CORELOGIC, INC.
Form 10-Q
October 25, 2013

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

FORM 10-Q

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

For the quarterly period ended September 30, 2013

OR

o 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 001-13585

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

Delaware (State or other jurisdiction of incorporation or organization)	95-1068610 (I.R.S. Employer Identification No.)
40 Pacifica, Irvine, California (Address of principal executive offices)	92618-7471 (Zip Code)

(949) 214-1000
(Registrant’s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

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 x No o

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 x No o

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.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

On October 21, 2013 there were 93,719,906 shares of common stock outstanding.

CoreLogic, Inc.
INFORMATION INCLUDED IN REPORT

PART I: FINANCIAL INFORMATION
Item 1. Financial Statements.
CoreLogic, Inc.
Condensed Consolidated Balance Sheets
(unaudited)

(in thousands, except par value)	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$135,557	$148,858
Marketable securities	21,885	22,168
Accounts receivable (less allowance for doubtful accounts of $15,141 and $21,643 as of September 30, 2013 and December 31, 2012, respectively)	270,000	255,148
Prepaid expenses and other current assets	53,022	50,036
Income tax receivable	—	14,084
Deferred income tax assets, current	99,577	98,836
Assets of discontinued operations	791	794
Total current assets	580,832	589,924
Property and equipment, net	193,975	186,617
Goodwill, net	1,534,966	1,504,232
Other intangible assets, net	183,979	171,584
Capitalized data and database costs, net	327,843	322,289
Investment in affiliates, net	96,764	94,227
Restricted cash	16,390	22,117
Other assets	149,949	138,837
Total assets	$3,084,698	$3,029,827
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	$183,203	$157,190
Accrued salaries and benefits	87,273	114,165
Income taxes payable	20,796	—
Deferred revenue, current	219,464	242,282
Current portion of long-term debt	6,095	102
Liabilities of discontinued operations	4,148	3,352
Total current liabilities	520,979	517,091
Long-term debt, net of current	783,280	792,324
Deferred revenue, net of current	376,255	309,418
Deferred income tax liabilities, long term	83,928	71,361
Other liabilities	158,300	168,687
Total liabilities	1,922,742	1,858,881
Redeemable noncontrolling interests	10,987	—
Equity:		
CoreLogic stockholders' equity:		
Preferred stock, $0.00001 par value; 500 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.00001 par value; 180,000 shares authorized; 93,717 and 97,698 shares issued and outstanding as of September 30, 2013 and December 31, 2012, respectively	1	1

Additional paid-in capital	758,734	866,720
Retained earnings	438,875	318,094
Accumulated other comprehensive loss	(46,641)	(15,514)
Total CoreLogic stockholders' equity	1,150,969	1,169,301
Noncontrolling interests	—	1,645
Total equity	1,150,969	1,170,946
Total liabilities and equity	$3,084,698	$3,029,827

The accompanying notes are an integral part of these condensed consolidated financial statements.

1

CoreLogic, Inc.
Condensed Consolidated Statements of Income
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(in thousands, except per share amounts)	2013	2012	2013	2012
Operating revenues	$405,542	$409,760	$1,229,683	$1,157,222
Cost of services (excluding depreciation and amortization shown below)	213,789	213,008	651,150	616,397
Selling, general and administrative expenses	90,042	102,333	283,523	273,220
Depreciation and amortization	29,695	33,037	99,333	93,434
Total operating expenses	333,526	348,378	1,034,006	983,051
Operating income	72,016	61,382	195,677	174,171
Interest expense:				
Interest income	1,040	800	2,495	2,262
Interest expense	12,552	13,525	37,365	42,463
Total interest expense, net	(11,512)	(12,725)	(34,870)	(40,201)
Gain/(loss) on investments and other, net	7,627	(4,254)	10,825	(3,865)
Income from continuing operations before equity in earnings of affiliates and income taxes	68,131	44,403	171,632	130,105
Provision for income taxes	23,848	16,406	66,423	53,222
Income from continuing operations before equity in earnings of affiliates	44,283	27,997	105,209	76,883
Equity in earnings of affiliates, net of tax	5,716	8,166	23,848	29,381
Net income from continuing operations	49,999	36,163	129,057	106,264
Loss from discontinued operations, net of tax	(1,240)	(10,157)	(3,205)	(18,142)
(Loss)/gain from sale of discontinued operations, net of tax	(5,052)	12,264	(5,052)	9,277
Net income	43,707	38,270	120,800	97,399
Less: Net income/(loss) attributable to noncontrolling interests	45	(50)	19	(209)
Net income attributable to CoreLogic	$43,662	$38,320	$120,781	$97,608
Amounts attributable to CoreLogic stockholders:				
Net income from continuing operations	$49,954	$36,213	$129,038	$106,473
Loss from discontinued operations, net of tax	(1,240)	(10,157)	(3,205)	(18,142)
(Loss)/gain from sale of discontinued operations, net of tax	(5,052)	12,264	(5,052)	9,277
Net income attributable to CoreLogic	$43,662	$38,320	$120,781	$97,608
Basic income/(loss) per share:				
Net income from continuing operations	$0.53	$0.36	$1.35	$1.02
Loss from discontinued operations, net of tax	(0.01)	(0.10)	(0.03)	(0.17)
(Loss)/gain from sale of discontinued operations, net of tax	(0.05)	0.12	(0.05)	0.09
Net income attributable to CoreLogic	$0.47	$0.38	$1.27	$0.94
Diluted income/(loss) per share:				
Net income from continuing operations	$0.52	$0.35	$1.32	$1.01
Loss from discontinued operations, net of tax	(0.01)	(0.10)	(0.03)	(0.17)
(Loss)/gain from sale of discontinued operations, net of tax	(0.05)	0.12	(0.05)	0.09

Net income attributable to CoreLogic	$0.46	$0.37	$1.24	$0.93
Weighted-average common shares outstanding:				
Basic	94,773	101,650	95,802	104,713
Diluted	96,793	103,113	97,672	105,686

The accompanying notes are an integral part of these condensed consolidated financial statements.

CoreLogic, Inc.
Condensed Consolidated Statements of Comprehensive Income
(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
(in thousands)	2013	2012	2013	2012
Net income	$43,707	$38,270	$120,800	$97,399
Other comprehensive (loss)/income:				
Unrealized (loss)/gain on marketable securities, net of tax	(336)	(419)	(175)	680
Unrealized gain/(loss) on interest rate swap, net of tax	9	(492)	1,257	(1,257)
Foreign currency translation adjustments gain/(loss)	7,644	5,163	(32,289)	6,178
Supplemental benefit plans gain adjustment, net of tax	28	12	80	36
Total other comprehensive income/(loss)	7,345	4,264	(31,127)	5,637
Comprehensive income	51,052	42,534	89,673	103,036
Less: Comprehensive income/(loss) attributable to the noncontrolling interests	45	(50)	19	(209)
Comprehensive income attributable to CoreLogic	$51,007	$42,584	$89,654	$103,245

The accompanying notes are an integral part of these condensed consolidated financial statements.

3

CoreLogic, Inc.
Condensed Consolidated Statements of Cash Flows
(unaudited)

	For the Nine Months Ended September 30,	
(in thousands)	2013	2012
Cash flows from operating activities:		
Net income	$120,800	$97,399
Less: Loss from discontinued operations, net of tax	(3,205)	(18,142)
Less: (Loss)/gain from sale of discontinued operations, net of tax	(5,052)	9,277
Net income from continuing operations	129,057	106,264
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	99,333	93,434
Provision for bad debt and claim losses	9,582	16,447
Share-based compensation	20,810	16,211
Excess tax benefit related to stock options	(2,895)	(643)
Equity in earnings of affiliates, net of taxes	(23,848)	(29,381)
Loss on sale of property and equipment	—	933
Loss on early extinguishment of debt	—	326
Deferred income tax	3,875	5,538
(Gain)/loss on investments and other, net	(10,825)	3,865
Change in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(9,158)	(46,358)
Prepaid expenses and other current assets	(2,687)	(326)
Accounts payable and accrued expenses	(11,187)	31,725
Deferred revenue	43,610	(3,667)
Income taxes	13,853	24,683
Dividends received from investments in affiliates	30,062	46,265
Other assets and other liabilities	(24,466)	(6,527)
Net cash provided by operating activities - continuing operations	265,116	258,789
Net cash (used in)/provided by operating activities - discontinued operations	(2,408)	9,684
Total cash provided by operating activities	$262,708	$268,473
Cash flows from investing activities:		
Purchases of capitalized data and other intangible assets	(28,795)	(24,054)
Purchases of property and equipment	(51,956)	(38,753)
Cash paid for acquisitions, net of cash acquired	(70,904)	111
Purchases of investments	(2,351)	—
Cash received from sale of subsidiary, net, including discontinued operations	800	10,000
Proceeds from sale of property and equipment	—	1,852
Proceeds from sale of investments	—	8,000
Change in restricted cash	5,728	122
Net cash used in investing activities - continuing operations	(147,478)	(42,722)
Net cash provided by/(used in) investing activities - discontinued operations	2,152	(1,512)
Total cash used in investing activities	$(145,326)	$(44,234)
Cash flows from financing activities:		
Proceeds from long-term debt	1,075	—
Repayment of long-term debt	(4,516)	(114,365)
Proceeds from issuance of stock related to stock options and employee benefit plans	11,662	9,624

Minimum tax withholding paid on behalf of employees for restricted stock units	(6,893)	(3,015)
Shares repurchased and retired	(133,565)	(226,629)
Distribution to noncontrolling interests	—	(10)
Excess tax benefit related to stock options	2,895	643
Net cash used in financing activities - continuing operations	(129,342)	(333,752)
Net cash provided by financing activities - discontinued operations	—	3
Total cash used in financing activities	$(129,342)	$(333,749)
Effect of exchange rate on cash	(1,341)	—
Net decrease in cash and cash equivalents	(13,301)	(109,510)
Cash and cash equivalents at beginning of period	148,858	259,266
Less: Change in cash and cash equivalents - discontinued operations	(256)	8,175
Plus: Cash swept (to)/from discontinued operations	(256)	12,971
Cash and cash equivalents at end of period	$135,557	$154,552
Supplemental disclosures of cash flow information:		
Cash paid for interest	$26,557	$31,853
Cash paid for income taxes	$62,188	$39,029
Cash refunds from income taxes	$13,830	$15,639

The accompanying notes are an integral part of these condensed consolidated financial statements.

CoreLogic, Inc.
Condensed Consolidated Statement of Equity
(unaudited)

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling Interests (1)	Total
Balance as of December 31, 2012	97,698	$1	$866,720	$318,094	$ (15,514)	$ 1,645	$1,170,946
Net income	—	—	—	120,781	—	(26)	120,755
Shares issued in connection with share-based compensation	1,019	—	11,662	—	—	—	11,662
Tax withholdings related to net share settlements of restricted stock units	—	—	(6,893)	—	—	—	(6,893)
Share-based compensation	—	—	20,810	—	—	—	20,810
Shares repurchased and retired	(5,000)	—	(133,565)	—	—	—	(133,565)
Purchase of subsidiary shares from noncontrolling interests	—	—	—	—	—	—	—
Sale of subsidiary shares to noncontrolling interests	—	—	—	—	—	(1,619)	(1,619)
Other comprehensive loss	—	—	—	—	(31,127)	—	(31,127)
Balance as of September 30, 2013	93,717	$1	$758,734	$438,875	$ (46,641)	$ —	$1,150,969

(1) Excludes amounts related to redeemable noncontrolling interests included in the mezzanine section of our consolidated balance sheets.

The accompanying notes are an integral part of these condensed consolidated financial statements.

5

Note 1 – Basis of Condensed Consolidated Financial Statements

CoreLogic, Inc., together with its subsidiaries (collectively "we", "us" or "our"), is a leading property information, analytics and services provider in the United States and Australia. The markets we serve include real estate and mortgage finance, insurance, capital markets, transportation and government. Our clients rely on our data and predictive decision analytics to help identify and manage growth opportunities, improve performance and mitigate risk. We are also a party to several joint ventures that provide products used in connection with loan originations, including title insurance, appraisal services and other settlement services. These joint ventures are reflected as investments in affiliates on our consolidated balance sheets and our share of the income is reflected as equity in earnings of affiliates in our consolidated statements of income.

Our condensed consolidated financial information included in this report has been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) for interim financial information pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) including the instructions to Form 10-Q and Article 10 of SEC Regulation S-X. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect amounts reported in the condensed consolidated financial statements and accompanying notes. Actual amounts may differ from these estimated amounts. Certain information and disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. The 2012 year-end condensed consolidated balance sheet was derived from audited financial statements. The principles for interim financial information do not require the inclusion of all the information and footnotes required by GAAP for complete financial statements. Therefore, these financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012, as amended.

The accompanying unaudited condensed consolidated interim financial statements reflect all adjustments, consisting of only normal recurring items which, in the opinion of management, are necessary for a fair statement of the results of operations for the periods shown. The results of operations for such periods are not necessarily indicative of the results expected for the full year or for any future periods.

Customer Concentration

Wells Fargo, N.A. accounted for operating revenues of 9.9% and 15.3% for the three months ended September 30, 2013 and 2012, respectively, and 10.7% and 11.6% for the nine months ended September 30, 2013 and 2012, respectively. No other customer accounted for 10% or more of our operating revenues.

Revisions

The consolidated income statements for the three and nine months ended September 30, 2012 included within Note 18 - Guarantor Subsidiaries have been revised to correct the presentation of intercompany revenues and expenses and noncontrolling interests. See further discussion in Note 18 - Guarantor Subsidiaries. We assessed the materiality of these revisions on our prior period financial statements in accordance with the SEC's Staff Accounting Bulletin ("SAB") No. 99 and SAB No. 108, and concluded they were not material to the results of operations, cash flows or financial condition for the current and prior annual or interim period.

Escrow Administration Arrangements

We administer escrow deposits as a service to our customers in connection with our tax services business. These deposits are maintained in segregated accounts for the benefit of our customers. Escrow deposits totaled $946.7

million as of September 30, 2013 and $228.9 million as of December 31, 2012. Because these deposits are held on behalf of our customers, they are not our funds and, therefore, are not included in the accompanying consolidated balance sheets.

Escrow deposits are generally held by the Company for a period of two to five business days and we typically either receive earnings credits or earn interest income from these funds through a highly-rated, liquid investment, such as bank deposit products. We bear the risk of any losses on any such investment. However, we have not historically incurred any investment losses and do not anticipate incurring any future investment losses. As a result, we do not maintain any reserves for losses in value of these investments.

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued updated guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss ("NOL"), a similar tax loss, or a tax credit carryforward exists. An unrecognized tax benefit, or a portion of unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset ("DTA") for a NOL carryforward, a similar tax loss, or a tax credit carryforward. However, to the extent a NOL carryforward, similar tax loss, or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction and the entity does not intend to use the DTA for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability. The updated guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2013. Management does not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In July 2013, the FASB issued updated guidance permitting the use of the Overnight Index Swap Rate ("OIS"), to be used as a U.S. benchmark interest rate for hedge accounting in addition to the current interest rates allowed to be used. The updated guidance is effective for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. Management does not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In March 2013, the FASB issued updated guidance related to release of the cumulative translation adjustment into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity. This update clarifies that the release of cumulative translation adjustments into net income is required for both an entity ceasing to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business (other than a sale of in substance real estate or conveyance of oil and gas mineral rights) within a foreign entity and when there is a loss of a controlling financial interest in a foreign entity or a step acquisition involving an equity method investment that is a foreign entity. The updated guidance is effective for annual and interim periods beginning after December 15, 2013. Management does not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In December 2011 and January 2013, the FASB issued updated guidance related to the presentation of offsetting (netting) assets and liabilities in the financial statements. The guidance requires the disclosure of both gross information and net information on instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. This scope would include derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. The updated guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. Adoption of this guidance did not have a material impact on our consolidated financial statements.

Note 2 – Investment in Affiliates, net

Investments in affiliates are accounted for under the equity method of accounting as we are deemed to have significant influence over the affiliate but do not control or have a majority voting interest in the affiliate. Investments are carried at the cost of acquisition, including subsequent capital contributions and loans from us, plus our equity in undistributed earnings or losses since inception of the investment. We recorded equity in earnings of affiliates, net of tax of $5.7 million and $8.2 million for the three months ended September 30, 2013 and 2012, respectively, and $23.8 million and $29.4 million for the nine months ended September 30, 2013 and 2012, respectively. Income tax expense of $3.5 million and $5.2 million was recorded on these earnings for the three months ended September 30, 2013 and 2012, respectively, and $14.8 million and $18.7 million for the nine months ended September 30, 2013 and 2012, respectively.

One of our subsidiaries owns a 50.1% interest in RELS LLC ("RELS"), a joint venture that provides products and services used in connection with loan originations. This investment in affiliate contributed 75.8% and 78.0% of our total equity in earnings of affiliates, net of tax, for the three months ended September 30, 2013 and 2012, respectively, and 73.0% and 74.6% for the nine months ended September 30, 2013 and 2012, respectively. In February 2013, RELS sold its ownership in RESDirect, LLC ("RESDirect") to us for $4.0 million. See Note 13 - Acquisitions for additional information. Based on the terms and conditions of the RELS joint venture agreement, we have significant influence over but do not have control of, nor a majority voting interest in, the joint venture. Accordingly, this investment is accounted for under the equity method. Summarized financial information for this investment (assuming a 100% ownership interest) is as follows:

(in thousands)	For the Three Months Ended September 30, 2013	2012	For the Nine Months Ended September 30, 2013	2012
Statements of income				
Total revenues	$79,373	$112,887	$288,062	$332,601
Expenses and other	64,849	91,635	229,788	266,433
Income from continuing operations before income taxes	$14,524	$21,252	$58,274	$66,168
Income from continuing operations, net of tax	14,422	21,185	57,901	65,894
Income from discontinued operations, net of tax	—	—	—	7,050
Net income attributable to RELS LLC	$14,422	$21,185	$57,901	$72,944
CoreLogic equity in earnings of affiliate, pre-tax	$7,225	$10,614	$29,008	$36,545

In September 2013, we acquired an additional 10% interest in PropertyIQ Ltd. ("PIQ"), a New Zealand joint venture, resulting in a 60% controlling interest. As we previously held a noncontrolling interest in PIQ, we recorded a gain of approximately $6.6 million during the third quarter of 2013, which is included in gain/(loss) on investments and other, net in the accompanying condensed consolidated statement of income. Prior to our acquisition of the controlling interest, we accounted for the investment in PIQ using the equity method. See Note 13 - Acquisitions for additional information.

Note 3 – Marketable Securities

Our marketable securities consist primarily of investments in preferred stock of $21.9 million and $22.2 million as of September 30, 2013 and December 31, 2012, respectively. We classify our marketable securities as available-for-sale and carry them at fair value with unrealized gains or losses classified as a component of accumulated other comprehensive income. There were no gains or losses recognized on sales of marketable securities for the three and nine months ended September 30, 2013 and 2012.

Note 4 - Property and Equipment, Net

Property and equipment, net as of September 30, 2013 and December 31, 2012 consists of the following:

(in thousands)	2013	2012
Land	$4,000	$4,000
Buildings	10,780	10,780
Furniture and equipment	94,666	89,870
Capitalized software	511,763	470,469
Leasehold improvements	48,421	47,879
	669,630	622,998
Less accumulated depreciation	(475,655)	(436,381)
Property and equipment, net	$193,975	$186,617

Depreciation expense for property and equipment was approximately $13.0 million and $19.0 million for the three months ended September 30, 2013 and 2012, respectively, and $50.5 million and $52.5 million for the nine months ended September 30, 2013 and 2012, respectively. See Note 10 - Fair Value of Financial Instruments for further discussion on property and equipment, net measured at fair value on a nonrecurring basis.

Note 5 – Goodwill, net

A reconciliation of the changes in the carrying amount of goodwill and accumulated impairment losses, by reporting unit, for the nine months ended September 30, 2013, is as follows:

(in thousands)	Data and Analytics	Mortgage Origination Services	Asset Management and Processing Solutions	Consolidated
Balance as of December 31, 2012				
Goodwill	$708,577	$653,771	$149,409	$1,511,757
Accumulated impairment losses	(600)	(6,925)	—	(7,525)
Goodwill, net	707,977	646,846	149,409	1,504,232
Acquisitions	16,054	28,942	—	44,996
Translation adjustments	(14,459)	—	—	(14,459)
Other	197	—	—	197
Balance as of September 30, 2013				
Goodwill, net	$709,769	$675,788	$149,409	$1,534,966

For the nine months ended September 30, 2013, we recorded $0.6 million of goodwill in connection with our acquisition of Fiserv CSW, LLC (n/k/a CoreLogic Case-Shiller, LLC) ("Case-Shiller") and $15.5 million in connection with our acquisition of the controlling interest in PIQ within the data and analytics reporting unit. We recorded $28.9 million in connection with our acquisition of Bank of America's flood zone determination and tax processing services operations within the mortgage origination services reporting unit.

Note 6 – Other Intangible Assets, net

Other intangible assets consist of the following:

	September 30, 2013			December 31, 2012		
(in thousands)	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer lists	$320,432	$(159,669)	$160,763	$286,164	$(137,782)	$148,382
Non-compete agreements	9,156	(6,331)	2,825	9,264	(5,438)	3,826
Trade names and licenses	30,867	(10,476)	20,391	27,853	(8,477)	19,376
	$360,455	$(176,476)	$183,979	$323,281	$(151,697)	$171,584

Amortization expense for other intangible assets was $9.1 million and $7.1 million for the three months ended September 30, 2013 and 2012, respectively, and $26.3 million and $20.5 million for the nine months ended September 30, 2013 and 2012, respectively.

Estimated amortization expense for other intangible assets anticipated for the next five years is as follows:

(in thousands)	
Remainder of 2013	$8,037
2014	30,385
2015	28,796

2016	22,667
2017	20,360
Thereafter	73,734
	$183,979

9

Note 7 – Long-Term Debt

Our long-term debt consists of the following:

(in thousands)	September 30, 2013	December 31, 2012
Acquisition-related note:		
Non-interest bearing acquisition note due in $5.0 million installments March 2014 and 2016	$9,143	$8,753
Notes:		
7.25% senior notes due June 2021	393,000	393,000
5.7% senior debentures due August 2014	825	825
7.55% senior debentures due April 2028	59,645	59,645
Bank debt:		
Revolving line of credit borrowings due May 2016, weighted average interest rate of 1.9% at September 30, 2013 and December 31, 2012	50,000	50,000
Term loan facility borrowings through May 2016, weighted average interest rate of 2.9% at September 30, 2013 and 4.0% at December 31, 2012	275,625	280,000
Other debt:		
Various interest rates with maturities through 2017	1,137	203
Total long-term debt	789,375	792,426
Less current portion of long-term debt	6,095	102
Long-term debt, net of current portion	$783,280	$792,324

Senior Notes

On May 20, 2011, we issued $400.0 million aggregate principal amount of 7.25% senior notes due 2021 (the "Notes"). Separate financial statements for each guarantor subsidiary are not included in this filing because each guarantor subsidiary is 100% owned and the guarantees of the Notes are joint and several and full and unconditional. The combined accounts of the guarantor subsidiaries, the combined accounts of the non-guarantor subsidiaries, the combined consolidating adjustments and eliminations and the consolidated accounts for CoreLogic, Inc. (the "Parent") for the dates and periods indicated are included in Note 18 - Guarantor Subsidiaries. The guarantees are subject to release under certain customary circumstances. The indenture governing the notes provides that the guarantees may be automatically and unconditionally released only upon the following circumstances: 1) the guarantor is sold or sells all of its assets in compliance with the terms of the indenture; 2) the guarantor is released from its guarantee obligations under the credit agreement; 3) the guarantor is properly designated as an “unrestricted subsidiary”; and 4) the requirements for legal or covenant defeasance or satisfaction and discharge have been satisfied. The maximum potential amounts that could be required to be paid under the guarantees are essentially equal to the outstanding principal and interest under the Notes. There are no significant restrictions on the ability of the Parent or any guarantor subsidiary to obtain funds from its subsidiaries by dividend or loan. The Notes bear interest at 7.25% per annum and mature on June 1, 2021. Interest is payable semi-annually in arrears on June 1 and December 1 of each year, beginning on December 1, 2011. As of September 30, 2013, we were in compliance with all of our covenants under the indenture.

Existing Credit Agreement

On May 23, 2011, the Company, CoreLogic Australia Pty Limited and the guarantors named therein entered into a senior secured credit facility agreement (the "Credit Agreement") with Bank of America, N.A. as administrative agent and other financial institutions. The Credit Agreement provides for a $350.0 million five-year term loan facility (the "Term Facility") and a $550.0 million revolving credit facility (the "Revolving Facility"). The Revolving Facility includes a $100.0 million multicurrency revolving sub-facility and a $50.0 million letter of credit sub-facility. The Credit Agreement also provides for the ability to increase the Term Facility and Revolving Facility commitments provided that the total credit exposure under the Credit Agreement does not exceed $1.4 billion in the aggregate. For the nine months ended September 30, 2013, we prepaid $4.4 million of outstanding indebtedness under the Term Facility. This prepayment was applied to the most current portion of the term loan amortization schedule. As of September 30, 2013, we were in compliance with all of our covenants under the Credit Agreement.

As of September 30, 2013 and December 31, 2012, we have recorded $12.1 million and $4.1 million, respectively, of accrued interest expense.

Contingent Credit Agreement

On June 30, 2013, we entered into an agreement to acquire Marshall & Swift/Boeckh ("MSB"), a provider of residential and commercial property valuation solutions, DataQuick Information Systems, a property data and analytics information company, and the credit and flood services operations of DataQuick Lender Solutions from the Decision Insight Information Group (together known as "DataQuick"). The closing of the transaction is conditioned upon customary closing conditions, including the expiration or termination of the waiting period of the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

In September 2013, we entered into a contingent senior secured credit facility (the "Contingent Credit Agreement") with Bank of America, N.A. as administrative agent and other financial institutions. The Contingent Credit Agreement provides for a $850.0 million five-year term loan facility (the "Contingent Term Facility") and a $550.0 million revolving credit facility (the "Contingent Revolving Facility"). The Contingent Revolving Facility includes a $100.0 million multicurrency revolving sub-facility and a $50.0 million letter of credit sub-facility. Our ability to initially borrow under the Contingent Credit Agreement remains subject to the satisfaction of certain customary closing conditions, including the consummation of the MSB and DataQuick acquisition and the termination of our existing credit agreement, dated as of May 23, 2011. The Contingent Credit Agreement will terminate on December 31, 2013 if these conditions have not been satisfied on or prior to such date (or on March 31, 2014 if the termination date of the MSB and DataQuick acquisition is extended).

Acquisition-Related Notes

In March 2011, we entered into a settlement services joint venture with Speedy Title & Appraisal Review Services LLC ("STARS"). Our initial investment in STARS was $20.0 million and we also issued a note payable for an additional $15.0 million of consideration, which is non-interest bearing and due in three equal installments. As of September 30, 2013, the discounted balance outstanding under the note was $9.1 million.

Interest Rate Swaps

In June 2011, we entered into amortizing interest rate swap transactions (“Swaps”) with a termination date of May 2016. The Swaps had an initial notional value of $200.0 million, with a fixed interest rate of 1.73% and amortize quarterly by $2.5 million through September 30, 2013, $5.0 million from October 1, 2013 through September 30, 2014 and $7.5 million from October 1, 2014 through May 16, 2016, with a notional amount of $107.5 million.

We entered into the Swaps in order to convert a portion of our interest rate exposure on the Term Facility floating rate borrowings from variable to fixed. We have designated the Swaps as cash flow hedges. The estimated fair value of these cash flow hedges resulted in a liability of $4.5 million and $6.5 million at September 30, 2013 and December 31, 2012, respectively, which is included in the accompanying condensed consolidated balance sheets as a component of other liabilities.

Unrealized gains of less than $0.1 million (net of less than $0.1 million in deferred taxes) and unrealized losses of $0.5 million (net of $0.3 million in deferred taxes) were recognized in other comprehensive income/(loss) related to the Swaps for the three months ended September 30, 2013 and 2012, respectively. In addition, unrealized gains of $1.3

million (net of $0.8 million in deferred taxes) and unrealized losses of $1.3 million (net of $0.8 million in deferred taxes) were recognized in other comprehensive income/(loss) related to the Swaps for the nine months ended September 30, 2013 and 2012, respectively.

Note 8 – Income Taxes

The effective income tax rate (provision for income taxes as a percentage of income from continuing operations before equity in earnings of affiliates and income taxes) was 35.0% and 36.9% for the three months ended September 30, 2013 and 2012, respectively, and 38.7% and 40.9% for the nine months ended September 30, 2013 and 2012, respectively. The change in the effective rate is primarily attributable to the impact of the effective state tax rate and research and development tax credits.

Income taxes included in equity in earnings of affiliates were $3.5 million and $5.2 million for the three months ended September 30, 2013 and 2012, respectively, and $14.8 million and $18.7 million for the nine months ended September 30, 2013 and 2012, respectively. For the purpose of segment reporting, these amounts are not reflected at the segment level but are recorded within corporate.

It is reasonably possible that the amount of the unrecognized benefit with respect to certain unrecognized tax positions could significantly increase or decrease within the next 12 months. These changes may be the result of items such as ongoing audits, competent authority proceedings related to transfer pricing, or the expiration of federal and state statutes of limitation for the assessment of taxes. The Company is currently under examination for tax years 2006 through 2011 by the U.S. and various state taxing authorities.

Note 9 – Earnings Per Share

The following is a reconciliation of net income per share, using the treasury-stock method:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2013	2012	2013	2012
(in thousands, except per share amounts)				
Numerator for basic and diluted net income/(loss) per share:				
Net income from continuing operations	$49,954	$36,213	$129,038	$106,473
Loss from discontinued operations, net of tax	(1,240)	(10,157)	(3,205)	(18,142)
(Loss)/gain from sale of discontinued operations, net of tax	(5,052)	12,264	(5,052)	9,277
Net income attributable to CoreLogic	$43,662	$38,320	$120,781	$97,608
Denominator:				
Weighted-average shares for basic income/(loss) per share	94,773	101,650	95,802	104,713
Dilutive effect of stock options and restricted stock units	2,020	1,463	1,870	973
Weighted-average shares for diluted income/(loss) per share	96,793	103,113	97,672	105,686
Income/(loss) per share				
Basic:				
Net income from continuing operations	$0.53	$0.36	$1.35	$1.02
Loss from discontinued operations, net of tax	(0.01)	(0.10)	(0.03)	(0.17)
(Loss)/gain from sale of discontinued operations, net of tax	(0.05)	0.12	(0.05)	0.09
Net income attributable to CoreLogic	$0.47	$0.38	$1.27	$0.94
Diluted:				
Net income from continuing operations	$0.52	$0.35	$1.32	$1.01
Loss from discontinued operations, net of tax	(0.01)	(0.10)	(0.03)	(0.17)
(Loss)/gain from sale of discontinued operations, net of tax	(0.05)	0.12	(0.05)	0.09
Net income attributable to CoreLogic	$0.46	$0.37	$1.24	$0.93

For the three months ended September 30, 2013 and 2012, 0.6 million stock options and restricted stock units ("RSUs") and 1.0 million stock options, respectively, were excluded from the weighted average diluted common shares outstanding due to their antidilutive effect. For the nine months ended September 30, 2013 and 2012, 0.8 million and 3.7 million stock options, RSUs and performance-based restricted stock units ("PBRSUs"), respectively, were excluded from the weighted average diluted common shares outstanding due to their antidilutive effect.

Note 10 – Fair Value of Financial Instruments

Fair value is the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). We utilize market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable.

The market approach is applied for recurring fair value measurements and endeavors to utilize the best available information. Accordingly, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Fair value balances are classified based on the observability of those inputs.

A fair value hierarchy prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Level 2 measurements utilize observable inputs in markets other than active markets.

In estimating the fair value of the financial instruments presented, we used the following methods and assumptions:

Cash and cash equivalents

For cash and cash equivalents, we believe that the carrying value is a reasonable estimate of fair value due to the short-term nature of the instruments.

Restricted cash

Restricted cash is comprised of certificates of deposit that are pledged for various letters of credit secured by the Company. We deem the carrying value to be a reasonable estimate of fair value due to the nature of these instruments.

Marketable securities

Equity securities are classified as available-for-sale securities and are valued using quoted prices in active markets.

Long-term debt

The fair value of long-term debt was estimated based on the current rates available to us for similar debt of the same remaining maturities and consideration of our default and credit risk.

Interest rate swap agreements

The fair value of the interest rate swap agreements were estimated based on market value quotes received from the counter parties to the agreements.

The fair values of our financial instruments as of September 30, 2013 are presented in the following table:

	Fair Value Measurements Using		
(in thousands)	Level 1	Level 2	Fair Value
Financial Assets:			
Cash and cash equivalents	$135,557	$—	$135,557
Restricted cash	—	16,390	16,390
Equity securities	21,885	—	21,885
Total Financial Assets	$157,442	$16,390	$173,832
Financial Liabilities:			
Total debt	—	824,099	824,099
Total Financial Liabilities	$—	$824,099	$824,099
Derivatives:			
Liability for interest rate swap agreements	$—	$4,455	$4,455

The fair values of our financial instruments as of December 31, 2012 are presented in the following table:

	Fair Value Measurements Using		
(in thousands)	Level 1	Level 2	Fair Value
Financial Assets:			
Cash and cash equivalents	$148,858	$—	$148,858
Restricted cash	—	22,117	22,117
Equity securities	22,168	—	22,168
Total Financial Assets	$171,026	$22,117	$193,143
Financial Liabilities:			
Total debt	—	899,258	899,258
Total Financial Liabilities	$—	$899,258	$899,258
Derivatives:			
Liability for interest rate swap agreements	$—	$6,486	$6,486

The following non-financial instruments were measured at fair value, on a nonrecurring basis, as of September 30, 2013 and impairment losses for the three and nine months ended September 30, 2013:

	As of September 30, 2013 Fair Value Measurements Using			Impairment Losses	
	Level 1	Level 2	Level 3	For the three months ended September 30, 2013	For the nine months ended September 30, 2013
Property and equipment, net	$—	$—	$—	$—	$1,721

The following non-financial instruments were measured at fair value, on a nonrecurring basis, as of December 31, 2012 and impairment losses for the three and nine months ended September 30, 2012:

	As of December 31, 2012 Fair Value Measurements Using			Impairment Losses	
	Level 1	Level 2	Level 3	For the three months ended September 30, 2012	For the nine months ended September 30, 2012
Assets of discontinued operations	$794	$—	$—	$—	$15,700
Property and equipment, net	—	—	—	8,708	13,744
Investment in affiliates, net	—	—	—	—	1,246
	$794	$—	$—	$8,708	$30,690

We recorded non-cash impairment charges of $15.7 million for the nine months ended September 30, 2012 in our assets of discontinued operations primarily due to the disposition or wind down of our discontinued operations. See Note 15 - Discontinued Operations for further discussion. In addition, we recorded non-cash impairment charges of $8.7 million for the three months ended September 30, 2012 and $1.7 million and $13.7 million for the nine months ended September 30, 2013 and 2012, respectively, in our property and equipment, net primarily related to internally developed software. Finally, we recorded non-cash impairment charges of $1.2 million for the three and nine months ended September 30, 2012 in our investment in affiliates, net due to other than temporary loss in value from the absence of an ability to recover the carrying amount of the investment from the under-performance of an investment in affiliate and continued changes in regulatory environment.

Note 11 – Stock-Based Compensation

We currently issue equity awards under the CoreLogic, Inc. 2011 Performance Incentive Plan (the "Plan") which was approved by our stockholders at our Annual Meeting held on May 19, 2011. The Plan permits the grant of RSUs, PBRSUs, stock options, stock appreciation rights, stock bonuses and other forms of awards granted or denominated in our common stock, as well as cash bonus awards. The Plan was adopted, in part, to make an additional 18,000,000 shares of the Company's common stock available for award grants, so we have sufficient authority and flexibility to adequately provide for future incentives. Prior to the approval of the Plan, we issued share-based awards under the CoreLogic, Inc. 2006 Incentive Plan (the "2006 Plan").

We primarily utilize RSUs, PBRSUs and stock options as our share-based compensation instruments for employees and directors. The fair value of any share-based compensation instrument grant is based on the market value of our shares on the date of grant and is recognized as compensation expense over its vesting period.

Restricted Stock Units

For the nine months ended September 30, 2013 and 2012, we awarded 703,828 and 732,820 RSUs, respectively, with an estimated grant date fair value of $18.3 million and $12.2 million, respectively. The RSU awards will vest ratably over three years.

RSU activity for the nine months ended September 30, 2013 is as follows:

	Number of	Weighted Average

(in thousands, except weighted average fair value prices)	Shares	Grant-Date