense increased $4.9 million due to an increase of $2.6 million in personnel and personnel-related expense and $2.0 million in professional fees. The increase in personnel and personnel-related expense was due to an increase in stock-based compensation expense. The increase in professional fees was driven by costs to support our pursuit of the next NPAC contract, and to pursue new business opportunities.

Depreciation and amortization. Depreciation and amortization expense increased $5.4 million due to an increase of $3.6 million in amortization expense related to acquired intangible assets. In addition, depreciation expense increased $1.8 million related to an increase in capitalized software development costs.

Restructuring expense. Restructuring expense increased $0.2 million attributable to our 2014 restructuring plan initiated in the first quarter of 2014.

Interest and other expense. Interest and other expense increased $1.5 million due to a $1.0 million increase in losses recorded in connection with asset disposals.

Interest and other income. Interest and other income for the three months ended June 30, 2014 was comparable to the income for the three months ended June 30, 2013.

Provision for income taxes. Our effective tax rate decreased to 36.1% for the three months ended June 30, 2014 from 37.1% for the three months ended June 30, 2013 primarily due to the domestic production activities deduction.

Table of Contents

Six Months Ended June 30, 2013 Compared to Six Months Ended June 30, 2014

The following table presents an overview of our results of operations for the six months ended June 30, 2013 and 2014:

	Six Months Ended June 30,			
	2013	2014	2013 vs. 2014	
	$	$	$ Change	% Change
	(unaudited)			
	(dollars in thousands, except per share data)			
Revenue	$436,766	$467,354	$30,588	7.0 %
Operating expense:				
Cost of revenue (excludes depreciation and amortization shown separately below)	99,516	119,455	19,939	20.0 %
Sales and marketing	84,215	98,628	14,413	17.1 %
Research and development	15,100	13,991	(1,109)	(7.3)%
General and administrative	43,006	52,299	9,293	21.6 %
Depreciation and amortization	49,355	57,726	8,371	17.0 %
Restructuring charges	2	5,166	5,164	258,200.0 %
	291,194	347,265	56,071	19.3 %
Income from operations	145,572	120,089	(25,483)	(17.5)%
Other (expense) income:				
Interest and other expense	(23,355)	(13,267)	10,088	(43.2)%
Interest and other income	228	258	30	13.2 %
Income before income taxes	122,445	107,080	(15,365)	(12.5)%
Provision for income taxes	45,283	38,550	(6,733)	(14.9)%
Net income	$77,162	$68,530	$(8,632)	(11.2)%
Net income per share:				
Basic	$1.17	$1.14		
Diluted	$1.15	$1.11		
Weighted average common shares outstanding:				
Basic	65,855	60,100		
Diluted	67,301	61,539		

Revenue

Revenue. Revenue increased $30.6 million driven by strong demand for our Marketing and Security Services and a $14.2 million increase in NPAC Services. Revenue from our Marketing Services increased $11.3 million driven by increased demand for our services that help clients make informed and high impact decisions to promote their businesses and increase customer retention. Security Services revenue increased $10.5 million driven by domain name registries and an increase in demand for our DDoS protection services. Data Services revenue decreased $5.4 million due to a decrease in revenue from caller identification services, common short codes and media services partially offset by an increase in revenue from our carrier provisioning services.

Expense

Cost of revenue. Cost of revenue increased $19.9 million due to an increase of $11.3 million in costs related to our information technology and systems, an increase of $8.2 million in personnel and personnel-related expense, and an increase of $1.4 million in contractor costs incurred to support our business. The increase in costs related to our information technology and systems was driven by increased data processing, telecommunications, and maintenance costs. The increase in personnel and personnel-related expense was due to increases in salary and stock-based compensation expense, which were driven by increased headcount.

Sales and marketing. Sales and marketing expense increased $14.4 million due to an increase of $6.2 million in personnel and personnel-related expense, an increase of $5.8 million in advertising and marketing costs and an increase of

35

Table of Contents

$2.5 million in maintenance and general facilities costs. The increase in advertising and marketing costs was driven by advertising campaigns to drive brand awareness and NPAC-related campaigns. The increase in personnel and personnel-related expense was driven by an increase in stock-based compensation expense.

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

General and administrative. General and administrative expense increased $9.3 million due to an increase of $7.0 million in professional fees and an increase of $3.2 million in personnel and personnel-related expense. The increase in professional fees was driven by costs to support our pursuit of the next NPAC contract, and to pursue new business opportunities. The increase in personnel and personnel-related expense was due to an increase in stock-based compensation expense.

Depreciation and amortization. Depreciation and amortization expense increased $8.4 million due to an increase of $5.3 million in amortization expense related to acquired intangible assets. In addition, depreciation expense increased $3.1 million related to an increase in capitalized software development costs.

Restructuring expense. Restructuring expense increased $5.2 million attributable to our 2014 restructuring plan initiated in the first quarter of 2014.

Interest and other expense. Interest and other expense decreased $10.1 million due to a $10.9 million loss on debt modification and extinguishment, recorded in the first quarter of 2013 and incurred in connection with the refinancing of our 2011 debt facilities. This decrease was partially offset by a $1.1 million increase in losses recorded in connection with asset disposals.

Interest and other income. Interest and other income for the six months ended June 30, 2014 was comparable to the income for the six months ended June 30, 2013.

Provision for income taxes. Our effective tax rate decreased to 36.0% for the six months ended June 30, 2014 from 37.0% for the six months ended June 30, 2013 primarily due to the reversal of unrecorded tax benefits upon the completion of an Internal Revenue Service audit for the year ended December 31, 2009 and domestic production activities deduction during the six months ended June 30, 2014 offset by the benefit of our federal research tax credit for the six months ended June 30, 2013.

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, acquisitions, 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 and cash equivalents were $245.9 million at June 30, 2014, an increase of $22.5 million from $223.3 million at December 31, 2013. This increase in cash and cash equivalents was due to cash provided by operations.

On June 17, 2014, Moody's downgraded our corporate credit rating due to an increase in perceived NPAC-related business risk. In particular, our corporate family rating was lowered from Ba2 to Ba3, our 2013 Term Facility rating was lowered from Ba1 to Ba2, and our Senior Notes rating was lowered from Ba3 to B2. Downgrades in our credit ratings do not accelerate the scheduled maturity dates of our debt, or affect the interest rates charged on any of our debt, our debt covenant requirements, or cause any other operating issue. We believe this downgrade will not have a significant impact on our operating results; however, if our credit ratings were to be further downgraded, our access to, and cost of, debt financing may be negatively impacted.

We believe that our existing cash and cash equivalents and cash from operations 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.

Table of Contents

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 June 30, 2014, we had $175.0 million of outstanding borrowings under the 2013 Revolving Facility and available borrowings were $17.1 million after outstanding letters of credit totaling $7.9 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, or 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.

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 June 30, 2014, deferred financing costs and loan origination fees related to the 2013 Credit Facilities were $7.3 million. Total amortization expense of the deferred financing costs and loan origination fees was $0.5 million and $1.0 million for the three and six months ended June 30, 2014 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.

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.

After July 15, 2016 and 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

37

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 June 30, 2014, deferred financing costs related to the Senior Notes were $13.6 million. Total amortization expense of the deferred financing costs was $0.3 million and $0.6 million for the three and six months ended June 30, 2014, 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 six months ended June 30, 2014 was $136.6 million, as compared to $134.8 million for the six months ended June 30, 2013. This $1.8 million increase in net cash provided by operating activities was the result of a decrease in net income of $8.6 million, and a decrease in non-cash adjustments of $4.3 million, partially offset by an increase in net changes in operating assets and liabilities of $14.7 million.

Non-cash adjustments decreased $4.3 million driven by a $10.9 million loss on debt modification and extinguishment recorded in the first quarter of 2013 related to our debt refinancing and a decrease of $14.8 million in deferred income taxes. These decreases in non-cash adjustments were partially offset by an increase of $9.3 million in stock-based compensation, an increase of $8.4 million in depreciation and amortization expense, an increase of $2.5 million in excess tax benefits from stock option exercises, and an increase of $1.1 million in loss on asset disposals.

Net changes in operating assets and liabilities increased $14.7 million primarily due to an increase of $15.3 million in accounts and unbilled receivables, an increase of $4.7 million in prepaid expenses and other current assets, an increase of $4.1 million in other liabilities, and an increase of $2.8 million in income taxes. These increases in net changes in operating assets and liabilities were partially offset by a decrease of $12.5 million in accounts payable and accrued expenses.

Cash flows from investing

Net cash used in investing activities for the six months ended June 30, 2014 was $146.0 million, as compared to $31.3 million for six months ended June 30, 2013. This $114.7 million increase in net cash used in investing activities was due to an increase of $111.9 million in cash used for acquisitions and a decrease of $2.1 million in cash proceeds from the sale and maturities of investments.

Cash flows from financing

Net cash provided by financing activities was $32.0 million for the six months ended June 30, 2014, as compared to net cash used in financing activities of $63.5 million for the six months ended June 30, 2013. This $95.5 million increase in net cash provided by financing activities was due to a net increase in cash of $143.3 million from debt and a decrease of $11.4 million in cash used for debt offering costs. In particular, the net increase in cash of $143.3 million was attributable to borrowings of $175.0 million in the first quarter of 2014 compared to net proceeds of $31.7 million attributable to our debt refinancing completed in the first quarter of 2013. These increases in cash provided by financing activities were partially offset by a $47.9 million increase in cash used for the purchase of our Class A common stock, a decrease of $6.5 million in cash proceeds from the issuance of stock, an decrease of $2.5 million in excess tax benefits from stock option exercises, and an increase of $2.1 million in cash used and attributable to employees' use of restricted stock to satisfy the employee's minimum tax withholding obligations.

38

Table of Contents

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, 2013. Our exposure to market risk has not changed materially since December 31, 2013.

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 June 30, 2014, 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.

In addition, there were no changes in our internal control over financial reporting that occurred in the second quarter of 2014 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

On July 15, 2014, the Oklahoma Firefighters Pension and Retirement System, or the Plaintiff, individually and on behalf of all other similarly situated stockholders, filed a putative class action complaint in the United States District Court for the Eastern District of Virginia, or Alexandria Division, against us and certain of our senior executive officers. The complaint asserts claims for purported violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and SEC Rule 10b-5 on behalf of those who purchased our securities between April 19, 2013 and June 6, 2014, inclusive. The Plaintiff seeks unspecified compensatory damages, costs and expenses, including attorneys' and experts' fees, and injunctive relief. We believe the allegations are without merit and intend to defend against this action vigorously. At this stage, we are unable to quantify the impact of these claims on our future consolidated financial position or results of operations.

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 clients 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 clients 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 clients 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 clients;
- 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

Table of Contents

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 clients, 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 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 clients 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 clients 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 clients' expectations:

- our reputation may be damaged, which may adversely affect our ability to market our services and attract or retain clients;
- 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.

The revenue we receive under our seven contracts with North American Portability Management LLC represents, in the aggregate, a substantial portion of our overall revenue. These contracts are not exclusive and could be terminated or modified in ways unfavorable to us. These contracts are due to expire in June 2015 and are currently subject to a competitive proposal process. If we are not selected to continue to provide these services on the same terms and conditions, or at all, our business, prospects, financial condition and results of operations will be materially adversely affected.

We provide NPAC Services pursuant to seven separate contracts with North American Portability Management LLC, or NAPM, an industry group that represents all carriers in the United States. These seven contracts, each of which represented between 4.3% and 9.2% of our total revenue in 2013, in the aggregate represented approximately 48.5% of our total revenue in 2013. These contracts are not exclusive and NAPM could, at any time, solicit or receive proposals from other providers to provide services that are the same as or similar to ours. The contracts could be terminated or modified in ways unfavorable to us. These contracts are currently scheduled to expire in June 2015. NAPM has initiated a selection process for the administration of NPAC Services following the expiration of the current contracts. NAPM posted a Request for Proposal on February 5, 2013 and we submitted a proposal on April 5, 2013, which we revised on September 18, 2013. On October 21, 2013, we requested the opportunity for all bidders in the selection process to submit additional revised proposals. Together with that request, we also submitted a revised proposal. On January 24, 2014, NAPM notified us that our October 21, 2013 proposal would not be considered.

On June 9, 2014, the Wireline Competition Bureau of the Federal Communications Commission, or FCC, issued a public notice seeking comment on the North American Number Council's, or NANC, recommendation to select Telcordia Technologies, Inc. as the sole vendor to serve as the next Local Number Portability Administrator, or LNPA. Ultimately, the FCC will rule on the NANC's recommendation. We continue to compete vigorously in the selection process and maintain the positions that we have set forth in our FCC filings. We disagree with the NANC recommendation of Telcordia and will oppose its adoption by the FCC. The FCC may elect not to take action favorable to Neustar in response to our filings. And, ultimately, we may not be selected by the FCC to serve as the LNPA administrator. Additionally, delays in the final outcome of the competitive proposal process could negatively impact the market price of our common stock.

If these contracts are terminated, expire without renewal, or are 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. We may not be able to replace the revenue we will lose if we are not selected to continue to provide these services, or if we are selected to continue to provide these services under terms and conditions that are materially less favorable to us than the current terms and conditions.

We have incurred, and expect to continue to incur, expenses in connection with our participation in the selection process and our pursuit of FCC action to address concerns arising from this process. These efforts may be costly and time consuming and could divert our management and key personnel from our business operations.

Table of Contents

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 clients 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 clients, and potentially face costly litigation.

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 client contracts may be terminated or modified at any time prior to their completion, which could lead to an unexpected loss of revenue, adversely affect our operating performance and damage our reputation.

In addition to our contracts with NAPM, we provide other revenue-generating services to clients in the communications sector and a wide variety of other 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 clients that has the right to unilaterally terminate their contracts with us for any reason, including for performance-related or other reasons, the clients may unilaterally terminate the contracts or require us to modify the contracts in ways unfavorable to us, either of which could lead to an unexpected loss of revenue and adversely affect our operating performance. The loss or significant modification of a major contract also 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. Further, a termination arising out of our default under a contract could expose us to a liability for breach of contract.

Table of Contents

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 comply with certain ongoing neutrality requirements, meaning generally that we cannot favor any particular telecommunications service provider, interconnected VoIP provider, telecommunications industry segment, technology, or group of telecommunications consumers over any other telecommunications or VoIP 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 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 clients' 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 such statutory or regulatory changes were to occur, the demand for many of our services could change in ways that we cannot predict and our revenue could decline, or our costs could increase due to such changes. 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 proposal 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 clients 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;
- after the amendment of our contracts with North American Portability Management LLC in September 2006, Telcordia 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 "-The revenue we receive under our seven contracts with North American Portability Management LLC represents, in the aggregate, a substantial portion of our overall revenue. These contracts are not exclusive and could be terminated or modified in ways unfavorable to us. These contracts are due to expire in June 2015 and are currently subject to a competitive proposal process. If we are not selected to continue to provide these services on the same terms and conditions, or at all, our business, prospects, financial condition and results of operations will be materially adversely affected."; and
-

in January 2014, the FCC issued a Report and Order and Notice of Proposed Rulemaking and Notice of Inquiry, commencing voluntary experiments intended to assess the impact of the potential future transition in the telecommunications industry from traditional dedicated circuit network architecture to a design where all forms of traffic - voice, video, and information - are transmitted digitally over IP-based networks, or the IP Transition. Although the purpose of the experiments is to gather data only and no specific regulatory changes

Table of Contents

relating to the IP Transition have been proposed, this FCC action may indicate increasing momentum in connection with the implementation of the IP Transition;

- 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 clients (e.g., regulatory changes to support IP Transition);
- 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 clients are subject could cause our clients 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.

Further, the current regulatory environment for Internet communications, products and services generally is uncertain and various laws and governmental regulations, both in the U.S. and abroad, governing Internet related services, related communications services and information technologies remain largely unsettled. It may take several years to determine whether and how existing laws, such as those governing intellectual property, privacy, libel, telecommunications services and taxation, apply to the Internet and to related products and services such as ours, and substantial resources may be required to comply with regulations or bring any non-compliant business practices into compliance with such regulations. Our failure or the failure of our clients and others with whom we transact business to comply with existing or future regulatory or other legal requirements could materially adversely affect our business, financial condition and results of operations.

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 clients 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 client agreements require that we indemnify our clients 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 client 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, financial condition and operating results.

Table of Contents

The markets for our services are competitive, and if we do not adapt our organization and services to meet rapid technological and market change, we could lose clients or market share.

Our future growth is largely dependent upon our ability to continue to adapt our products, services, and organization to meet the demands of rapidly evolving markets and industry standards. We compete against well-funded providers of data registry, information and analytics services, as well as communications software companies and system integrators. In addition, our industry is characterized by rapid technological change, evolving industry standards, and frequent new service offerings. Significant technological changes could make our technology and services obsolete. Accordingly, our future success depends on our ability to: (i) adapt our products, services, organization, workforce, and sales strategies to fit the rapidly changing needs of current and future clients; (ii) identify emerging technological and other trends in our target markets; and (iii) develop or acquire and bring to market competitive products and services quickly and cost-effectively by continually improving the features, functionality, reliability and responsiveness of our services, and by developing new features, services and applications to meet changing client needs. Our ability to take advantage of opportunities in the market may require us to invest considerable resources adapting our organization and capabilities to support development of products and systems that can support new services or be integrated with new technologies and incur other expenses well in advance of our ability to generate revenue from these services. These development efforts may divert resources from other potential investments in our businesses, management time and attention from other matters, and may not lead to the development of new products or services on a timely basis.

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. Potential clients may not adopt our solutions and we may not be able to reach acceptable contract terms with clients to provide these services.

As a result, the failure to effectively adapt our organization, products and services to the needs of our markets or the failure of our offerings to gain market acceptance, could significantly reduce our revenues, increase our operating costs or otherwise materially and adversely affect our business, financial condition, results of operations and cash flows. Our failure to adapt to meet market demand in a cost-effective manner could adversely affect our ability to compete and retain clients 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 and analytics services 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 client. 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 and analytics services to our clients could be materially adversely impacted, which could result in decreased revenue, net income and earnings per share.

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 clients, 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 and analytics 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.

Table of Contents

Our reorganization efforts may not be effective in increasing our long-term growth prospects or achieving expected cost reductions, may have unintended consequences, and could negatively impact our business.

In the fourth quarter of 2013, we aligned our organization to serve our clients through a common understanding of their needs. We are now organized around a unified sales team that goes to market by the verticals we serve, supported by a common technology platform with consistent interfaces. This alignment resulted in a single operating segment and a change in our financial reporting. We anticipate that this new structure will give us greater insight into our clients' needs and result in increased sales. In addition, our reorganization initiatives, which we expect will continue through fiscal 2014, are designed to result in greater synergies from our acquisitions, achieve further integration among our onsite businesses, and more efficiently manage operating expenses by streamlining functions and organizational structure. Our ability to achieve the anticipated cost efficiencies and other benefits from these initiatives within the expected time frame is subject to significant economic, competitive, and other uncertainties, many of which are beyond our control.

Our reorganization efforts present a number of risks, including:

- actual or perceived disruption of service or reduction in service standards to clients;
- the failure to preserve adequate internal controls as we reorganize our general and administrative functions, including our information technology and financial reporting infrastructure;
- the failure to preserve supplier relationships and distribution, sales and other important relationships and to resolve conflicts that may arise;
- loss of sales as we reduce or eliminate staffing in connection with the focus on core product groupings;
- diversion of management attention from ongoing business activities and core business objectives; and
- the failure to maintain employee morale and retain key employees due to reductions in the workforce.

Because of these and other factors, we cannot predict whether we will realize the purpose and anticipated benefits of the reorganization and, if we do not, our business and results of operations may be adversely affected.

Reorganization activities could disrupt our business and affect our results of operations.

We have previously taken steps, including reductions in force, office closures, and internal reorganizations to reduce the size and cost of our operations, improve efficiencies, and align our organization and staffing to better match our market opportunities and our technology development initiatives. We may take similar steps in the future as we seek to realize additional operating synergies and profitability objectives, or better reflect changes in the strategic direction of our business. These changes could be disruptive to our business, including our research and development efforts, and may result in significant expense, including accounting charges for technology-related write-offs, workforce reduction costs and charges relating to consolidation of facilities. Substantial expense or charges resulting from reorganization activities could adversely affect our results of operations and use of cash in those periods in which we undertake such actions.

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 in connection with any future restructuring to assist in managing our operations do not produce the expected benefits, we may experience higher turnover in our client 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 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 clients. 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 proposal 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 clients may cause us to reduce the prices we charge for our services and solutions. The primary sources of pricing pressure include:

- competitors offering our clients 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;
- clients with a significant volume of transactions may have enhanced leverage in pricing negotiations with us; and
- if our prices are too high, potential clients 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 clients 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 clients 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;
- difficulties in maintaining positive relationships with foreign governments and government officials; and
- difficulties associated with managing a large organization spread throughout various countries.

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 information services at the rate that we anticipate, our operating results could be negatively impacted.

Our ability to successfully grow our information services depends on a number of different factors, including market acceptance of our information services products and analytics solutions, 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 and analytics solutions, 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 clients, 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, we may not 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. 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 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 clients, 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.

Failure to maintain effective internal controls over financial reporting could have a material adverse effect on our business, operating results and stock price.

Section 404 of the Sarbanes-Oxley Act of 2002 requires that we include in our annual report a report containing management's assessment of the effectiveness of our internal controls over financial reporting as of the end of our fiscal year and a statement as to whether or not such internal controls are effective. Compliance with these requirements has resulted in, and is likely to continue to result in, significant costs and the commitment of time and operational resources. Changes in our business, including certain initiatives to transform business processes, to invest in information systems or to transition certain functions to third party resources or providers, will necessitate modifications to our internal control systems, processes and information systems as we optimize our business and operations. We cannot be certain that our current design for internal control over financial reporting, or any additional changes to be made, will be sufficient to enable management to determine that our internal controls are effective for any period, or on an ongoing basis. If we are unable to assert that our internal controls over financial reporting are effective, market perception of our financial condition and the trading price of our stock may be adversely affected, and client perception of our business may suffer.

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 deteriorated significantly in 2008, adversely affecting access to capital and increasing the cost of capital. Although conditions have improved, a large degree of uncertainty remains both domestically and abroad, which continues to adversely impact access to, and 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 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 June 30, 2014, borrowings under our 2013 Credit Facilities and Senior Notes was approximately $787.3 million, and we had unused revolving commitments of $17.1 million (after giving effect to borrowings of $175.0 million and $7.9 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 June 30, 2014, the total amount of such potential incremental increases we could request was approximately $585.2 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 the repayment 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 restrict 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.

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 $0.9 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.

Table of Contents

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 has and may continue to 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;
- developments in the vendor selection process to provide NPAC Services under contracts with NAPM when our current contracts expire in June 2015;
- 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.

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;

Table of Contents

- 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, VoIP providers and their respective 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," "VoIP provider" or an affiliate of a telecommunications service provider or VoIP 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. In general, a VoIP provider is an entity that provides two-way voice communications over a broadband connection and interconnects with the public switched telephone network.

Moreover, a party will be deemed to be an affiliate of a telecommunications service provider or a VoIP provider if that party controls, is controlled by, or is under common control with, a telecommunications service provider or a VoIP provider, respectively. 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, VoIP provider or affiliate of a telecommunications service provider or VoIP 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, VoIP provider or an affiliate of a telecommunications service provider or VoIP 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 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

Table of Contents

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, VoIP provider or an affiliate of a telecommunications service provider or VoIP 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, VoIP provider or affiliate of a telecommunications service provider or VoIP 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 VoIP providers or who may be deemed to be affiliates of a telecommunications service provider or VoIP 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 June 30, 2014:

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)
April 1 through April 30, 2014	848,274	$28.55	845,270	$ 133,907,944
May 1 through May 31, 2014	1,241,814	26.68	1,241,173	100,792,271
June 1 through June 30, 2014	1,657,992	25.32	1,657,524	58,822,427
Total	3,748,080		3,743,967	

(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 the 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 4,113 shares, all of which relate to shares surrendered to us by employees to satisfy the employees’ minimum tax withholding obligations arising as a result of the vesting of restricted stock grants under our incentive stock plans.

(3) On January 29, 2014, we announced the adoption of a 2014 share purchase program, which will expire on December 31, 2014. The 2014 program authorizes the purchase of up to $200 million of Class A common shares.

53

Table of Contents

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.

Table of Contents

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: July 23, 2014	By: /s/ Paul S. Lalljie
	Paul S. Lalljie
	Chief Financial Officer
	(Principal Financial and Accounting Officer and Duly Authorized Officer)

Table of Contents

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)	Amended and Restated NeuStar, Inc. Corporate Bonus Plan (formerly known as the 2009 Performance Achievement Award Plan), incorporated herein by reference to Annex B to NeuStar's Definitive Proxy Statement on Schedule 14A, filed April 17, 2014. †
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

† Compensation arrangement.