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

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

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

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

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

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

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

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

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

- if one of our stockholders experiences a change in status or other event that results in the stockholder violating this restriction, or if any transfer of our stock occurs that, if effective, would violate the 5% restriction, we may elect to purchase the excess shares (i.e., the shares that cause the violation of the restriction) or require that the excess shares be sold to a third-party whose ownership will not violate the restriction;
- pending a required divestiture of these excess shares, the holder whose beneficial ownership violates the 5% restriction may not vote the shares in excess of the 5% threshold; and
- if our Board of Directors, or its permitted designee, determines that a transfer, attempted transfer or other event violating this restriction has taken place, we must take whatever action we deem advisable to prevent or refuse to give effect to the transfer, including refusal to register the transfer, disregard of any vote of the shares by the prohibited owner, or the institution of proceedings to enjoin the transfer.

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

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

These restrictions and requirements may:

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters complex is located in Sterling, Virginia. As of December 31, 2011, we leased approximately 420,000 square feet of space, primarily in the United States, and to a lesser extent in Europe and Costa Rica, in support of general office and sales operations. We do not own any real property. As of February 17, 2012, we believe that our leased facilities have sufficient capacity to meet the current and projected needs of our business. The following table lists our major locations and primary use, by operating segment, where applicable, for continuing operations:

Leased Property Locations	Approximate Square Footage	General Usage
Sterling, VA, United States	237,000	Corporate headquarters
McLean, VA, United States	49,000	Information Services
California, United States	57,000	Carrier and Enterprise Services
Colorado, United States	14,000	Carrier Services
Kentucky, United States	18,000	Carrier and Enterprise Services customer support
Utah, United States	8,000	Information Services
District of Colombia, United States	13,000	General office and sales
Staines, United Kingdom	6,000	Carrier and Enterprise Services
Heredia, Costa Rica	13,000	Information Services

Upon expiration of the property leases, we expect to obtain renewals or to lease alternative space. Lease expiration dates range from 2012 through 2022.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASE OF EQUITY SECURITIES

Market for Our Common Stock

Since June 29, 2005, our Class A common stock has traded on the New York Stock Exchange under the symbol "NSR." As of February 17, 2012, our Class A common stock was held by 326 stockholders of record. The following table sets forth the per-share range of the high and low sales prices of our Class A common stock as reported on the New York Stock Exchange for the periods indicated:

	High	Low
Fiscal year ended December 31, 2010		
First quarter	$26.10	$21.87
Second quarter	$26.73	$20.23
Third quarter	$25.12	$20.20
Fourth quarter	$27.07	$23.89
Fiscal year ended December 31, 2011		
First quarter	$27.89	$24.60
Second quarter	$27.22	$25.18
Third quarter	$27.09	$22.24
Fourth quarter	$34.73	$24.79

There is no established public trading market for our Class B common stock. As of February 17, 2012, our Class B common stock was held by 5 stockholders of record.

Dividends

We did not pay any cash dividends on our Class A or Class B common stock in 2010 or 2011 and we do not expect to pay any cash dividends on our common stock for the foreseeable future. We currently intend to retain any future earnings to finance our operations and growth. Our revolving credit facility limits our ability to declare or pay dividends. We are also limited by Delaware law in the amount of dividends we can pay. Any future determination to pay cash dividends will be at the discretion of our Board of Directors and will depend on earnings, financial condition, operating results, capital requirements, any contractual restrictions and other factors that our Board of Directors deems relevant.

Purchases of Equity Securities

The following table is a summary of our repurchases of common stock during each of the three months in the quarter ended December 31, 2011:

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)
October 1 through October 31, 2011	481,139	$29.17	479,556	$185,299,019
November 1 through November 30, 2011	2,023	31.40	—	435,299,019
December 1 through December 31, 2011	7,247,288	34.50	7,246,376	185,299,019
Total	7,730,450	$34.17	7,725,932	$185,299,019

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

(2) The difference between the total number of shares purchased and the total number of shares purchased as part of publicly announced plans or programs is 4,518 shares, all of which relate to shares surrendered to us by employees to satisfy the employees' tax withholding obligations arising as a result of vesting of restricted stock grants under our incentive stock plans.

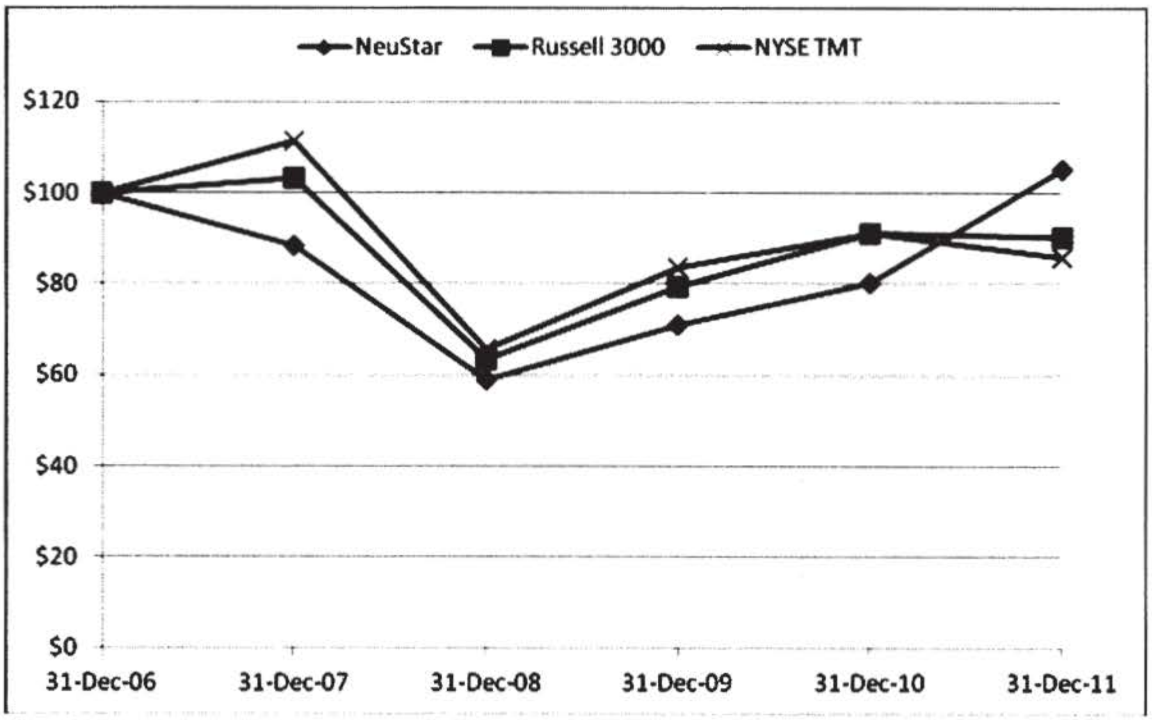
(3) On July 28, 2010, we announced the adoption of a share repurchase program. The program authorized the repurchase of up to $300 million of Class A common shares through a Rule 10b5-1 plan, open market purchases, privately negotiated transactions or otherwise as market conditions warrant, at prices we deemed appropriate. This Rule 10b5-1 plan was terminated on November 3, 2011, upon the commencement of our modified Dutch auction tender offer. On November 3, 2011, we announced the commencement of a modified Dutch auction tender offer to purchase up to $250 million of our Class A common stock. The modified Dutch auction tender offer expired at 12:00 midnight, New York City time, on the night of Friday, December 2, 2011. We purchased 7,246,376 shares of our Class A common stock at the final purchase price of $34.50 per share, for an aggregate cost of approximately $250 million.

Performance Graph

The following chart compares Neustar's cumulative stockholder return on its common stock over the last five fiscal years compared with $100 invested in the: (a) Russell 3000 Index and (b) NYSE TMT Index, an Index of Technology, Media and Telecommunications companies, each over that same period.

The comparison assumes reinvestment of dividends. The stock performance in the graph is included to satisfy our SEC disclosure requirements, and is not intended to forecast or to be indicative of future performance.

This Performance Graph shall not be deemed to be incorporated by reference into our SEC filings and shall not constitute soliciting material or otherwise be considered filed under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.



ITEM 6. SELECTED FINANCIAL DATA

The tables below present selected consolidated statements of operations data and selected consolidated balance sheet data for each year in the five year period ended December 31, 2011. The selected consolidated statements of operations data for each of the three years ended December 31, 2009, 2010 and 2011, and the selected consolidated balance sheet data as of December 31, 2010 and 2011, have been derived from, and should be read together with, our audited consolidated financial statements and related notes appearing in this report. The selected consolidated statements of operations data for each of the two years ended December 31, 2007 and 2008, and the selected consolidated balance sheet data as of December 31, 2007, 2008 and 2009, have been derived from our audited consolidated financial statements and related notes not included in this report.

The following information should be read together with, and is qualified in its entirety by reference to, the more detailed information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of this report and our consolidated financial statements and related notes in Item 8 of this report.

	Year Ended December 31,				
	2007	2008	2009	2010	2011
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:					
Total revenue	$421,062	$ 474,141	$467,253	$520,866	$620,455
Operating expense:					
Cost of revenue (excluding depreciation and amortization shown separately below)	87,650	89,543	99,436	111,282	137,992
Sales and marketing	60,760	62,769	80,676	86,363	109,855
Research and development	19,766	17,325	14,094	13,780	17,509
General and administrative	41,504	50,809	52,491	65,496	96,317
Depreciation and amortization	28,241	29,978	29,852	32,861	46,209
Restructuring charges	—	—	974	5,361	3,549
	237,921	250,424	277,523	315,143	411,431
Income from operations	183,141	223,717	189,730	205,723	209,024
Other (expense) income:					
Interest and other expense	(1,378)	(15,489)	(5,213)	(6,995)	(6,279)
Interest and other income	4,599	13,109	7,491	7,582	1,966
Income from continuing operations before income taxes	186,362	221,337	192,008	206,310	204,711
Provision for income taxes, continuing operations	75,098	86,943	76,498	82,282	81,137
Income from continuing operations	111,264	134,394	115,510	124,028	123,574
(Loss) income from discontinued operations, net of tax	(18,929)	(130,100)	(14,369)	(17,819)	37,249
Net income	$ 92,335	$ 4,294	$101,141	$106,209	$160,823
Basic net income (loss) per common share:					
Continuing operations	$ 1.46	$ 1.81	$ 1.55	$ 1.66	$ 1.69
Discontinued operations	(0.25)	(1.75)	(0.19)	(0.24)	0.51
Basic net income per common share	$ 1.21	$ 0.06	$ 1.36	$ 1.42	$ 2.20
Diluted net income (loss) per common share:					
Continuing operations	$ 1.40	$ 1.77	$ 1.53	$ 1.63	$ 1.66
Discontinued operations	(0.24)	(1.71)	(0.19)	(0.23)	0.50
Diluted net income per common share	$ 1.16	$ 0.06	$ 1.34	$ 1.40	$ 2.16
Weighted average common shares outstanding:					
Basic	76,038	74,350	74,301	74,555	72,974
Diluted	79,300	76,107	75,465	76,065	74,496

	As of December 31,				
	2007	2008	2009	2010	2011
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term investments	$198,678	$161,653	$342,191	$345,372	$ 132,782
Working capital	210,870	164,636	316,263	345,221	193,997
Goodwill and intangible assets	240,944	134,661	127,206	143,625	913,419
Total assets	616,661	519,166	647,804	733,874	1,382,638
Deferred revenue and customer credits, excluding current portion	18,063	11,657	8,923	10,578	10,363
Long-term note payable and capital lease obligations, excluding current portion	10,923	11,933	10,766	4,076	586,727
Total stockholders' equity	480,535	386,653	504,437	596,112	502,634

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis in conjunction with the information set forth under "Selected Financial Data" in Item 6 of this report and our consolidated financial statements and related notes in Item 8 of this report. The statements in this discussion related to our expectations regarding our future performance, liquidity and capital resources, and other non-historical statements in this discussion, are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in "Risk Factors" in Item 1A of this report and "Business — Cautionary Note Regarding Forward-Looking Statements" in Item 1 of this report. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Overview

Consolidated revenue growth continued to be strong in 2011. Our consolidated revenue for the year grew 19.1% to $620.5 million as compared to $520.9 million in 2010. Operating expense for the year ended December 31, 2011 was $411.4 million, an increase of $96.3 million from $315.1 million in the prior year.

Our revenue increase of $99.6 million was driven primarily by an increase in the revenue under our contracts with the North American Portability Management LLC, or NAPM, for our number portability administration center services, or NPAC Services. We continued to see strong demand for our other Carrier Services and Enterprise Services. Our OMS revenue increased primarily due to greater usage from existing customers and the 2011 acquisition of our licensed order management services. Demand for our IIS solutions continued to be strong, both from new and current customers, and Registry Services grew as a result of an increased number of common short codes and domain names under management. In addition, our acquisition of TARGUSinfo, our new Information Services segment, contributed $21.2 million of revenue in the fourth quarter and will help us diversify our revenue base in the future. The increase in operating expense was driven by personnel and personnel-related expense primarily from headcount additions to our teams in support of business operations and from acquisitions we completed in 2011.

We plan to build on our 2011 successes by leveraging our core competencies with our newly acquired assets. Our acquisition of TARGUSinfo expanded our services and solutions, leading our customers and investors to view us not just as a telecommunications company but as a real-time information analytics company. This acquisition provides us with the opportunity to leverage our authoritative databases that are processing trillions of transactions in a new way and enables us to provide new solutions to our customers based on real time analytics derived from our addressing capabilities. We will continue to offer innovative services to our existing and new customers as we evolve into a global leader in real-time analytics. We believe this will provide a foundation for our long-term strategy to deliver significant shareholder value.

Our Company

We are a trusted, neutral provider of real-time information and analytics to the Internet, communications, entertainment, advertising and marketing industries around the world. Our advanced, secure technologies provide addressing, routing, policy management and authentication services that enable our customers to find their end users, route network traffic to the optimal location and verify end-user identity. With our expertise in database management and analysis, we also provide cyber security, marketing and advertising information and analytics to our customers.

We were founded to meet the technical and operational challenges of the communications industry when the U.S. government mandated local number portability in 1996. We provide the authoritative solution that the communications industry relies upon to meet this mandate. Since then, we have grown to offer a broad range of innovative services, including registry services, managed DNS services, IP services, fixed IP geolocation services, Internet security services, caller ID services, web performance monitoring services, and real-time information and analytics services.

We operate in three segments:

- *Carrier Services.* Our carrier services include numbering services, order management services and IP services. Through our set of unique databases and system infrastructure in geographically dispersed data centers, we manage the increasing complexity in the communications industry and ensure the seamless connection of our carrier customers' numerous networks, while also enhancing the capabilities and performance of their infrastructure. We operate the authoritative databases that manage virtually all telephone area codes and numbers, and enable the dynamic routing of calls and text messages among numerous competing carriers in the United States and Canada. All carriers that offer telecommunications services to the public at large in the United States and Canada must access a copy of our unique database to properly route their customers' calls and text messages. We also facilitate order management and work-flow processing among carriers, and allow operators to manage and optimize the addressing and routing of IP communications.
- *Enterprise Services.* Our enterprise services include Internet infrastructure services and registry services. Through our global directory platform, we provide a suite of DNS services to our enterprise customers. We manage a collection of directories that maintain addresses in order to direct, prioritize and manage Internet traffic, and to find and resolve Internet queries and top-level domains. We are the authoritative provider of essential registry services and manage directories of similar resources, or addresses, that our customers use for reliable, fair and secure access and connectivity. In addition, enterprise customers rely on our services to monitor and load-test websites to help identify issues and optimize performance. We also provide fixed IP geolocation services that help enterprises identify the location of their online consumers for a variety of purposes, including fraud prevention and marketing. Additionally, we provide directory services for the 5 and 6-digit number strings used for all U.S. Common Short Codes, which is part of the short messaging service relied upon by the U.S. wireless industry.
- *Information Services.* Our information services include on-demand solutions that help carriers and enterprises identify, verify, score and locate customers and prospective customers. Our authoritative databases and solutions enable our clients to make informed decisions in real time about consumer-initiated interactions on the Internet, over the telephone and at the point of sale, by correlating consumer identifier information with attributes such as demographics, buying behaviors and location. This allows our customers to offer consumers more relevant services and products, and leads to higher client conversion rates. Our business listings identity management services help local businesses and national brands improve the visibility of their online business listings on local search engines. Using our proprietary database, our online display advertising solution allows marketers to display, in real time, advertisements that will be most relevant to online consumers without the need for online behavioral tracking.

Our costs and expenses consist of cost of revenue, sales and marketing, research and development, general and administrative, depreciation and amortization, and restructuring charges.

Cost of revenue includes all direct materials costs, direct labor costs, and indirect costs related to the generation of revenue such as indirect labor, outsourced services, materials and supplies, payment processing fees, and general facilities cost. Our primary cost of revenue is personnel costs associated with service implementation, product maintenance, customer deployment and customer care, including salaries, stock-based compensation and other personnel-related expense. In addition, cost of revenue includes costs relating to developing modifications and enhancements of our existing technology and services, as well as royalties paid related to our U.S. Common Short Code services and registry gateway services. Cost of revenue also includes costs relating to our information technology and systems department, including network costs, data center maintenance, database management, data processing costs and general facilities costs.

Sales and marketing expense consists of personnel costs, such as salaries, sales commissions, travel, stock-based compensation, and other personnel-related expense; costs associated with attending and sponsoring trade shows; facilities costs; professional fees; costs of marketing programs, such as Internet and print marketing programs, as well as costs for product branding, market analysis and forecasting; and customer relationship management.

Research and development expense consists primarily of personnel costs, including salaries, stock-based compensation and other personnel-related expense; contractor costs; and the costs of facilities, computer and support services used in service and technology development.

General and administrative expense consists primarily of personnel costs, including salaries, stock-based compensation, and other personnel-related expense, for our executive, administrative, legal, finance and human resources functions. General and administrative expense also includes facilities, support services and professional services fees.

Depreciation and amortization relates to amortization of identifiable intangibles, and the depreciation of our property and equipment, including our network infrastructure and facilities related to our services.

Restructuring charges relate to the termination of certain employees and reduction in or closure of leased facilities in some of our international locations.

Critical Accounting Policies and Estimates

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

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 and Item 1A of this report, "Risk Factors," for certain matters that may bear on our results of operations.

Acquisitions

We record acquisitions using the acquisition method of accounting. We recognize all of the assets acquired, liabilities assumed, contractual contingencies and contingent consideration, when applicable, at their fair value as of the acquisition date. We record the excess of the purchase price over the estimated fair values of the net tangible and intangible assets acquired as goodwill. 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 assets acquired and liabilities assumed in order to properly allocate purchase price consideration. These assumptions and estimates reflect our expected use of the asset and the appropriate discount rates from a market participant perspective. Our estimates are based on historical experience and information obtained from the management of the acquired companies, and are determined with assistance from an independent third-party appraisal firm. Our significant assumptions and estimates can include, but are not limited to, the cash flows that an acquired asset is expected to generate in the future, the weighted-average cost of capital, long-term projected revenues and growth rates, and the estimated royalty rate in the application of the relief from royalty valuation method. These estimates are inherently uncertain. In addition, unanticipated events and circumstances may occur which may affect the accuracy or validity of such estimates. During the third quarter of 2011, we acquired the assets and assumed certain liabilities of the Numbering Solutions business of Evolving Systems, Inc. and recorded $20.3 million of goodwill and $21.7 million of definite-lived intangible assets. During the fourth quarter of 2011, we acquired the capital stock of TARGUSinfo for approximately $658.0 million. In connection with this acquisition, we assumed unvested options with an estimated total fair value of $5.7 million. Of the total $5.7 million, approximately $5.0 million will be expensed for post-combination services and approximately $0.7 million has been included in the purchase price. The estimated fair value of the assumed unvested options was determined utilizing the Hull-White lattice model which required us to apply judgment and use subjective assumptions, including volatility of stock prices and an employee forfeiture rate based on our historical experience. We recorded $429.7 million of goodwill and $310.2 million of definite-lived intangible assets. See Note 3 to our audited Consolidated Financial Statements in Item 8 of Part II of this report.

Revenue Recognition

As part of our carrier services, we provide wireline and wireless number portability, implement the allocation of pooled blocks of telephone numbers and provide network management services pursuant to seven contracts with NAPM. In January 2009, we amended our seven regional contracts with NAPM. The aggregate fees for transactions processed under the amended contracts are determined by an annual fixed-fee pricing model under which the annual fixed fee, or Base Fee, was set at $340.0 million, $362.1 million and $385.6 million in 2009, 2010 and 2011, respectively, and is subject to an annual price escalator of 6.5% in subsequent years. These amended contracts also provide for a fixed credit of $40.0 million in 2009, $25.0 million in 2010 and $5.0 million in 2011, which are applied to reduce the Base Fee for the applicable year. Additional credits of up to $15.0 million annually in each of 2009, 2010 and 2011 may be earned if the customers reach certain levels of aggregate telephone number inventories and adopt and implement certain IP fields and functionality. 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 Base Fee may be adjusted up or down, respectively, with any such adjustment being applied against invoices in the following year. To the extent any available additional credits expire unused at the end of a year, they will be recognized in revenue at that time. We determine the fixed and determinable fee under these amended contracts on an annual basis at the beginning of each year and recognize this fee in our Carrier Services operating segment on a straight-line basis over twelve months.

For 2009, we concluded that the fixed and determinable fee equaled $285.0 million, which represented the Base Fee of $340.0 million reduced by the $40.0 million fixed credit and $15.0 million of additional credits. During 2009, our customers adopted and implemented the requisite IP fields and functionality, and as a result earned $7.5 million of credits for each of 2009, 2010 and 2011. However, the customers did not reach the levels of aggregate telephone number inventories required to earn additional credits in 2009 and as a result; we recognized $7.5 million of revenue in the fourth quarter of 2009. Our total revenue recognized under our seven regional contracts with NAPM to provide NPAC Services was $292.5 million for the year ended December 31, 2009.

For 2010, we concluded that the fixed and determinable fee equaled $322.1 million, which represented the Base Fee of $362.1 million, reduced by the $25.0 million fixed credit and $15.0 million of additional credits. During 2010, our carrier customers earned all of the available additional credits of $15.0 million for the adoption and implementation of the requisite IP fields and functionality and the achievement of specific levels of aggregate telephone number inventories.

For 2011, we concluded that the fixed and determinable fee equaled $365.6 million, which represented the Base Fee of $385.6 million, reduced by the $5.0 million fixed credit and $15.0 million of additional credits. During 2011, our carrier customers earned all of the available additional credits of $15.0 million for the adoption and implementation of the requisite IP fields and functionality and the achievement of specific levels of aggregate telephone number inventories.

Fees under our contracts with NAPM are billed to telecommunications service providers based on their allocable share of the total transaction charges. This allocable share is based on each respective telecommunications service provider's share of the aggregate end-user services revenues of all U.S. telecommunications service providers, as determined by the FCC. Under our contracts with NAPM, we also bill a Revenue Recovery Collections, or RRC, fee of a percentage of monthly billings to our customers, which is available to us if any telecommunications service provider fails to pay its allocable share of total transactions charges. If the RRC fee is insufficient for that purpose, these contracts also provide for the recovery of such differences from the remaining telecommunications service providers.

For more information regarding our revenue recognition policy, please see Note 2 to our Consolidated Financial Statements in Item 8 of Part II of this report.

Service Level Standards

Some of our private commercial contracts require us to meet service level standards and impose corresponding penalties for failure to meet those standards. We record a provision for these performance-related penalties when we become aware that we have failed to meet required service levels, which results in a corresponding reduction of our revenue.

Goodwill

Goodwill represents the excess purchase price paid over the fair value of tangible or identifiable intangible assets acquired and liabilities assumed in our acquisitions. In accordance with the Intangibles-Goodwill and Other Topic of the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, we test our goodwill for impairment on an annual basis, or on an interim basis if an event occurs or circumstances change that indicate an impairment may have occurred.

Our 2011 annual goodwill impairment analysis, which we performed for each of our two reporting units as of October 1, 2011, did not result in an impairment charge. We determined the estimated fair value of our reporting units using the income approach and the market approach, consistent with the approach we utilized in our analysis performed in 2010. To assist in the process of determining fair value, we performed internal valuation analyses, considered other publicly available market information and obtained appraisals from external advisors. Significant assumptions used in the determination of fair value under the income approach included assumptions regarding market penetration, anticipated growth rates, and risk-adjusted discount rates. Significant assumptions used in the determination of fair value under the market approach included the selection of comparable companies.

The key assumptions used in our 2011 annual goodwill impairment test to determine the fair value of our reporting units included: (a) cash flow projections, which include growth and allocation assumptions for forecasted revenue and expenses; (b) a residual growth rate of 3.0% to 5.0%; (c) a discount rate of 14.5% to 16.0%, which was based upon each respective reporting unit's weighted-average cost of capital adjusted for the risks associated with the operations at the time of the assessment; (d) selection of comparable companies used in the market approach; and (e) assumptions in weighting the results of the income approach and the market approach valuation techniques.

As of the date of our 2011 annual impairment test, our estimated fair values for each of our reporting units substantially exceeded each of our reporting units' carrying value. We believe that the assumptions and estimates used to determine the estimated fair values of each of our reporting units are reasonable; however, these estimates are inherently subjective, and there are a number of factors, including factors outside of our control that could cause actual results to differ from our estimates. Changes in estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and also the magnitude of any such charge.

Any changes to our key assumptions about our businesses and our prospects, or changes in market conditions, could cause the fair value of one of our reporting units to fall below its carrying value, resulting in a potential impairment charge. In addition, changes in our organizational structure or how our management allocates resources and assesses performance could result in a change of our operating segments or reporting units, requiring a reallocation and impairment analysis of our goodwill. A goodwill impairment charge could have a material effect on our consolidated financial statements because of the significance of goodwill to our consolidated balance sheet. As of December 31, 2011, we had \$128.8 million, \$16.2 million, and \$429.7 million in goodwill for our Carrier Services, Enterprise Services, and Information Services operating segments, respectively, the latter of which is attributable to our acquisition of TARGUSinfo on November 8, 2011 and was not included in our 2011 annual impairment test.

Accounts Receivable, Revenue Recovery Collections, and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount and do not bear interest. In accordance with our contracts with NAPM, we bill an RRC fee of a percentage of monthly billings to our customers. The aggregate RRC fees collected may be used to offset uncollectible receivables from an individual customer. Beginning July 1, 2005, the RRC fee was 1% of monthly billings. On July 1, 2008, the RRC fee was reduced to 0.75% and further reduced to 0.65% on July 1, 2010. Any accrued RRC fees in excess of uncollectible receivables are paid back to the customers annually on a pro rata basis. All other receivables related to services not covered by the RRC fees are evaluated and, if deemed not collectible, are appropriately reserved.

Investments

As of December 31, 2011, we have approximately \$13.1 million of investments in pre-refunded municipal bonds. These investments are accounted for as available-for-sale securities and unrealized gains or losses on these investments are recorded in other comprehensive income. We are exposed to investment risk as it relates to changes in the market value of our investments. We determine the fair value of our investments using third-party pricing sources, which primarily use a consensus price or weighted average price for the fair value assessment. The consensus price is determined by using matrix prices from a variety of industry standard pricing services, data providers, large financial institutions and other third party sources and utilizing those matrix prices as inputs into a distribution-curve-based algorithm to determine the estimated market value. Matrix prices are based on quoted prices for securities with similar terms (i.e. coupon rate, maturity, credit rating). We corroborate consensus prices provided by third party pricing sources using reported trade activity, benchmark yield curves, binding broker/dealer quotes or other relevant price information. As of December 31, 2011, we determined that declines in the fair value of our investments are considered to be not other-than-temporary. Given the significance of these investments to our consolidated balance sheet, declines in the fair value that are considered to be other-than-temporary could have a material effect on our consolidated financial statements.

Income Taxes

We recognize deferred tax assets and liabilities based on temporary differences between the financial reporting bases and the tax bases of assets and liabilities. These deferred tax assets and liabilities are measured using the enacted tax rates and laws that will be in effect when such amounts are expected to reverse or be utilized. The realization of deferred tax assets is contingent upon the generation of future taxable income. When appropriate, we recognize a valuation allowance to reduce such deferred tax assets to amounts that are more likely than not to be ultimately realized. The calculation of deferred tax assets, including valuation allowances, and liabilities requires us to apply significant judgment related to such factors as the application of complex tax laws, changes in tax laws and our future operations. We review our deferred tax assets on a quarterly basis to determine if a valuation allowance is required based upon these factors. Changes in our assessment of the need for a valuation allowance could give rise to a change in such allowance, potentially resulting in additional expense or benefit in the period of change.

Our income tax provision includes U.S. federal, state, local and foreign income taxes and is based on pre-tax income or loss. In determining the annual effective income tax rate, we analyzed various factors, including our annual earnings and taxing jurisdictions in which the earnings were generated, the impact of state and local income taxes and our ability to use tax credits and net operating loss carryforwards.

We assess uncertain tax positions and recognize income tax benefits when, based on the technical merits of a tax position, we believe that if a dispute arose with the taxing authority and was taken to a court of last resort, it is more likely than not (i.e., a probability of greater than 50 percent) that the tax position would be sustained as filed. If a position is determined to be more likely than not of being sustained, the reporting enterprise should recognize the largest amount of tax benefit that is greater than 50 percent likely of being realized upon ultimate settlement with the taxing authority. Our practice is to recognize interest and penalties related to income tax matters in income tax expense.

Tax years 2007 through 2010 remain open to examination by the major taxing jurisdictions to which we are subject. The Internal Revenue Service, or IRS, has completed an examination of our federal income tax returns for the years 2007 and 2008. The audit resulted in no material adjustments. We also settled a withholding tax audit with the Israeli Taxing Authority for the years 2007 to 2009. The audit resulted in no material adjustments.

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. The estimated fair values of non-vested stock-based awards granted to consultants are measured and recognized each reporting period through each vesting date. We estimate the fair value of each option-based award using the Black-Scholes option-pricing model. This option pricing model requires that we make several estimates, including the option's expected life and the price volatility of the underlying stock.

Because stock-based compensation expense is based on awards that are ultimately expected to vest, the amount of expense takes into account estimated forfeitures at the time of grant, which estimate may be revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Changes in these estimates and assumptions can materially affect the estimated fair value of our stock-based compensation. See Note 14 to our Consolidated Financial Statements in Item 8 of Part II 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. As of December 31, 2011, total unrecognized compensation expense was $43.5 million, which relates to non-vested stock options, non-vested restricted stock units, non-vested restricted stock awards and non-vested performance vested restricted stock units, or PVRSUs, and is expected to be recognized over a weighted-average period of 1.48 years.

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/or performance-based vesting conditions. We recognize the estimated fair value of service-based awards, net of estimated forfeitures, as stock-based compensation expense over the vesting period on a straight-line basis. Awards with performance-based vesting conditions require the achievement of specific financial targets at the end of the specified performance period and the employee's continued employment over the vesting period. We recognize the estimated fair value of performance-based awards, net of estimated forfeitures, as stock-based compensation expense over the vesting period, which considers each performance period or tranche separately, based upon our determination of whether it is probable that the performance targets will be achieved. At each reporting period, we reassess the probability of achieving the performance targets within the related performance period. Determining whether the performance targets will be achieved involves judgment, and the estimate of stock-based compensation expense may be revised periodically based on changes in the probability of achieving the performance targets. If any performance goals are not met, no compensation cost is ultimately recognized against that goal, and to the extent previously recognized, compensation cost is reversed. As of December 31, 2011, the level of achievement of the performance target awards for PVRSUs granted during 2009, 2010 and 2011 was 133%, 116% and 134%, respectively.

Changes in our assumptions regarding the achievement of specific financial targets could have a material effect on our consolidated financial statements. During 2011, we revised our estimate of achievement of the performance target related to the PVRSUs granted during 2010 from 100% of target to 105% of target, and further revised our estimate of achievement in the fourth quarter of 2011 to 116% of target. In addition, we revised our estimate of achievement of the performance target related to the PVRSUs granted during 2011 from 100% of target to 131% of target, and further revised our estimate of achievement in the fourth quarter of 2011 to 134% of target. These changes in estimates did not have a material impact on our income from continuing operations and our earnings per diluted share from continuing operations, respectively, for the year ended December 31, 2011.

Consolidated Results of Operations

Year Ended December 31, 2010 Compared to the Year Ended December 31, 2011

The following table presents an overview of our results of operations for the years ended December 31, 2010 and 2011.

	Years Ended December 31,			
	2010	2011	2010 vs. 2011	
	$	$	$ Change	% Change
	(in thousands, except per share data)			
Revenue:				
Carrier Services	$391,762	$447,894	$56,132	14.3 %
Enterprise Services	129,104	151,390	22,286	17.3 %
Information Services	—	21,171	21,171	100.0 %
Total revenue	520,866	620,455	99,589	19.1 %
Operating expense:				
Cost of revenue (excluding depreciation and amortization shown separately below)	111,282	137,992	26,710	24.0 %
Sales and marketing	86,363	109,855	23,492	27.2 %
Research and development	13,780	17,509	3,729	27.1 %
General and administrative	65,496	96,317	30,821	47.1 %
Depreciation and amortization	32,861	46,209	13,348	40.6 %
Restructuring charges	5,361	3,549	(1,812)	(33.8)%
	315,143	411,431	96,288	30.6 %
Income from operations	205,723	209,024	3,301	1.6 %
Other (expense) income:				
Interest and other expense	(6,995)	(6,279)	716	(10.2)%
Interest and other income	7,582	1,966	(5,616)	(74.1)%
Income from continuing operations before income taxes	206,310	204,711	(1,599)	(0.8)%
Provision for income taxes, continuing operations	82,282	81,137	(1,145)	(1.4)%
Income from continuing operations	124,028	123,574	(454)	(0.4)%
(Loss) income from discontinued operations, net of tax	(17,819)	37,249	55,068	(309.0)%
Net income	$106,209	$160,823	$54,614	51.4 %
Basic net income (loss) per common share:				
Continuing operations	$ 1.66	$ 1.69		
Discontinued operations	(0.24)	0.51		
Basic net income per common share	$ 1.42	$ 2.20		
Diluted net income (loss) per common share:				
Continuing operations	$ 1.63	$ 1.66		
Discontinued operations	(0.23)	0.50		
Diluted net income per common share	$ 1.40	$ 2.16		
Weighted average common shares outstanding:				
Basic	74,555	72,974		
Diluted	76,065	74,496		

Revenue

Total revenue. Total revenue increased $99.6 million due to a $56.1 million increase in revenue from our Carrier Services operating segment, a $22.3 million increase in revenue from our Enterprise Services operating segment, and revenue of $21.2 million from our new Information Services operating segment.

Carrier Services. Revenue from our Carrier Services operating segment increased $56.1 million due to an increase of $36.1 million in revenue from our Numbering Services, an increase of $16.0 million in OMS revenue, and an increase of $4.0 million from our IP Services. The $36.1 million increase in revenue from our Numbering Services was primarily the result of an established increase of $43.5 million in the fixed fee under our contracts to provide NPAC services, partially offset by a decrease of $6.2 million in system enhancements and functionality requested by our Numbering Services customers and a decrease of $2.0 million in revenue from our international LNP solutions. The increase in our OMS revenue was due to greater usage from existing customers and the acquisition of our licensed order management services in the third quarter of 2011. The increase in IP Services revenue was primarily due to an increase of $2.0 million in revenue from our GSMA PathFinder services, and transition services revenue of $0.8 million pursuant to the sale of certain assets and liabilities of our Converged Messaging Services business. These transition services were completed as of June 30, 2011. There was no corresponding transition services revenue in 2010.

Enterprise Services. Revenue from our Enterprise Services operating segment increased $22.3 million primarily due to an increase of $13.9 million in revenue from our IIS. This was primarily driven by increased demand from existing and new customers for our expanded service offerings, such as fixed IP geolocation database services. In addition, Registry Services revenue increased $8.4 million due to an increase in the number of common short codes and domain names under management.

Information Services. On November 8, 2011, we completed the acquisition of TARGUSinfo. Revenue from this acquisition is included in Information Services, a new operating segment, since the date of acquisition. Revenue from our Information Services operating segment included $13.9 million in Identification Services, $4.5 million in Verification & Analytics Services, and $2.8 million in Local Search & Licensed Data Services.

Expense

Cost of revenue. Cost of revenue increased $26.7 million primarily due to an increase in personnel and personnel-related expense of $12.5 million due to headcount additions related to our licensed order management services, fixed IP geolocation services and Information Services. In addition, cost of revenue increased $5.8 million in general facility costs primarily due to additional telecommunications and maintenance costs resulting from the addition of our fixed IP geolocation services, as well as increased costs for our customer support operations. Contractor costs increased $5.2 million primarily due to increased costs incurred for customer deployment and customer support. Royalty expense increased $4.2 million for our Registry Services related to the increase in revenue from managing a larger number of common short codes. These increases were partially offset by a decrease of $1.1 million in other direct costs related to setup and implementation services.

Sales and marketing. Sales and marketing expense increased $23.5 million primarily due to an increase of $21.9 million in personnel and personnel-related expense for our expanded sales and marketing teams for our Information Services, fixed IP geolocation services, and other new services. In addition, contractor costs increased $2.7 million to support our growth as we increased our brand awareness and increased our portfolio of services, such as the addition of our fixed IP geolocation services. These increases were partially offset by a decrease of $1.2 million in general facility costs.

Research and development. Research and development expense increased $3.7 million due to an increase of $4.6 million in personnel and personnel-related expense related to the expansion and development of new network services and our new Information Services operating segment, partially offset by a decrease of $0.7 million in contractor costs.

General and administrative. General and administrative expense increased $30.8 million primarily due to an increase of $15.3 million in contractor and professional fees attributable to an increase of $6.4 million in acquisition and acquisition related costs and $2.4 million in direct costs incurred in connection with the modified Dutch auction tender offer we announced and completed in the fourth quarter of 2011. In addition, personnel and personnel-related expense increased $12.2 million, primarily as a result of headcount additions to our teams from acquisitions and to support business operations and an increase of $6.0 million in stock-based compensation expense resulting from the fair value measurement of stock-based awards attributable to the change in employment status of former executives. Furthermore, general facility costs increased $3.3 million primarily due to office expansions related to the relocation of our corporate headquarters and the acquisition of fixed IP geolocation assets and our Information Services business.

Depreciation and amortization. Depreciation and amortization expense increased $13.3 million due to an increase in amortization expense of $7.4 million as a result of the amortization of intangible assets acquired in connection with acquisitions of our Information Service business, licensed order management assets and fixed IP geolocation assets. In addition, depreciation expense increased $6.0 million due to the acquisition of new property and equipment, including furniture and fixtures and leasehold improvements related to the relocation of our corporate headquarters and acquisitions.

Restructuring charges. Restructuring charges decreased $1.8 million due to a decrease of $3.3 million in severance and severance-related expense attributed to our 2010 management transition plan and a decrease of $1.6 million in severance and severance-related expense attributed to our 2009 restructuring plan to relocate certain operations and support functions to Kentucky. These decreases in restructuring charges were partially offset by severance and severance-related expense of $3.1 million attributed to our domestic work-force reduction initiated in the fourth quarter of 2011.

Interest and other expense. Interest and other expense decreased $0.7 million primarily due to a decrease in trading losses of $6.9 million recorded in connection with our auction rate securities rights in 2010. As a result of the settlement of our auction rate securities and associated rights in 2010, there were no associated trading losses recorded in 2011. The interest and other expense decrease was partially offset by an increase of $4.4 million in interest expense attributed to our 2011 credit facility, including amortization of related deferred financing costs. In addition, losses recorded in connection with asset disposals increased $1.1 million and foreign currency losses increased $0.6 million.

Interest and other income. Interest and other income decreased $5.6 million primarily due to a decrease in trading gains of $7.0 million recorded in connection with our auction rate securities settled in 2010, partially offset by an increase of $0.7 million in interest income and $0.7 million in realized gains for our available-for-sale securities sold during 2011.

Provision for income taxes, continuing operations. Our annual effective tax rate from continuing operations decreased to 39.6% for the year ended December 31, 2011 from 39.9% for the year ended December 31, 2010 primarily due to a benefit resulting from federal research tax credits and a change in estimate of the realizability of acquired Quova, Inc. net operating losses, partially offset by settlement of our IRS examination and TARGUSinfo acquisition-related costs and stock repurchase costs that are nondeductible for tax purposes.

(Loss) income from discontinued operations, net of tax. During the second quarter of 2011, we completed our plan to wind down and cease operations of our Converged Messaging Services business, following the sale in February 2011 of certain assets and liabilities of Neustar NGM Services, Inc., or NGM Services, and its subsidiaries. The financial results for the years ended December 31, 2010 and 2011 reflect the results of operations, net of tax, of the Converged Messaging Services business as discontinued operations. We intend to treat the common stock of NGM Services as worthless for U.S. income tax purposes in our 2011 U.S. federal and state income tax returns. As a result, we recorded a discrete income tax benefit of $42.7 million in the year ended December 31, 2011. In addition, our loss from discontinued operations before taxes significantly declined from prior year due to the wind down of operations during 2011. See Note 3 to our accompanying consolidated financial statements for more information regarding these discontinued operations.

Summary of Operating Segments

The following table presents a summary of our operating segments' revenue, contribution and the reconciliation to consolidated income from continuing operations for the years ended December 31, 2010 and 2011.

	Year Ended December 31,			
	2010	2011	2010 vs. 2011	
	$	$	$ Change	% Change
	(dollars in thousands)			
Revenue:				
Carrier Services	$391,762	$447,894	$56,132	14.3 %
Enterprise Services	129,104	151,390	22,286	17.3 %
Information Services	—	21,171	21,171	100.0 %
Total revenue	$520,866	$620,455	$99,589	19.1 %
Segment contribution:				
Carrier Services	$352,317	$391,000	$38,683	11.0 %
Enterprise Services	59,284	65,080	5,796	9.8 %
Information Services	—	12,583	12,583	100.0 %
Total segment contribution	411,601	468,663	57,062	13.9 %
Indirect operating expenses:				
Cost of revenue (excluding depreciation and amortization shown separately below)	75,690	83,990	8,300	11.0 %
Sales and marketing	16,345	17,340	995	6.1 %
Research and development	11,871	16,234	4,363	36.8 %
General and administrative	63,750	92,317	28,567	44.8 %
Depreciation and amortization	32,861	46,209	13,348	40.6 %
Restructuring charges	5,361	3,549	(1,812)	(33.8)%
Consolidated income from operations	$205,723	$209,024	$ 3,301	1.6 %

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

Year Ended December 31, 2009 Compared to the Year Ended December 31, 2010

The following table presents an overview of our results of operations for the years ended December 31, 2009 and 2010.

	Years Ended December 31,			
	2009	2010	2009 vs. 2010	
	$	$	$ Change	% Change
	(in thousands, except per share data)			
Revenue:				
Carrier Services	$357,339	$391,762	$34,423	9.6 %
Enterprise Services	109,914	129,104	19,190	17.5 %
Information Services	—	—	—	— %
Total revenue	467,253	520,866	53,613	11.5 %
Operating expense:				
Cost of revenue (excluding depreciation and amortization shown separately below)	99,436	111,282	11,846	11.9 %
Sales and marketing	80,676	86,363	5,687	7.0 %
Research and development	14,094	13,780	(314)	(2.2)%
General and administrative	52,491	65,496	13,005	24.8 %
Depreciation and amortization	29,852	32,861	3,009	10.1 %
Restructuring charges	974	5,361	4,387	450.4 %
	277,523	315,143	37,620	13.6 %
Income from operations	189,730	205,723	15,993	8.4 %
Other (expense) income:				
Interest and other expense	(5,213)	(6,995)	(1,782)	34.2 %
Interest and other income	7,491	7,582	91	1.2 %
Income from continuing operations before income taxes	192,008	206,310	14,302	7.4 %
Provision for income taxes, continuing operations	76,498	82,282	5,784	7.6 %
Income from continuing operations	115,510	124,028	8,518	7.4 %
Loss from discontinued operations, net of tax	(14,369)	(17,819)	(3,450)	24.0 %
Net income	$101,141	$106,209	$ 5,068	5.0 %
Basic net income (loss) per common share:				
Continuing operations	$ 1.55	$ 1.66		
Discontinued operations	(0.19)	(0.24)		
Basic net income per common share	$ 1.36	$ 1.42		
Diluted net income (loss) per common share:				
Continuing operations	$ 1.53	$ 1.63		
Discontinued operations	(0.19)	(0.23)		
Diluted net income per common share	$ 1.34	$ 1.40		
Weighted average common shares outstanding:				
Basic	74,301	74,555		
Diluted	75,465	76,065		

Revenue

Total revenue. Total revenue increased $53.6 million due to a $34.4 million increase in revenue from our Carrier Services operating segment and a $19.2 million increase in revenue from our Enterprise Services operating segment.

Revenue from our Carrier Services operating segment increased $34.4 million primarily due to an increase of $32.3 million in revenue from our Numbering Services. Of this $32.3 million increase, $29.6 million resulted from an established increase in the fixed fee under our contracts to provide NPAC Services and $2.0 million was primarily due to system enhancements and additional functionality requested by our Numbering Services customers. These revenue increases were partially offset by a decrease of $3.3 million in revenue from IP Services and a decrease of $1.2 million in revenue from our OMS.

Revenue from our Enterprise Services operating segment increased $19.2 million primarily due to an increase of $13.5 million in revenue from IIS. This was primarily driven by increased demand from existing and new customers for expanded service offerings, such as fixed IP geolocation database services. In addition, Registry Services revenue increased $5.7 million due to an increase in the number of common short codes and domain names under management.

Expense

Cost of revenue. Cost of revenue increased $11.8 million primarily due to a $5.9 million increase in general facility costs that include data center and database management costs, computer rental and maintenance costs and payment processing fees to support business growth and ongoing operations. Cost of revenue also increased by $4.9 million in personnel and personnel-related expense to support expanded service offerings, including new directory services, and system enhancements for functionality improvements requested by our customers. Royalty expense in our Registry Services increased $3.1 million due to more common short codes under management. These increases were offset by a decrease of $1.2 million in other direct costs primarily related to setup and implementation costs and a decrease of $0.9 million in contractor costs.

Sales and marketing. Sales and marketing expense increased $5.7 million primarily due to an increase of $5.3 million in personnel and personnel-related expense for expanded sales and marketing teams, primarily in our Enterprise Services. This increased headcount supports our growth as we broaden our portfolio of services, geographic presence and brand awareness through product initiatives, as well as, customer and industry events.

Research and development. Research and development expense decreased $0.3 million primarily due to a decrease of $1.8 million in personnel and personnel-related expense, partially offset by an increase of $1.5 million in contractor costs. The decrease in personnel and personnel-related expense resulted from a decrease in average headcount for the period, while the increase in contractor costs related to the development of new directory services.

General and administrative. General and administrative expense increased $13.0 million primarily due to costs incurred to support business growth and new business initiatives including further investments in our core teams to support business operations. Personnel and personnel-related expense increased $6.6 million, primarily as a result of headcount additions, an increase of $2.7 million in stock-based compensation expense and severance-related costs of $2.2 million primarily related to the departure of our former Chairman and Chief Executive Officer. In addition, contractor costs and professional fees, including legal and finance related fees, increased $5.5 million, and general facilities costs increased $0.9 million.

Depreciation and amortization. Depreciation and amortization expense increased $3.0 million due to an increase of $4.1 million in depreciation due to an increase in capital assets to build out our infrastructure. This increase was partially offset by a decrease of $1.1 million in amortization of intangible assets related to acquisitions.

Restructuring charges. Restructuring charges increased $4.4 million due to an increase of $3.8 million in severance and severance-related charges attributable to our 2010 management transition – restructuring plan and to an increase of $0.6 million attributable to our 2009 restructuring plan to relocate certain operations and support functions to Louisville, Kentucky.

Interest and other expense. Interest and other expense increased $1.8 million primarily due to a $3.1 million net increase in losses recorded in connection with our auction rate securities, or ARS, and a settlement offer in the form of a rights offering from the investment firm that brokered the original purchases of the ARS, or ARS Rights, and a decrease of $0.6 million in gains on asset disposals. This increase in other expense and decrease in gains on asset disposals are partially offset by a decrease of $1.9 million in interest expense primarily due to a reduction in accrued interest related to a sales tax liability.

Interest and other income. Interest and other income increased $0.1 million primarily due to a net increase of $2.1 million in gains recorded in connection with our ARS and ARS Rights. This net increase was partially offset by the receipt in the first quarter of 2009 of a $1.2 million payment for indemnification claims made in connection with our 2006 acquisition of Followap, Inc. as no indemnification payments were received in 2010, and a decrease in realized gains of $0.5 million on our investment in a cash reserve fund that was completely liquidated as of December 31, 2009.

Provision for income taxes, continuing operations. Our annual effective tax rate from continuing operations increased to 39.9% for the year ended December 31, 2010 from 39.8% for the year ended December 31, 2009 primarily due to an increase in foreign withholding taxes.

Loss from discontinued operations, net of tax. During the three months ended June 30, 2011, we completed our plan to exit our Converged Messaging Services business. The financial results for the years ended December 31, 2009 and 2010 reflect the results of operations of the Converged Messaging Services business, net of tax, as discontinued operations. Loss from discontinued operations, net of tax increased $3.5 million primarily due to an impairment charge of $8.5 million recorded in the fourth quarter of 2010 to write down the long-lived assets used in this business. This increase in loss is partially offset by a decrease in restructuring charges of $3.1 million attributable to the Converged Messaging Services restructuring plan we initiated in 2008.

Summary of Operating Segments

The following table presents a summary of our operating segments' revenue, contribution and the reconciliation to consolidated income from continuing operations for the years ended December 31, 2009 and 2010.

	Year Ended December 31,			
	2009	2010	2009 vs. 2010	
	$	$	$ Change	% Change
	(dollars in thousands)			
Revenue:				
Carrier Services	$357,339	$391,762	$34,423	9.6 %
Enterprise Services	109,914	129,104	19,190	17.5 %
Total revenue	$467,253	$520,866	$53,613	11.5 %
Segment contribution:				
Carrier Services	$317,070	$352,317	$35,247	11.1 %
Enterprise Services	46,130	59,284	13,154	28.5 %
Total segment contribution	363,200	411,601	48,401	13.3 %
Indirect operating expenses:				
Cost of revenue (excluding depreciation and amortization shown separately below)	66,080	75,690	9,610	14.5 %
Sales and marketing	15,269	16,345	1,076	7.0 %
Research and development	10,644	11,871	1,227	11.5 %
General and administrative	50,651	63,750	13,099	25.9 %
Depreciation and amortization	29,852	32,861	3,009	10.1 %
Restructuring charges	974	5,361	4,387	450.4 %
Consolidated income from operations	$189,730	$205,723	$15,993	8.4 %

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

Consolidated Results of Operations

We operate in three operating segments — Carrier Services, Enterprise Services and Information Services. We have provided consolidated results of operations for our Carrier Services operating segment, our Enterprise Services operating segment and our Information Services operating segment. For further discussion of the operating results of our operating segments, including revenue, segment contribution, consolidated income from continuing operations, and enterprise-wide related disclosures, see Note 16 to our Consolidated Financial Statements in Item 8 of Part II of this report.

Liquidity and Capital Resources

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

Total cash, cash equivalents and investments were $135.3 million at December 31, 2011, a decrease of $247.1 million from $382.4 million at December 31, 2010. This decrease in cash, cash equivalents and investments was primarily due to our repurchase of $324.3 million of shares of our Class A common stock, our acquisition of the numbering solutions assets for cash consideration of approximately $39.0 million, and our acquisition of TARGUSinfo for cash consideration of approximately $657.3 million. We funded our acquisition of TARGUSinfo with a combination of cash on hand and borrowings under our new $600 million senior secured term loan facility. These decreases were offset by an increase of $81.6 million in cash provided by operations.

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

Credit Facilities

On November 8, 2011, we entered into a credit agreement that includes: (1) a $600 million senior secured term loan facility, or Term Facility; and (2) a $100 million senior secured revolving credit facility, or Revolving Facility, and together with the Term Facility, the 2011 Facilities. The Revolving Facility matures on November 8, 2016, and the Term Facility matures on November 8, 2018. The entire $600 million Term Facility was borrowed on November 8, 2011, and used to fund a portion of the acquisition of TARGUSinfo and to pay costs, fees and expenses incurred in connection with the acquisition. We did not borrow any amounts under the Revolving Facility in 2011.

Principal payments under the Term Facility of $1.5 million are due on the last day of the quarter starting on December 31, 2011 and ending on September 30, 2018. The remaining Term Facility principal balance of $558.0 million is due in full on November 8, 2018, subject to early mandatory prepayments. The loans outstanding under the credit facility bear interest, at our option, either: (i) 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 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%; *provided* that the base rate for loans under the Term Facility is deemed to be not less than 2.25% per annum or (ii) at the LIBOR rate plus, in each case, an applicable margin. The applicable margin is (i) in respect of the Term Facility, 2.75% per annum for borrowings based on the base rate and 3.75% per annum for borrowings based on the LIBOR rate, and (ii) in respect of the Revolving Facility, 2.50% per annum for borrowings based on the base rate and 3.50% per annum borrowings based on the LIBOR rate. The accrued interest under the Term Facility is payable quarterly beginning on February 8, 2012. As of December 31, 2011, the interest rate on the Term Facility was 5% per year. The accrued interest under the Revolving Facility is due on the last day of the quarter starting on December 31, 2011.

We may voluntarily prepay the loans at any time in whole or in part without premium or penalty, provided that any such prepayment made on or prior to November 7, 2012 in connection with a re-pricing event should be accompanied by a premium equal to 1.00% of the principal amount prepaid. The 2011 Facilities provide for mandatory prepayments with the net cash proceeds of certain debt issuances, equity issuances, insurance receipts, dispositions and excess cash flows. Mandatory prepayments attributable to excess cash flows will be based on our leverage ratio and will be determined at the end of each fiscal year, beginning with the year ended December 31, 2012. A leverage ratio of 1.5x or higher will trigger mandatory prepayments of 25% or 50% of excess cash flow.

The 2011 Facilities contain customary representations and warranties, affirmative and negative covenants, and events of default. The quarterly financial covenants include a maximum consolidated fixed charge coverage ratio and a minimum consolidated leverage ratio. As of and for the period from inception of the 2011 Facilities to December 31, 2011, we were in compliance with these covenants. Further, we believe these covenants will not restrict our ability to execute our business plan.