

CORELOGIC, INC.
Form 10-Q
October 24, 2014

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

FORM 10-Q

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

For the quarterly period ended September 30, 2014

OR

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

For the transition period from _____ to _____

Commission file number 001-13585

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 No

Edgar Filing: CORELOGIC, INC. - Form 10-Q

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 No

Indicate by check mark whether the registrant: is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

Yes No

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

On October 20, 2014 there were 89,739,536 shares of common stock outstanding.

CoreLogic, Inc.
 INFORMATION INCLUDED IN REPORT

Part I: Financial Information	<u>1</u>
Item 1. Financial Statements (unaudited)	<u>1</u>
A. Condensed Consolidated Balance Sheets as of September 30, 2014 and December 31, 2013	<u>1</u>
B. Condensed Consolidated Statements of Operations for the three and nine months ended September 30, 2014 and 2013	<u>2</u>
C. Condensed Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2014 and 2013	<u>3</u>
D. Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2014 and 2013	<u>4</u>
E. Condensed Consolidated Statement of Equity for the nine months ended September 30, 2014	<u>5</u>
F. Notes to Condensed Consolidated Financial Statements	<u>6</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>39</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>49</u>
Item 4. Controls and Procedures	<u>50</u>
Part II: Other Information	<u>50</u>
Item 1. Legal Proceedings	<u>50</u>
Item 1A. Risk Factors	<u>51</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>58</u>
Item 3. Defaults upon Senior Securities	<u>59</u>
Item 4. Mine Safety Disclosures	<u>59</u>
Item 5. Other Information	<u>59</u>
Item 6. Exhibits	<u>59</u>

PART I: FINANCIAL INFORMATION

Item 1. Financial Statements.

CoreLogic, Inc.

Condensed Consolidated Balance Sheets
(unaudited)

(in thousands, except par value)

	September 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 127,618	\$ 134,419
Marketable securities	21,828	22,220
Accounts receivable (less allowance for doubtful accounts of \$11,459 and \$13,045 as of September 30, 2014 and December 31, 2013, respectively)	223,697	215,020
Prepaid expenses and other current assets	51,976	50,829
Income tax receivable	—	13,516
Deferred income tax assets, current	100,688	86,487
Assets of discontinued operations	5,167	38,926
Total current assets	530,974	561,417
Property and equipment, net	365,750	197,542
Goodwill, net	1,779,391	1,468,290
Other intangible assets, net	283,643	175,808
Capitalized data and database costs, net	336,666	330,188
Investment in affiliates, net	103,432	95,343
Restricted cash	13,493	12,050
Other assets	161,565	162,493
Total assets	\$3,574,914	\$3,003,131
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 148,215	\$ 156,937
Accrued salaries and benefits	75,004	104,781
Income taxes payable	44,313	—
Deferred revenue, current	245,520	223,603
Current portion of long-term debt	21,927	28,154
Liabilities of discontinued operations	23,480	20,616
Total current liabilities	558,459	534,091
Long-term debt, net of current	1,389,807	811,776
Deferred revenue, net of current	379,390	377,855
Deferred income tax liabilities, long term	68,538	76,969
Other liabilities	131,025	147,865
Total liabilities	2,527,219	1,948,556
Redeemable noncontrolling interests	11,075	10,202
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; 89,732 and 91,254 shares issued and outstanding as of September 30, 2014 and December 31, 2013, respectively	1	1

Edgar Filing: CORELOGIC, INC. - Form 10-Q

Additional paid-in capital	612,154	672,165
Retained earnings	484,359	425,796
Accumulated other comprehensive loss	(59,894	) (53,589)
Total equity	1,036,620	1,044,373
Total liabilities and equity	\$3,574,914	\$3,003,131

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

1

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

(in thousands, except per share amounts)	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Operating revenues	\$367,454	\$356,581	\$1,059,528	\$1,075,879
Cost of services (excluding depreciation and amortization shown below)	185,168	177,898	564,916	539,796
Selling, general and administrative expenses	68,099	87,886	255,488	276,257
Depreciation and amortization	35,765	29,436	100,636	96,697
Impairment loss	667	—	4,888	1,721
Total operating expenses	289,699	295,220	925,928	914,471
Operating income	77,755	61,361	133,600	161,408
Interest expense:				
Interest income	870	1,040	3,083	2,495
Interest expense	18,398	12,552	52,547	37,365
Total interest expense, net	(17,528)	(11,512)	(49,464)	(34,870)
Gain on investments and other, net	183	7,627	2,825	9,362
Income from continuing operations before equity in earnings of affiliates and income taxes	60,410	57,476	86,961	135,900
Provision for income taxes	14,319	19,765	23,070	50,087
Income from continuing operations before equity in earnings of affiliates	46,091	37,711	63,891	85,813
Equity in earnings of affiliates, net of tax	4,032	5,716	10,289	23,848
Net income from continuing operations	50,123	43,427	74,180	109,661
(Loss)/income from discontinued operations, net of tax	(4,856)	5,332	(15,219)	17,935
Gain/(loss) from sale of discontinued operations, net of tax	476	(5,052)	476	(6,796)
Net income	45,743	43,707	59,437	120,800
Less: Net income attributable to noncontrolling interests	404	45	899	19
Net income attributable to CoreLogic	\$45,339	\$43,662	\$58,538	\$120,781
Amounts attributable to CoreLogic stockholders:				
Net income from continuing operations	\$49,719	\$43,382	\$73,281	\$109,642
(Loss)/income from discontinued operations, net of tax	(4,856)	5,332	(15,219)	17,935
Gain/(loss) from sale of discontinued operations, net of tax	476	(5,052)	476	(6,796)
Net income attributable to CoreLogic	\$45,339	\$43,662	\$58,538	\$120,781
Basic income per share:				
Net income from continuing operations	\$0.55	\$0.46	\$0.80	\$1.14
(Loss)/income from discontinued operations, net of tax	(0.05)	0.06	(0.17)	0.19
Gain/(loss) from sale of discontinued operations, net of tax	0.01	(0.05)	0.01	(0.07)
Net income attributable to CoreLogic	\$0.51	\$0.47	\$0.64	\$1.26
Diluted income per share:				
Net income from continuing operations	\$0.54	\$0.45	\$0.79	\$1.12
(Loss)/income from discontinued operations, net of tax	(0.05)	0.06	(0.16)	0.18
	0.01	(0.05)	0.01	(0.07)

Edgar Filing: CORELOGIC, INC. - Form 10-Q

Gain/(loss) from sale of discontinued operations, net of tax

Net income attributable to CoreLogic	\$0.50	\$0.46	\$0.64	\$1.23
Weighted-average common shares outstanding:				
Basic	90,518	94,773	91,234	95,802
Diluted	91,987	96,793	92,833	97,672

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

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

(in thousands)	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net income	\$45,743	\$43,707	\$59,437	\$120,800
Other comprehensive income:				
Market value adjustments to marketable securities, net of tax	(291)	(336)	(243)	(175)
Market value adjustments on interest rate swap, net of tax	970	9	285	1,257
Reclassification adjustment for loss on terminated interest rate swap included in net income	—	—	2,555	—
Foreign currency translation adjustments	(26,251)	7,644	(8,709)	(32,289)
Supplemental benefit plans adjustments, net of tax	(65)	28	(193)	80
Total other comprehensive (loss)/income	(25,637)	7,345	(6,305)	(31,127)
Comprehensive income	20,106	51,052	53,132	89,673
Less: Comprehensive income attributable to the noncontrolling interests	404	45	899	19
Comprehensive income attributable to CoreLogic	\$19,702	\$51,007	\$52,233	\$89,654

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

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

(in thousands)	For the Nine Months Ended September 30,	
	2014	2013
Cash flows from operating activities:		
Net income	\$59,437	\$120,800
Less: (Loss)/income from discontinued operations, net of tax	(15,219	) 17,935
Less: Gain/(loss) from sale of discontinued operations, net of tax	476	(6,796
Net income from continuing operations	74,180	109,661
Adjustments to reconcile net income from continuing operations to net cash provided by operating activities:		
Depreciation and amortization	100,636	96,697
Impairment loss	4,888	1,721
Provision for bad debt and claim losses	10,254	10,058
Share-based compensation	22,077	20,688
Excess tax benefit related to stock options	(6,352	) (2,895
Equity in earnings of affiliates, net of taxes	(10,289	) (23,848
Gain on sale of property and equipment	(13,858) —
Loss on early extinguishment of debt	763	—
Deferred income tax	11,172	3,875
Gain on investments and other, net	(2,825	) (9,362
Change in operating assets and liabilities, net of acquisitions:		
Accounts receivable	6,515	(18,818
Prepaid expenses and other current assets	1,099	(2,696
Accounts payable and accrued expenses	(50,357	) (15,186
Deferred revenue	(3,590	) 43,616
Income taxes	48,854	10,644
Dividends received from investments in affiliates	32,496	30,062
Other assets and other liabilities	(14,920	) (16,696
Net cash provided by operating activities - continuing operations	210,743	237,521
Net cash (used in)/provided by operating activities - discontinued operations	(2,104	) 23,569
Total cash provided by operating activities	\$208,639	\$261,090
Cash flows from investing activities:		
Purchases of capitalized data and other intangible assets	\$(25,207	) \$(28,795
Purchases of property and equipment	(37,122	) (51,667
Cash paid for acquisitions, net of cash acquired	(672,336	) (70,904
Purchases of investments	—	(2,351
Cash received from sale of discontinued operations	25,525	2,263
Proceeds from sale of property and equipment	13,937	—
Change in restricted cash	(1,443	) 5,728
Net cash used in investing activities - continuing operations	(696,646	) (145,726
Net cash provided by investing activities - discontinued operations	1,536	1,863
Total cash used in investing activities	\$(695,110	) \$(143,863
Cash flows from financing activities:		
Proceeds from long-term debt	\$690,017	\$1,075
Debt issuance costs	(14,042) —
Repayment of long-term debt	(118,836	) (4,516

Edgar Filing: CORELOGIC, INC. - Form 10-Q

Proceeds from issuance of stock related to stock options and employee benefit plans	5,736	11,662
Minimum tax withholding paid on behalf of employees for restricted stock units	(15,247	) (6,893)
Shares repurchased and retired	(72,781	) (133,565)
Excess tax benefit related to stock options	6,352	2,895
Net cash provided by/(used in) financing activities - continuing operations	481,199	(129,342)
Net cash provided by financing activities - discontinued operations	—	—
Total cash provided by/(used in) financing activities	\$481,199	\$(129,342)
Effect of exchange rate on cash	(144	) (1,341)
Net decrease in cash and cash equivalents	(5,416	) (13,456)
Cash and cash equivalents at beginning of period	134,419	149,567
Less: Change in cash and cash equivalents - discontinued operations	(568	) 25,432
Plus: Cash swept (to)/from discontinued operations	(1,953	) 25,788
Cash and cash equivalents at end of period	\$127,618	\$136,467
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$36,077	\$26,557
Cash paid for income taxes	\$4,488	\$62,188
Cash refunds from income taxes	\$27,153	\$13,830

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	Total
Balance as of December 31, 2013	91,254	\$1	\$672,165	\$425,796	\$ (53,589)	\$1,044,373
Net income	—	—	—	58,538	—	58,538
Shares issued in connection with share-based compensation	1,020	—	5,736	—	—	5,736
Tax withholdings related to net share settlements of restricted stock units	—	—	(15,247)	—	—	(15,247)
Share-based compensation	—	—	22,281	—	—	22,281
Shares repurchased and retired	(2,542)	—	(72,781)	—	—	(72,781)
Adjustment to redeemable noncontrolling interest to redemption value	—	—	—	25	—	25
Other comprehensive loss	—	—	—	—	(6,305)	(6,305)
Balance as of September 30, 2014	89,732	\$1	\$612,154	\$484,359	\$ (59,894)	\$1,036,620

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

Note 1 – Basis of Condensed Consolidated Financial Statements

CoreLogic, Inc., together with its subsidiaries (collectively "we", "us" or "our"), is a leading global property information, analytics and data-enabled services provider operation in North America, Western Europe and Asia Pacific. Our combined data from public, contributory and proprietary sources provides detailed coverage of property, mortgages and other encumbrances, consumer credit, tenancy, location, hazard risk and related performance information. The markets we serve include real estate and mortgage finance, insurance, capital markets and the public sector. We deliver value to clients through unique data, analytics, workflow technology, advisory and managed services. Clients rely on us 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 appraisal management services, title insurance 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 2013 year-end condensed consolidated balance sheet was derived from the Company's audited financial statements for the year ended December 31, 2013. 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, 2013, 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.

Divestiture of Non-Core Businesses

As of December 31, 2013, we concluded we would actively pursue the sale of our Asset Management and Processing Solutions ("AMPS") reporting segment, which was comprised of collateral solutions, field services, technology solutions, solutions express and outsourcing services. As a result, these businesses were previously reflected in our consolidated financial statement as discontinued operations.

On September 30, 2014, we completed the sale of our collateral solutions and field services businesses for consideration of \$29.1 million, subject to working capital adjustments, as well as contingent earn-outs of up to \$20.0 million, which will be recognized when realized. Additionally, we concluded that we would cease pursuing the sale of the remaining AMPS-related businesses. Consequently, our technology solutions, solutions express and outsourcing services are now reflected as part of continuing operations and held and used in our consolidated financial statements. Due to the nature of the remaining product lines, they are now being managed by and have been included within our Technology Processing Solutions ("TPS") operating segment for all periods presented. The impact of the reclassification to our condensed consolidated statements of operations is as follows:

Edgar Filing: CORELOGIC, INC. - Form 10-Q

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Operating revenues	\$16,326	\$17,380	\$50,179	\$57,176
Net income from continuing operations	\$2,453	\$3,035	\$2,510	\$6,287
Basic income per share from continuing operations	\$0.03	\$0.03	\$0.03	\$0.07
Diluted income per share from continuing operations	\$0.03	\$0.03	\$0.03	\$0.06

6

Segment Reporting

In September 2014, we transferred our under-banked credit services business from our Data & Analytics ("D&A") segment to our TPS segment to combine this operation within our credit and income verification services and leverage the core business capabilities of the TPS segment. All segment reporting disclosures presented herein reflect this transfer.

Out-of-Period Adjustment

During the second quarter of 2014, we identified an error which understated the year-end 2013 AMPS goodwill impairment charge by \$3.9 million. The impairment related to our technology solutions, solutions express and outsourcing services and is now reflected within continuing operations. We recorded an out-of-period adjustment to correct the error during the three months ended June 30, 2014, and reduced basic and diluted net income per share by \$0.04 for the nine months ended September 30, 2014. We assessed the materiality of this error in accordance with the SEC's Staff Accounting Bulletin ("SAB") No. 99 and SAB No. 108, and concluded the error was not material to the results of operations or financial condition for the prior annual or interim periods and the correction is not expected to be material to the full year results for fiscal year 2014.

Comprehensive Income

Comprehensive income includes all changes in equity except those resulting from investments by owners and distributions to owners. Specifically, foreign currency translation adjustments, amounts related to supplemental benefit plans, unrealized gains and losses on interest rate swap transactions and unrealized gains and losses on investment are recorded in other comprehensive income.

The following table shows the components of accumulated other comprehensive loss, net of taxes as of September 30, 2014 and December 31, 2013:

	2014	2013
Cumulative foreign currency translation	\$(59,495)	\$(50,787)
Cumulative supplemental benefit plans	(762)	(568)
Net unrecognized losses on interest rate swap	358	(2,482)
Net unrealized gains on marketable securities	5	248
Accumulated other comprehensive loss	\$(59,894)	\$(53,589)

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 \$1.3 billion as of September 30, 2014 and \$317.2 million as of December 31, 2013. Because these deposits are held on behalf of our customers, they are not our funds and, therefore, are not included in the accompanying condensed 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 August 2014, the Financial Accounting Standards Board (“FASB”) issued updated guidance related to determining whether substantial doubt exists about an entity's ability to continue as a going concern. The amendment provides guidance for determining whether conditions or events give rise to substantial doubt that an entity has the ability to continue as a going concern within one year following issuance of the financial statements, and requires specific disclosures regarding the conditions or events leading to substantial doubt. The updated guidance is effective for annual reporting periods and interim periods within those annual periods beginning after December 15, 2016. Earlier adoption is permitted but we do not anticipate electing early adoption. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

7

In June 2014, the FASB issued updated guidance related to stock compensation. The amendment requires that a performance target that affects vesting and that could be achieved after the requisite period, be treated as a performance condition. The updated guidance is effective for annual reporting periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted but we do not anticipate electing early adoption. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In May 2014, the FASB issued updated guidance on revenue recognition in order to 1) remove inconsistencies in revenue requirements, 2) provide a better framework for addressing revenue issues, 3) improve comparability across entities, industries, etc., 4) provide more useful information through improved disclosures, and 5) simplify the preparation of financial statements by reducing the number of requirements to which an entity must refer. Under the amendment, an entity should recognize revenue to depict the transfer of promised goods or services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance also specifies the accounting treatment for the incremental costs of obtaining a contract, which would not have been incurred had the contract not been obtained. Further, an entity is required to disclose sufficient information to enable the user of the financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows from contracts with customers. The updated guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. We are currently evaluating the impact of the adoption of this guidance on our consolidated financial statements.

In April 2014, the FASB issued updated guidance on reporting discontinued operations and disclosures of disposals of components of an entity. Under the amendment only those disposals of components of an entity that represent a strategic shift that has (or will have) a major effect on an entity's operations and financial results will be reported as discontinued operations in the financial statements. Additionally, the elimination of the component's operations, cash flows and significant continuing involvement conditions have been removed. Further, an equity method investment could be reported as discontinued operations. The updated guidance is effective prospectively for all disposals or classifications as held for sale that occur within annual periods beginning after December 15, 2014. We do 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 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 an 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. Adoption of this guidance did not have a material impact on our consolidated financial statements.

In March 2013, the FASB issued updated guidance related to the 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. 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 \$4.0 million and \$5.7 million for the three months ended September 30, 2014 and 2013, respectively, and \$10.3 million and \$23.8 million for the nine months ended September 30, 2014 and 2013, respectively. We recorded income tax expense on these earnings of \$2.5 million and \$3.5

million for the three months ended September 30, 2014 and 2013, respectively, and \$6.4 million and \$14.8 million for the nine months ended September 30, 2014 and 2013, respectively.

One of our subsidiaries owns a 50.1% interest in RELS LLC ("RELS"), a provider of appraisals and appraisal management services used in connection with mortgage loan originations. This investment in affiliate contributed 76.5% and 75.8% of our total equity in earnings of affiliates, net of tax, for the three months ended September 30, 2014 and 2013, respectively, and 81.6% and 73.0% for the nine months ended September 30, 2014 and 2013, respectively.

The following summarized financial information for this investment (assuming 100% ownership interest), has been revised to correct an error in the financial statements prepared by RELS related to the presentation of expenses and other from a net basis to a gross basis for certain costs. The effect of the change was an increase to previously reported revenue and an increase to previously reported expenses and other of \$1.8 million for the nine months ended September 30, 2013. There is no net income impact and therefore no impact on the total equity in earnings of affiliates recorded by the Company for this investment.

(in thousands)	For the Three Months Ended		For the Nine Months Ended	
	September 30, 2014	2013	September 30, 2014	2013
Statements of income				
Total revenues	\$57,777	\$79,373	\$166,278	\$289,830
Expenses and other	47,800	64,951	139,134	231,929
Net income attributable to RELS LLC	\$9,977	\$14,422	\$27,144	\$57,901
CoreLogic equity in earnings of affiliate, pre-tax	\$4,998	\$7,225	\$13,599	\$29,008

In March 2014, we acquired certain equity interests, assets and intellectual property; which we collectively refer to as "MSB/DataQuick." See Note 13 - Acquisitions for additional information. The acquisition included a 29.4% interest in Symbility Solutions Inc. ("Symbility"). In connection with the purchase price allocation, we preliminarily recorded \$18.3 million to reflect our basis in Symbility. The purchase allocation included \$11.3 million of basis difference between the purchase price and our interest in the net assets of Symbility, which is comprised of an indefinite-lived component of \$2.0 million and a finite-lived component of \$9.4 million with an estimated weighted-average life of 15 years.

See Note 10 - Fair Value of Financial Instruments for further discussion on investment in affiliates, net, measured at fair value on a nonrecurring basis.

Note 3 – Marketable Securities

Our marketable securities consist primarily of investments in preferred stock of \$21.8 million and \$22.2 million as of September 30, 2014 and December 31, 2013, 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, 2014 and 2013.

Note 4 - Property and Equipment, Net

Property and equipment, net as of September 30, 2014 and December 31, 2013 consists of the following:

(in thousands)	2014	2013
Land	\$4,000	\$4,000
Buildings	230	10,780
Furniture and equipment	99,734	90,420
Capitalized software	687,815	498,522
Leasehold improvements	50,853	50,369
	842,632	654,091
Less accumulated depreciation	(476,882)	(456,549)
Property and equipment, net	\$365,750	\$197,542

For the three and nine months ended September 30, 2014, we recorded a gain of \$13.8 million from the sale of real estate related assets. Depreciation expense for property and equipment was approximately \$17.5 million and \$12.8 million for the three months ended September 30, 2014 and 2013, respectively, and \$48.5 million and \$47.9 million for the nine months ended September 30, 2014 and 2013, 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, 2014, is as follows:

(in thousands)	D&A	TPS	Consolidated
Balance as of January 1, 2014			
Goodwill	\$689,442	\$708,757	\$1,398,199
Accumulated impairment losses	(600)	(6,925)	(7,525)
Goodwill, net	688,842	701,832	1,390,674
Acquisitions	285,745	29,940	315,685
Transfer from assets of discontinued operations	—	77,616	77,616
Impairment loss on transferred assets of discontinued operations	—	(3,900)	(3,900)
Translation adjustments	(3,291)	(107)	(3,398)
Under-banked credit services reclassification	(9,044)	9,044	—
Other	2,714	—	2,714
Balance as of September 30, 2014			
Goodwill, net	\$964,966	\$814,425	\$1,779,391

In connection with our acquisition of MSB/DataQuick, we preliminarily recorded \$279.5 million of goodwill within our D&A reporting unit and \$29.9 million of goodwill within our TPS reporting unit for the nine months ended September 30, 2014. Further, for the nine months ended September 30, 2014, we recorded \$2.3 million of goodwill in connection with our acquisition of Terralink International Limited ("Terralink") and preliminarily recorded \$3.9 million of goodwill in connection with acquisitions that were not significant, all of which were within our D&A reporting unit. See Note 13 - Acquisitions for additional information.

In December 2013, we concluded the businesses comprising the AMPS segment were not core to our long term strategy and we would actively pursue the sale of the AMPS reporting segment. As part of the process of marketing the sale of these businesses, we developed long-term projections and obtained indicative fair market values from

potential participants. The level of indicative values was below the net book value of the businesses being marketed; therefore, we recorded a pre-tax non-cash impairment charge related to the previously reported AMPS discontinued operation's goodwill of \$51.8 million in the

10

fourth quarter of 2013, of which \$42.2 million related to the businesses previously held as discontinued operations that have now been presented in continuing operations as noted below. During the second quarter of 2014, we identified an error which understated the 2013 goodwill impairment charge by \$3.9 million previously recorded within discontinued operations and transferred to continuing operations in the third quarter of 2014 as noted below. See Note 1 - Basis of Condensed Consolidated Financial Statements for further discussion.

On September 30, 2014, we concluded to cease pursuing the sale of our technology solutions, solutions express and outsourcing services product lines. These product lines were formerly part of our AMPS segment, previously reflected as discontinued operations, and are now reflected as part of continuing operations within our TPS segment. At September 30, 2014, we allocated the former AMPS reporting unit goodwill between the businesses sold and the retained product lines based on their relative fair value and also evaluated the retained goodwill of \$73.7 million at the TPS reporting unit level noting no additional impairment indicators. See Note 1 - Basis of Condensed Consolidated Financial Statements for further discussion.

In September 2014, we transferred our under-banked credit services from our D&A segment to our TPS segment, see Note 1 - Basis of Condensed Consolidated Financial Statements. As a result, we revised our reporting for segment disclosure purposes, see Note 16 - Segment Financial Information, and reassessed our reporting units for purposes of evaluating the carrying value of our goodwill. This assessment required us to perform a third quarter reassignment of our goodwill to each reporting unit impacted using the relative fair value approach based on the fair value of the reporting unit as of August 31, 2014. As of September 30, 2014 and December 31, 2013, the assessment resulted in \$8.9 million and \$9.0 million, respectively, of goodwill allocated to our TPS reporting unit from D&A.

Note 6 – Other Intangible Assets, net

Other intangible assets consist of the following:

(in thousands)	September 30, 2014			December 31, 2013		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Customer lists	\$390,897	\$(186,666)	\$204,231	\$318,939	\$(165,578)	\$153,361
Non-compete agreements	9,339	(7,191)	2,148	9,150	(6,659)	2,491
Trade names and licenses	93,783	(16,519)	77,264	31,108	(11,152)	19,956
	\$494,019	\$(210,376)	\$283,643	\$359,197	\$(183,389)	\$175,808

Amortization expense for other intangible assets was \$10.2 million and \$9.1 million for the three months ended September 30, 2014 and 2013, respectively, and \$27.8 million and \$26.3 million for the nine months ended September 30, 2014 and 2013, respectively.

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

(in thousands)	
Remainder of 2014	\$10,153
2015	39,661
2016	33,585
2017	31,667
2018	30,825
Thereafter	137,752

Note 7 – Long-Term Debt

Our long-term debt consists of the following:

(in thousands)	September 30, 2014	December 31, 2013
Acquisition-related note:		
Non-interest bearing acquisition note, \$5.0 million installment due March 2016	\$4,552	\$9,276
Notes:		
7.25% senior notes due June 2021	393,000	393,000
5.7% senior debentures due August 2014	—	825
7.55% senior debentures due April 2028	59,645	59,645
Bank debt:		
Revolving line of credit borrowings due March 2019, weighted-average interest rate of 3.27% at September 30, 2014	145,000	—
Term loan facility borrowings due March 2019, weighted-average interest rate of 2.32% at September 30, 2014	807,500	—
Revolving line of credit borrowings due May 2016, weighted-average interest rate of 1.9% at December 31, 2013, extinguished in March 2014	—	100,000
Term loan facility borrowings due May 2016, weighted-average interest rate of 2.9% at December 31, 2013, extinguished in March 2014	—	275,625
Other debt:		
Various interest rates with maturities through 2018	2,037	1,559
Total long-term debt	1,411,734	839,930
Less current portion of long-term debt	21,927	28,154
Long-term debt, net of current portion	\$1,389,807	\$811,776

Senior Notes

On May 20, 2011, we issued \$400.0 million aggregate principal amount of 7.25% senior notes due 2021 (the "Notes"). The Notes are guaranteed on a senior unsecured basis by each of our existing and future direct and indirect subsidiaries that guarantee our Credit Agreement (defined below). 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 17 - 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;" or 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, 2014, we were in compliance with all of our covenants under the indenture.

Credit Agreement

On March 25, 2014, we entered into a senior secured credit facility (the "Credit Agreement") with Bank of America, N.A. as administrative agent and other financial institutions, which replaced our previous senior secured credit facility that was entered into on May 23, 2011 (the "Terminated Credit Agreement"). The Credit Agreement provides for an \$850.0 million five-year term loan facility (the "Term Facility") and a \$550.0 million revolving credit facility (the "Revolving Facility"). The

12

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 by up to \$500.0 million in the aggregate. For the nine months ended September 30, 2014, we prepaid \$21.3 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, 2014, we were in compliance with all of our covenants under the Credit Agreement.

As of September 30, 2014 and December 31, 2013, we have recorded \$15.5 million and \$4.6 million, respectively, of accrued interest expense.

Debt Issuance Costs

In connection with entering into the Credit Agreement, we incurred approximately \$14.0 million of debt issuance costs of which \$0.5 million was recorded as interest expense in the accompanying condensed consolidated statements of operations for the nine months ended September 30, 2014. We capitalized the remaining \$13.5 million of debt issuance costs, within other assets in the accompanying condensed consolidated balance sheet as of September 30, 2014, and will amortize these costs over the term of the Credit Agreement. When we entered into the Credit Agreement, we had unamortized costs of \$5.4 million related to previously recorded debt issuance costs, which we will amortize over the term of the Credit Agreement. In connection with entering into the Credit Agreement, during the nine months ended September 30, 2014, we wrote-off \$0.8 million of unamortized debt issuance costs.

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, 2014, the discounted balance outstanding under the note was \$4.6 million.

Interest Rate Swaps

In May 2014, we entered into amortizing interest rate swap transactions ("Swaps"). The Swaps become effective on December 31, 2014 and terminate in March 2019. The Swaps are for an initial notional balance of \$500.0 million, with a fixed interest rate of 1.57%, and amortize quarterly by \$12.5 million through December 31, 2017 and \$25.0 million through December 31, 2018, with a remaining notional amount of \$250.0 million. Previous amortizing interest rate swap transactions entered into in June 2011 were terminated with a realized loss of \$4.1 million for the nine months ended September 30, 2014 upon full repayment of the underlying debt associated with the Terminated Credit Agreement.

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 an asset of \$0.6 million and a liability of \$4.0 million at September 30, 2014 and December 31, 2013, respectively, which is included in the accompanying consolidated balance sheets as a component of other liabilities.

Unrealized gains of \$1.0 million (net of \$0.6 million in deferred taxes) and less than \$0.1 million were recognized in other comprehensive income related to the Swaps for the three months ended September 30, 2014 and 2013, respectively. In addition, unrealized gains of \$0.3 million (net of less than \$0.2 million in deferred taxes) and \$1.3 million (net of \$0.8 million in deferred taxes) were recognized in other comprehensive income related to the Swaps for the nine months ended September 30, 2014 and 2013, respectively.

Note 8 – Income Taxes

The effective income tax rate, provision or benefit, for income taxes as a percentage of income from continuing operations before equity in earnings of affiliates and income taxes was 23.7% and 34.4% for the three months ended September 30, 2014 and 2013, respectively, and 26.5% and 36.9% for the nine months ended September 30, 2014 and 2013, respectively. The change in the effective income tax rates was primarily attributable to research credits, goodwill and foreign rate differentials in jurisdictions with tax rates lower than the U.S. as well as a valuation allowance recorded against certain foreign losses.

Income taxes included in equity in earnings of affiliates were \$2.5 million and \$3.5 million for the three months ended September 30, 2014 and 2013, respectively, and \$6.4 million and \$14.8 million for the nine months ended September 30, 2014

and 2013, respectively. For the purpose of segment reporting, these amounts are not reflected at the segment level but are recorded within corporate.

The decrease in the Company's reserves for uncertain tax positions during the period ended September 30, 2014, relates primarily to the settlement of the Company's claim, on behalf of First American Financial Corporation ("FAFC"), for an uncertain tax position on a prior year return. The claim is for FAFC losses reported and is subject to indemnification by FAFC under the Tax Sharing Agreement. As of September 30, 2014, the liability was reduced by approximately \$29.6 million of which the impact to net income was zero.

The Company's material jurisdiction is the United States. With a few minor exceptions, we are no longer subject to U.S. federal, state, local, or foreign income tax examinations by tax authorities for years prior to December 31, 2006. It is reasonably possible that the amount of the unrecognized tax benefit with respect to certain unrecognized tax positions could significantly increase or decrease with 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 statutes of limitation for the assessment of taxes.

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		For the Nine Months Ended	
	September 30,	2013	September 30,	2013
	2014		2014	2013
(in thousands, except per share amounts)				
Numerator for basic and diluted net income/(loss) per share:				
Net income from continuing operations	\$49,719	\$43,382	\$73,281	\$109,642
(Loss)/income from discontinued operations, net of tax	(4,856	) 5,332	(15,219	) 17,935
Gain/(loss) from sale of discontinued operations, net of tax	476	(5,052	) 476	(6,796
Net income attributable to CoreLogic	\$45,339	\$43,662	\$58,538	\$120,781
Denominator:				
Weighted-average shares for basic income per share	90,518	94,773	91,234	95,802
Dilutive effect of stock options and restricted stock units	1,469	2,020	1,599	1,870
Weighted-average shares for diluted income per share	91,987	96,793	92,833	97,672
Income per share				
Basic:				
Net income from continuing operations	\$0.55	\$0.46	\$0.80	\$1.14
(Loss)/income from discontinued operations, net of tax	(0.05	) 0.06	(0.17	) 0.19
Gain/(loss) from sale of discontinued operations, net of tax	0.01	(0.05	) 0.01	(0.07
Net income attributable to CoreLogic	\$0.51	\$0.47	\$0.64	\$1.26
Diluted:				
Net income from continuing operations	\$0.54	\$0.45	\$0.79	\$1.12

Edgar Filing: CORELOGIC, INC. - Form 10-Q

(Loss)/income from discontinued operations, net of tax	(0.05	) 0.06	(0.16	) 0.18
Gain/(loss) from sale of discontinued operations, net of tax	0.01	(0.05) 0.01	(0.07)
Net income attributable to CoreLogic	\$0.50	\$0.46	\$0.64	\$1.23	

14

For the three months ended September 30, 2014 and 2013, 0.4 million stock options and 0.6 million stock options and restricted stock units ("RSUs"), respectively, were excluded from the weighted-average diluted common shares outstanding due to their antidilutive effect. For the nine months ended September 30, 2014 and 2013, 0.3 million stock options and 0.8 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, 2014 are presented in the following table:

(in thousands)	Fair Value Measurements Using		Fair Value
	Level 1	Level 2	
Financial Assets:			
Cash and cash equivalents	\$127,618	\$—	\$127,618
Restricted cash	—	13,493	13,493
Equity securities	21,828	—	21,828
Total Financial Assets	\$149,446	\$13,493	\$162,939
Financial Liabilities:			
Total debt	\$—	\$1,416,631	\$1,416,631
Derivatives:			
Asset for interest rate swap agreements	\$—	\$579	\$579

The fair values of our financial instruments as of December 31, 2013 are presented in the following table:

(in thousands)	Fair Value Measurements Using		Fair Value
	Level 1	Level 2	
Financial Assets:			
Cash and cash equivalents	\$134,419	\$—	\$134,419
Restricted cash	—	12,050	12,050
Equity securities	22,220	—	22,220
Total Financial Assets	\$156,639	\$12,050	\$168,689
Financial Liabilities:			
Total debt	\$—	\$869,232	\$869,232
Derivatives:			
Liability for interest rate swap agreements	\$—	\$4,020	\$4,020

The following non-financial instruments were measured at fair value, on a nonrecurring basis, as of September 30, 2014 and impairment losses for the three and nine months ended September 30, 2014:

	As of September 30, 2014			Impairment Losses	
	Fair Value Measurements Using			For the Three Months Ended	For the Nine Months Ended
	Level 1	Level 2	Level 3	September 30, 2014	September 30, 2014
Property and equipment, net	\$—	\$—	\$—	\$666	\$988
Goodwill, net	—	—	—	—	3,900
Investment in affiliates, net	—	—	—	—	360
	\$—	\$—	\$—	\$666	\$5,248

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			Impairment Losses	
	Fair Value Measurements Using			For the Three	For the Nine Months
	Level 1	Level 2	Level 3	Months Ended	Ended September 30,
				September 30, 2013	2013
Property and equipment, net	\$—	\$—	\$—	\$—	\$1,721
	\$—	\$—	\$—	\$—	\$1,721

We recorded non-cash impairment charges of \$0.7 million for the three months ended September 30, 2014, and \$1.0 million and \$1.7 million for the nine months ended September 30, 2014 and 2013, respectively, in our property and equipment, net primarily related to internally developed software. In addition, we recorded non-cash impairment charges of \$3.9 million for the nine months ended September 30, 2014 in our goodwill, net related to our technology solutions, solutions express and outsourcing services. See Note 5 - Goodwill, net for further discussion. Finally, we recorded non-cash impairment charges of \$0.4 million for the nine months ended September 30, 2014 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.

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 and amended on July 29, 2014. The amended 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 amended Plan was adopted, in part, to make 20,500,000 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, 2014 and 2013, we awarded 774,414 and 703,828 RSUs, respectively, with an estimated grant date fair value of \$23.7 million and \$18.3 million, respectively. The RSU awards will vest ratably over three years.

RSU activity for the nine months ended September 30, 2014 is as follows:

(in thousands, except weighted-average fair value prices)	Number of	Weighted-Average
	Shares	Grant-Date
		Fair Value
Unvested RSUs outstanding at December 31, 2013	1,466	\$ 22.13
RSUs granted	774	\$ 30.56
RSUs vested	(615	) \$ 20.49
RSUs forfeited	(141	) \$ 26.03

Unvested RSUs outstanding at September 30, 2014	1,484	\$ 26.84
---	-------	----------

As of September 30, 2014, there was \$24.5 million of total unrecognized compensation cost related to unvested RSUs that is expected to be recognized over a weighted-average period of 2.1 years. The fair value of RSUs is based on the market value of the Company's common stock on the date of grant.

17

Performance-Based Restricted Stock Units

For the nine months ended September 30, 2014 and 2013, we awarded 367,558 and 408,344 PBRsUs, respectively, with an estimated grant date fair value of \$11.6 million and \$10.6 million, respectively. These awards are subject to service-based, performance-based and market-based vesting. The performance period for the majority of PBRsUs awarded during the nine months ended September 30, 2014 is from January 1, 2014 to December 31, 2016 and the performance metric is adjusted earnings per share and market-based conditions. Subject to satisfaction of the performance criteria, the 2014 awards will vest on December 31, 2016.

The performance period for the PBRsUs awarded during the nine months ended September 30, 2013 is from January 1, 2013 to December 31, 2015 and the performance metric is adjusted earnings per share and market-based conditions. Subject to satisfaction of the performance criteria, the 2013 awards will vest on December 31, 2015. The fair values of the 2014 and 2013 awards were estimated using Monte-Carlo simulation with the following weighted-average assumptions:

	For the Nine Months Ended September 30,			
	2014		2013	
Expected dividend yield	—	%	—	%
Risk-free interest rate ⁽¹⁾	0.74	%	0.41	%
Expected volatility ⁽²⁾	27.88	%	29.87	%
Average total shareholder return ⁽²⁾	(0.90	)%	17.87	%

(1) The risk-free interest rate for the periods within the contractual term of the PBRsUs is based on the U.S. Treasury yield curve in effect at the time of the grant.

(2) The expected volatility and average total shareholder return is a measure of the amount by which a stock price has fluctuated or is expected to fluctuate based primarily on our and our peers' historical data.

PBRsU activity for the nine months ended September 30, 2014, is as follows:

(in thousands, except weighted-average fair value prices)	Number of Shares	Weighted-Average Grant-Date Fair Value
Unvested PBRsUs outstanding at December 31, 2013	1,247	\$ 18.52
PBRsUs granted	368	\$ 31.46
PBRsUs vested	(612	) \$ 16.92
PBRsUs forfeited	(70	) \$ 23.21
Unvested PBRsUs outstanding at September 30, 2014	933	\$ 22.26

As of September 30, 2014, there was \$9.6 million of total unrecognized compensation cost related to unvested PBRsUs that is expected to be recognized over a weighted-average period of 2.0 years. The fair value of PBRsUs is based on the market value of the Company's common stock on the date of grant.

Stock Options

In 2014 and 2013, we issued stock options as incentive compensation for certain key employees. The exercise price of each stock option is the closing market price of our common stock on the date of grant. The majority of the options will vest in three equal annual installments on the first, second and third anniversaries of grant and expire ten years after the grant date. The fair values of these stock options were estimated using the Black-Scholes valuation model with the following weighted-average assumptions:

	For the Nine Months Ended September 30,			
	2014	2013		
Expected dividend yield	—	%	—	%
Risk-free interest rate ⁽¹⁾	1.74	%	0.90	%
Expected volatility ⁽²⁾	37.92	%	41.65	%
Expected life ⁽³⁾	5.5		5.5	

(1) The risk-free interest rate for the periods within the contractual term of the options is based on the U.S. Treasury yield curve in effect at the time of the grant.

(2) The expected volatility is a measure of the amount by which a stock price has fluctuated or is expected to fluctuate based primarily on our and our peers' historical data.

(3) The expected life is the period of time, on average, that participants are expected to hold their options before exercise based primarily on our historical data.

For the nine months ended September 30, 2014 and 2013, we awarded 290,737 and 435,367 options, respectively, with an estimated fair value of \$9.1 million and \$11.3 million, respectively. Option activity for the nine months ended September 30, 2014 is as follows:

(in thousands, except weighted-average price)	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Options outstanding at December 31, 2013	2,663	\$ 21.12		
Options granted	291	\$ 31.46		
Options exercised	(140)	) \$ 18.14		
Options canceled	(63)	) \$ 24.25		
Options outstanding at September 30, 2014	2,751	\$ 22.29	4.9	\$14,436
Options vested and expected to vest at September 30, 2014	2,718	\$ 22.22	4.9	\$14,390
Options exercisable at September 30, 2014	2,099	\$ 21.09	3.8	\$12,592

As of September 30, 2014, there was \$4.5 million of total unrecognized compensation cost related to unvested stock options that is expected to be recognized over a weighted-average period of 1.9 years.

The intrinsic value of options exercised was \$1.7 million and \$3.2 million for the nine months ended September 30, 2014 and 2013, respectively. This intrinsic value represents the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each option.

Employee Stock Purchase Plan

The employee stock purchase plan allows eligible employees to purchase our common stock at 85.0% of the lesser of the closing price on the first day or the last day of each quarter. Our employee stock purchase plan was approved by our stockholders at our 2012 annual meeting of stockholders and the first offering period commenced in October 2012. We recognized an expense for the amount equal to the discount during the last offering period.

The following table sets forth the stock-based compensation expense recognized for the nine months ended September 30, 2014 and 2013.

(in thousands)	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2014	2013	2014	2013
RSUs	\$4,316	\$2,606	\$14,746	\$9,908
PBRsUs	1,227	280	3,973	7,468
Stock options	778	857	2,999	2,985
Employee stock purchase plan	151	134	563	449
	\$6,472	\$3,877	\$22,281	\$20,810

The above includes \$0.4 million and \$0.3 million of stock-based compensation expense within cost of services in the accompanying condensed consolidated statements of operations for the three months ended September 30, 2014 and 2013, respectively, and \$1.4 million and \$0.7 million for the nine months ended September 30, 2014 and 2013, respectively. It also includes \$0.1 million and less than \$0.1 million for the three months ended September 30, 2014 and 2013, respectively, and \$0.2 million and \$0.1 million for the nine months ended September 30, 2014 and 2013, respectively, of stock-based compensation expense reported within (loss)/income from discontinued operations in the accompanying condensed consolidated statements of operations.

Note 12 – Litigation and Regulatory Contingencies

We have been named in various lawsuits. Also, we may from time to time be subject to audit or investigation by governmental agencies. Currently, governmental agencies are auditing or investigating certain of our operations.

With respect to matters where we have determined that a loss is both probable and reasonably estimable, we have recorded a liability representing our best estimate of the financial exposure based on known facts. While the ultimate disposition of each such audit, investigation or lawsuit is not yet determinable, we do not believe that the ultimate resolution of these matters, either individually or in the aggregate, will have a material adverse effect on our financial condition, results of operations or cash flows. In addition, we do not believe there is a reasonable possibility that a material loss exceeding amounts already accrued may have been incurred. The ability to predict the ultimate outcome of such matters involves judgments, estimates and inherent uncertainties. The actual outcome of such matters could differ materially from management's estimates. We record expenses for legal fees as incurred.

FDIC

On May 9, 2011, the Federal Deposit Insurance Corporation (the "FDIC"), as Receiver of Washington Mutual Bank ("WaMu"), filed a complaint in the United States District Court for the Central District of California (the "Court") against CoreLogic Valuation Services, LLC ("CVS"), as successor to eAppraiseIT, LLC ("eAppraiseIT") and several of its current and former affiliates.

The FDIC complaint alleged that eAppraiseIT was grossly negligent and breached its contract with WaMu in the provision of appraisal services in 2006 and 2007 relating to 194 residential mortgage loans. On November 14, 2011, the Court granted the defendants' motion to dismiss the FDIC's gross negligence, alter ego, single business enterprise and joint venture claims, and a portion of the breach of contract claim. On November 30, 2011, the FDIC filed its first amended complaint, alleging only breach of contract claims and naming only CVS and its parent CoreLogic Real Estate Solutions, LLC f/k/a First American Real Estate Solutions, LLC as defendants. The amended complaint sought to recover losses of at least \$129.0 million that the FDIC alleges WaMu suffered on loans allegedly related to these

appraisal services. On February 6, 2012, the Court granted the defendants' motion to dismiss the FDIC's \$16.0 million breach of contract claim related to 26 appraisal services allegedly provided before the effective date of the WaMu - eAppraiseIT Agreement. On February 16, 2012, the FDIC filed a second amended complaint reasserting that claim. On April 25, 2012, the court granted the defendants' motion to dismiss that \$16.0 million claim with prejudice. On December 4, 2012, the FDIC filed its third amended complaint further reducing the total number of transactions at issue to 160 and reducing the amount of its purported losses to at least \$108.0 million. On June 20, 2013, the court dismissed 14 additional transactions with prejudice pursuant to a stipulation between the parties. As a result, the number of transactions at issue was reduced to 146 and the amount of the FDIC's purported losses was reduced to at least \$98.9

million. On May 28, 2014 the parties settled the case with the defendants agreeing to pay a total of \$12.0 million; which was recorded within loss from discontinued operations, net of tax for the three months ended June 30, 2014. Following payment of the settlement amount on July 2, 2014, the case was dismissed with prejudice on July 7, 2014.

RESPA Class Action

On February 8, 2008, a purported class action was filed in the United States District Court for the Northern District of California, San Jose Division, against WaMu and eAppraiseIT alleging breach of contract, unjust enrichment, and violations of the Real Estate Settlement Procedures Act (“RESPA”), the California Unfair Competition Law and the California Consumers Legal Remedies Act. The complaint alleged a conspiracy between WaMu and eAppraiseIT to allow WaMu to direct appraisers to artificially inflate appraisals in order to qualify higher value loans that WaMu could then sell in the secondary market. Plaintiffs subsequently voluntarily dismissed WaMu on March 9, 2009. On August 30, 2009, the court dismissed all claims against eAppraiseIT except the RESPA claim.

On July 2, 2010, the court denied plaintiff's first motion for class certification. On November 19, 2010, the plaintiffs filed a renewed motion for class certification. On April 25, 2012, the court granted plaintiffs' renewed motion and certified a nationwide class of all persons who, on or after June 1, 2006, received home loans from WaMu in connection with appraisals that were obtained through eAppraiseIT. On July 12, 2012, the Ninth Circuit Court of Appeals declined to review the class certification order. Following discovery, on July 1, 2014 the defendant filed motions for summary judgment and to decertify the class. On September 16, 2014 the trial court granted summary judgment against one named plaintiff but denied it as to the other, denied the motion to decertify the class, and bifurcated trial into two phases with the first phase to begin November 24, 2014. The parties thereafter conducted a court-ordered mediation and subsequently reached agreement in principle to settle the case for a total of \$9.9 million inclusive of attorney fees, subject to court approval. This amount has been reserved and recorded within loss from discontinued operations, net of tax for the three months ended September 30, 2014.

Separation

Following the spin-off of our financial services businesses into a new, publicly-traded, New York Stock Exchange-listed company called FAFC in June 2010 (the “Separation”), we are responsible for a portion of FAFC's contingent and other corporate liabilities. In the Separation and Distribution Agreement we entered into in connection with the Separation, we agreed with FAFC to share equally in the cost of resolution of a small number of corporate-level lawsuits, including certain consolidated securities litigation matters from which we have since been dropped. There were no liabilities incurred in connection with the consolidated securities matters. Responsibility to manage each case has been assigned to either FAFC or us, with the managing party required to update the other party regularly and consult with the other party prior to certain important decisions, such as settlement. The managing party will also have primary responsibility for determining the ultimate total liability, if any, related to the applicable case. We will record our share of any such liability when the responsible party determines a reserve is necessary. At September 30, 2014, no reserves were considered necessary.

In addition, the Separation and Distribution Agreement provides for cross-indemnities principally designed to place financial responsibility for the obligations and liabilities of our predecessor, The First American Corporation's ("FAC") financial services business with FAFC and financial responsibility for the obligations and liabilities of FAC's information solutions business with us. Specifically, each party will, and will cause its subsidiaries and affiliates to, indemnify, defend and hold harmless the other party, its respective affiliates and subsidiaries and each of its respective officers, directors, employees and agents for any losses arising out of or otherwise in connection with the liabilities each such party assumed or retained pursuant to the Separation and Distribution Agreement; and any breach by such party of the Separation and Distribution Agreement.

Note 13 – Acquisitions

In March 2014, we completed the acquisition of Marshall & Swift/Boeckh ("MSB") and DataQuick Information Systems ("DataQuick"). In addition, we acquired the assets of the credit, flood services and automated valuation model operations of DataQuick Lending Solutions and certain intellectual property assets of Decision Insight Information Group S.à r.l. The total consideration paid in connection with the MSB/DataQuick acquisition was approximately \$652.5 million in cash, which was funded through borrowings. The acquisition of MSB/DataQuick significantly expands our footprint in property and casualty insurance and adds scale to our existing property data and analytics business, which is a contributing factor to the recording of goodwill. The operations of MSB's and DataQuick's data licensing and analytics units are reported within our D&A segment and DataQuick's flood zone determination and credit servicing operations are reported within our TPS segment. The purchase price was allocated to the assets acquired and liabilities assumed using a variety of valuation techniques including discounted cash flow analysis, which included significant unobservable inputs. Any excess of the purchase price over the fair

value of identified assets acquired and liabilities assumed is recognized as goodwill. The purchase price allocation is subject to change based on our final determination of fair value. The purchase price allocation is preliminary subject to the finalization of certain tax and working capital matters. The preliminary allocation of the purchase price is as follows:

(in thousands)	
Cash and cash equivalents	\$36
Accounts receivable	9,227
Prepaid expenses and other current assets	2,190
Deferred income tax assets, current	8,589
Property and equipment	177,311
Goodwill (1)	309,448
Other intangible assets	129,400
Deferred income tax, net of current	26,072
Investment in affiliates	18,300
Total assets acquired	\$680,573
Accounts payable and accrued expenses	3,957
Deferred revenue, current	22,403
Deferred revenue, net of current	1,663
Net assets acquired	\$652,519

Goodwill of \$309.4 million includes \$144.6 million of deductible basis for tax purposes. Goodwill was reduced by (1) approximately \$53.8 million from the initial amount recorded in the first quarter of 2014, as a result of a change in the purchase price allocation for certain working capital and tax adjustments.

We reported revenues of approximately \$46.3 million from the MSB/DataQuick acquisition from the acquisition date of March 25, 2014 through September 30, 2014. The financial information in the table below summarizes the combined results of operations of MSB/DataQuick and us on a pro forma basis as though the companies had been combined as of January 1, 2013. The pro forma financial information is presented for informational purposes only and is not indicative of the results of operations that would have been achieved if the acquisition had taken place at the beginning of each of the periods presented. The pro forma financial information for all periods presented also includes elimination of intercompany revenue, the impact of fair value adjustments to deferred revenue, amortization expense from acquired intangible assets, adjustments to interest expense and related tax effects.

The pro forma financial information for the three and nine months ended September 30, 2014 and 2013 combines our results of operations for the periods presented.

	Pro Forma			
	For the Three Months		For the Nine Months	
	Ended September 30,		Ended September 30,	
(in thousands)	2014	2013	2014	2013
Net revenues	\$385,764	\$382,797	\$1,123,908	\$1,127,719
Net income	\$44,314	\$42,689	\$63,652	\$110,055

In January 2014, we completed our acquisition of Terralink for NZD\$14.5 million, or \$11.9 million, which is included as a component of our D&A reporting segment. The purchase price was allocated to the assets acquired and liabilities assumed using a variety of valuation techniques including discounted cash flow analysis, which included significant unobservables. We recorded property and equipment of \$2.1 million with an estimated average life of 5 years,

customer lists of \$1.4 million with an estimated average life of 15 years, trade names of \$0.2 million with an estimated average life of 12 years, capitalized data and database costs of \$6.0 million with an estimated average life of 15 years and goodwill of \$2.3 million, which is fully deductible for tax purposes. The business combination did not have a material impact on our consolidated financial statements.

In December 2013, we completed our acquisition of EQECAT for \$22.2 million, including working capital adjustments. EQECAT is included as a component of the D&A segment. The purchase price was allocated to the assets acquired and liabilities assumed using a variety of valuation techniques including discounted cash flow analysis, which included significant unobservables. We recorded \$3.9 million of customer lists with an estimated average life of 14 years, \$0.6 million of trade names with an estimated average life of 10 years and goodwill of \$15.3 million. The business combination did not have a material impact on our consolidated financial statements.

For the nine months ended September 30, 2014, we incurred \$9.5 million of acquisition-related costs within selling, general and administrative expenses on our condensed consolidated statements of operations.

Note 14 – Redeemable Noncontrolling Interest

Noncontrolling interests that are redeemable at the option of the holder are classified as redeemable noncontrolling interests in the mezzanine section of our condensed consolidated balance sheet between liabilities and stockholders' equity. Redeemable noncontrolling interests are reported at their estimated redemption value in each reporting period, but not less than their initial fair value. Any adjustments to the redemption value impacts retained earnings.

In September 2013, we acquired an additional 10% interest in Property IQ Ltd. ("PIQ") for NZD\$3.3 million, or \$2.6 million, resulting in a 60.0% controlling interest. In connection with the acquisition, the seller has the right to sell their remaining noncontrolling shares in PIQ to us (the "put") and we have the right to purchase the remaining noncontrolling interest in PIQ at fair value (the "call"). As the call and put do not represent separate assets or liabilities and the exercise of the put is outside of our control, the noncontrolling interest of NZD\$13.2 million, or \$10.2 million, was recorded on the date of acquisition as redeemable noncontrolling interest in the accompanying condensed consolidated balance sheet. We recognized \$0.4 million and less than \$0.1 million for the three months ended September 30, 2014 and 2013, respectively, and \$0.9 million and less than \$0.1 million for the nine months ended September 30, 2014 and 2013, respectively, of net income in connection with the redeemable noncontrolling interest.

Note 15 – Discontinued Operations

In December 2013, we concluded the businesses comprising the AMPS segment were not core to our long term strategy and we would actively pursue the sale of the AMPS reporting segment. On September 30, 2014, we completed the sale of our collateral solutions and field services businesses for total consideration of \$29.1 million, subject to working capital adjustments, as well as potential earn-outs of up to \$20.0 million, which will be recognized when realized. These businesses were previously included in our AMPS reporting segment. Additionally, we concluded to cease pursuing the sale of the remaining AMPS related product lines. Consequently, as of September 30, 2014, our technology solutions, solutions express and outsourcing services are reflected as part of continuing operations and held and used in our consolidated financial statements and have been included within our TPS segment for all periods presented. See Note 1 - Basis of Condensed Consolidated Financial Statements for further discussion.

For the three and nine months ended September 30, 2014, we recorded a gain from sale of discontinued operations, net of \$0.5 million primarily related to \$1.5 million of earn-out payments, net of tax, from previously disposed discontinued operations, partially offset by an after-tax loss of \$1.1 million related to the sale of our collateral solutions and field services businesses. For the three and nine months ended September 30, 2013, we recorded a loss from the sale of discontinued operations, net of \$5.1 million and \$6.8 million, respectively, primarily related to an estimated settlement of tax contingencies of \$7.4 million, partially offset by \$1.5 million of earn-out payments, net of tax, from previously disposed discontinued operations. For the nine months ended September 30, 2013, we also recorded an after-tax loss of \$1.8 million from the sale of a product line within our AMPS segment.

Summarized below are certain assets and liabilities classified as discontinued operations as of September 30, 2014 and December 31, 2013:

(in thousands)	D&A		TPS		Total
As of September 30, 2014	Marketing	Consumer	Appraisal	AMPS	
Deferred income tax assets, current	\$—	\$—	\$—	\$3,806	\$3,806
Other current assets	177	149	200	835	1,361
Property and equipment, net	—	—	—	—	—
Goodwill and other identifiable intangible assets, net	—	—	—	—	—
Other assets	—	—	—	—	—
Total assets	\$177	\$149	\$200	\$4,641	\$5,167
Accounts payable and accrued expenses	\$572	\$—	\$14,502	\$4,451	\$19,525
Other liabilities	166	88	556	3,145	3,955
Total liabilities	\$738	\$88	\$15,058	\$7,596	\$23,480
As of December 31, 2013					
Accounts receivable	\$—	\$—	\$—	\$14,073	\$14,073
Other current assets	177	149	200	2,668	3,194
Property and equipment, net	—	—	—	1,698	1,698
Goodwill and other identifiable intangible assets, net	—	—	—	19,961	19,961
Other assets	—	—	—	—	—
Total assets	\$177	\$149	\$200	\$38,400	\$38,926
Accounts payable and accrued expenses	\$676	\$—	\$3,127	\$7,282	\$11,085
Other liabilities	259	88	568	8,616	9,531
Total liabilities	\$935	\$88	\$3,695	\$15,898	\$20,616

Edgar Filing: CORELOGIC, INC. - Form 10-Q

Summarized below are the components of our (loss)/income from discontinued operations for three and nine months ended September 30, 2014 and 2013:

(in thousands)	D&A		TPS		Total
	Marketing	Consumer	Appraisal	AMPS	
For the Three Months Ended September 30, 2014					
Operating revenue	\$—	\$—	\$—	\$34,358	\$34,358
(Loss)/income from discontinued operations before income taxes	(25	) —	(11,644	) 3,864	(7,805)
Income tax (benefit)/provision	(10	) —	(681	) (2,258	) (2,949)
(Loss)/income from discontinued operations, net of tax	\$(15	) \$—	\$(10,963	) \$6,122	\$(4,856)
For the Three Months Ended September 30, 2013					
Operating revenue	\$—	\$—	\$—	\$48,961	\$48,961
(Loss)/income from discontinued operations before income taxes	(812	) —	(1,195	) 10,654	8,647
Income tax (benefit)/provision	(311	) —	(457	) 4,083	3,315
(Loss)/income from discontinued operations, net of tax	\$(501	) \$—	\$(738	) \$6,571	\$5,332
For the Nine Months Ended September 30, 2014					
Operating revenue	\$—	\$—	\$—	\$93,756	\$93,756
(Loss)/income from discontinued operations before income taxes	(915	) —	(29,585	) 8,192	(22,308)
Income tax (benefit)/provision	(350	) —	(7,544	) 805	(7,089)
(Loss)/income from discontinued operations, net of tax	\$(565	) \$—	\$(22,041	) \$7,387	\$(15,219)
For the Nine Months Ended September 30, 2013					
Operating revenue	\$—	\$—	\$—	\$153,804	\$153,804
(Loss)/income from discontinued operations before income taxes	(1,429	) 196	(3,957	) 34,269	29,079
Income tax (benefit)/provision	(547	) 75	(1,514	) 13,130	11,144
(Loss)/income from discontinued operations, net of tax	\$(882	) \$121	\$(2,443	) \$21,139	\$17,935

Note 16 – Segment Information

We have organized our reportable segments into the following two segments: D&A and TPS. In September 2014, we concluded that we would cease pursuing the sale of the remaining AMPS related product lines. As a result, our technology solutions, solutions express and outsourcing services are now reported within our TPS segment. Also, in September, 2014, we transferred our under-banked credit services business from our D&A segment to our TPS segment. All segment reporting disclosures presented herein reflect these transfers. See Note 1 - Basis of Condensed

Consolidated Financial Statements for further discussion.

Data & Analytics. Our D&A segment owns or licenses data assets including loan information, criminal and eviction records, employment verification, property sales and characteristic information, property risk and replacement cost, and information on mortgage-backed securities. We both license our data directly to our customers and provide our customers with

25

analytical products and workflow solutions for risk management, multiple listing services, insurance underwriting, collateral assessment, loan quality reviews and fraud assessment. We are also a provider of geospatial proprietary software and databases combining geographic mapping and our data assets. Our primary customers are commercial banks, mortgage lenders and brokers, investment banks, fixed-income investors, real estate agents, multiple listing service companies ("MLS") property and casualty insurance companies, title insurance companies and government agencies and sponsored enterprises.

Our D&A segment includes intercompany revenues of \$1.1 million and \$1.5 million for the three months ended September 30, 2014 and 2013, respectively, and \$3.2 million and \$7.4 million for the nine months ended September 30, 2014 and 2013, respectively. The segment also includes intercompany expenses of \$1.4 million and \$1.2 million for the three months ended September 30, 2014 and 2013, respectively, and \$4.4 million and \$1.2 million for the nine months ended September 30, 2014 and 2013, respectively.

Technology and Processing Solutions. Our TPS segment provides property tax monitoring, flood zone certification and monitoring, credit services, mortgage loan administration and production services, lending solutions, mortgage-related business process outsourcing, technology solutions and compliance-related services. The segment's primary customers are large, national mortgage lenders and servicers, but we also serve regional mortgage lenders and brokers, credit unions, commercial banks, government agencies and casualty insurance companies.

Our TPS segment includes intercompany revenues of \$1.3 million and \$1.0 million for the three months ended September 30, 2014 and 2013, respectively, and \$4.4 million and \$2.6 million for the nine months ended September 30, 2014 and 2013, respectively. The segment also includes intercompany expenses of \$1.1 million and \$1.7 million for the three months ended September 30, 2014 and 2013, respectively, and \$3.2 million and \$7.4 million for the nine months ended September 30, 2014 and 2013, respectively.

Corporate consists primarily of investment gains and losses, corporate personnel and other expenses associated with our corporate functions and facilities, equity in earnings of affiliates, net of tax, and interest expense.

It is impracticable to disclose revenues from external customers for each product and service offered.

Selected financial information by reportable segment is as follows:

(in thousands)

For the Three Months Ended September 30, 2014	Operating Revenues	Depreciation and Amortization	Operating Income/(Loss)	Equity in Earnings/(Loss) of Affiliates, Net of Tax	Net Income/(Loss) From Continuing Operations	Capital Expenditures
D&A	\$173,554	\$26,250	\$32,387	\$ 230	\$ 33,251	\$14,367
TPS	196,282	6,571	44,608	6,312	50,846	1,855
Corporate	94	2,944	760	(2,510)	(33,974)	3,278
Eliminations	(2,476)	—	—	—	—	—
Consolidated (excluding discontinued operations)	\$367,454	\$35,765	\$77,755	\$ 4,032	\$ 50,123	\$19,500
For the Three Months Ended September 30, 2013						
D&A	\$140,804	\$18,659	\$29,331	\$ 456	\$ 36,592	\$13,996
TPS	218,170	7,985	49,411	8,786	59,311	6,076
Corporate	148	2,792	(17,381)	(3,526)	(52,476)	7,051
Eliminations	(2,541)	—	—	—	—	—
Consolidated (excluding discontinued operations)	\$356,581	\$29,436	\$61,361	\$ 5,716	\$ 43,427	\$27,123
For the Nine Months Ended September 30, 2014						
D&A	\$483,182	\$72,155	\$76,343	\$ 15	\$ 76,990	\$42,014
TPS	583,921	19,665	102,588	16,700	125,019	6,687
Corporate	20	8,816	(45,331)	(6,426)	(127,829)	13,628
Eliminations	(7,595)	—	—	—	—	—
Consolidated (excluding discontinued operations)	\$1,059,528	\$100,636	\$133,600	\$ 10,289	\$ 74,180	\$62,329
For the Nine Months Ended September 30, 2013						
D&A	\$430,190	\$55,137	\$82,256	\$ 1,639	\$ 90,990	\$40,348
TPS	655,565	23,115	154,795	36,648	192,337	14,502
Corporate	493	18,445	(75,643)	(14,439)	(173,666)	25,612
Eliminations	(10,369)	—	—	—	—	—
Consolidated (excluding discontinued operations)	\$1,075,879	\$96,697	\$161,408	\$ 23,848	\$ 109,661	\$80,462

(in thousands)	As of September 30, 2014	As of December 31, 2013
Assets		
D&A	\$ 1,909,391	\$ 1,306,023
TPS	1,271,995	1,257,195
Corporate	5,140,393	4,499,268
Eliminations	(4,752,032	) (4,098,281
Consolidated (excluding assets of discontinued operations)	\$ 3,569,747	\$ 2,964,205

Note 17 - Guarantor Subsidiaries

As discussed in Note 7 - Long-Term Debt, the Notes are guaranteed on a senior unsecured basis by each of our existing and future direct and indirect subsidiaries that guarantee our Credit Agreement. These guarantees are required in support of the Notes, are coterminous with the terms of the Notes and would require performance upon certain events of default referred to in the respective guarantees. 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"; or 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. The following condensed consolidating financial information reflects the separate accounts of CoreLogic, Inc. (the "Parent"), the combined accounts of the guarantor subsidiaries, the combined accounts of the non-guarantor subsidiaries, the combined consolidating adjustments and eliminations and the Parent's consolidated accounts for the dates and periods indicated.

Condensed Balance Sheet
As of September 30, 2014

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Adjustments	Eliminating	Total
Assets:						
Cash and cash equivalents	\$90,034	\$7,067	\$ 30,517	\$ —		\$ 127,618
Accounts receivable	—	198,124	25,573	—		223,697
Other current assets	43,167	132,204	4,288	—		179,659
Property and equipment, net	17,943	319,563	28,244	—		365,750
Goodwill, net	—	1,601,528	177,863	—		1,779,391
Other identifiable intangible assets, net	305	244,112	39,226	—		283,643
Capitalized data and database cost, net	—	252,900	83,766	—		336,666
Investments in affiliates, net	—	103,432	—	—		103,432
Deferred income tax assets, long-term	58,998	—	—	(58,998)	—
Restricted cash	12,084	—	1,409	—		13,493
Investment in subsidiaries	2,316,915	—	—	(2,316,915)	—
Intercompany receivable	82,807	95,642	—	(178,449)	—
Other assets	125,934	33,092	2,539	—		161,565
Total assets	\$2,748,187	\$2,987,664	\$ 393,425	\$ (2,554,362	)	\$3,574,914
Liabilities and equity:						
Current liabilities	\$ 135,305	\$ 378,408	\$ 44,746	\$ —		\$ 558,459
Long-term debt, net of current	1,383,895	5,912	—	—		1,389,807
Deferred revenue, net of current	—	379,382	8	—		379,390
Deferred income taxes, long term	—	102,331	25,205	(58,998	)	68,538
Intercompany payable	95,642	22,325	60,482	(178,449)	—
Other liabilities	96,725	31,520	2,780	—		131,025
Redeemable noncontrolling interest	—	—	11,075	—		11,075
Total CoreLogic stockholders' equity	1,036,620	2,067,786	249,129	(2,316,915	)	1,036,620
Total liabilities and equity	\$2,748,187	\$2,987,664	\$ 393,425	\$ (2,554,362	)	\$3,574,914

Condensed Balance Sheet
December 31, 2013

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Adjustments	Eliminating	Total
Assets:						
Cash and cash equivalents	\$104,310	\$—	\$ 30,109	\$ —		\$ 134,419
Accounts receivable	—	193,256	21,764	—		215,020
Other current assets	56,877	151,066	4,228	(193	)	211,978
Property and equipment, net	20,076	149,848	27,618	—		197,542
Goodwill, net	—	1,306,471	161,819	—		1,468,290
Other identifiable intangible assets, net	348	135,326	40,134	—		175,808
Capitalized data and database cost, net	—	249,472	80,716	—		330,188
Investments in affiliates, net	—	95,343	—	—		95,343
Deferred income tax assets, long-term	58,998	—	—	(58,998)	—
Restricted cash	10,335	306	1,409	—		12,050
Investment in subsidiaries	2,210,416	—	—	(2,210,416)	—
Intercompany receivable	63,647	554,894	9,170	(627,711)	—
Other assets	118,708	41,681	2,104	—		162,493
Total assets	\$2,643,715	\$2,877,663	\$ 379,071	\$ (2,897,318	)	\$3,003,131
Liabilities and equity:						
Current liabilities	\$107,340	\$393,738	\$ 33,206	\$ (193	)	\$ 534,091
Long-term debt, net of current	806,395	5,381	—	—		811,776
Deferred revenue, net of current	—	377,846	9	—		377,855
Deferred income taxes, long term	—	111,664	24,303	(58,998	)	76,969
Intercompany payable	564,064	—	63,647	(627,711)	—
Other liabilities	121,544	23,050	3,271	—		147,865
Redeemable noncontrolling interest	—	—	10,202	—		10,202
Total CoreLogic stockholders' equity	1,044,373	1,965,983	244,433	(2,210,416	)	1,044,373
Total liabilities and equity	\$2,643,716	\$2,877,662	\$ 379,071	\$ (2,897,318	)	\$3,003,131

Condensed Statement of Operations						
For the Three Months Ended September 30, 2014						
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Adjustments	Eliminating)	Total
Operating revenues	\$—	\$329,057	\$ 38,397	\$ —		\$367,454
Intercompany revenues	—	—	182	(182)	—
Cost of services (exclusive of depreciation and amortization below)	—	171,419	13,768	(19	)	185,168
Selling, general and administrative expenses	9,289	47,112	11,861	(163	)	68,099
Depreciation and amortization	1,212	27,846	6,707	—		35,765
Impairment loss	—	667	—	—		667
Operating (loss)/income	(10,501	) 82,013	6,243	—		77,755
Total interest expense, net	(17,321	) (80	) (127	)	—	(17,528
(Loss)/gain on investments and other, net	(398	) 31	550	—		183
(Benefit)/provision for income taxes	(16,279	) 30,786	(188	)	—	14,319
Equity in earnings of affiliates, net of tax	—	4,032	—	—		4,032
Equity in earnings of subsidiary, net of tax	57,280	—	—	(57,280)	—
Net income from continuing operations, net of tax	45,339	55,210	6,854	(57,280	)	50,123
Loss from discontinued operations, net of tax	—	(4,856	) —	—		(4,856
(Loss)/gain from sale of discontinued operations, net of tax	—	(1,060	) 1,536	—		476
Net income	45,339	49,294	8,390	(57,280	)	45,743
Less: Net income attributable to noncontrolling interest	—	—	404	—		404
Net income attributable to CoreLogic	\$45,339	\$49,294	\$ 7,986	\$ (57,280	)	\$45,339
Net income	\$45,339	\$49,294	\$ 8,390	\$ (57,280	)	\$45,743
Total other comprehensive loss	(25,637	) —	(26,251	) 26,251		(25,637
Less: Comprehensive income attributable to noncontrolling interests	—	—	404	—		404
Comprehensive income/(loss) attributable to CoreLogic	\$19,702	\$49,294	\$ (18,265	) \$ (31,029	)	\$19,702

Condensed Statement of Operations
For the Three Months Ended September 30, 2013

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Adjustments	Eliminating)	Total
Operating revenues	\$—	\$331,306	\$ 25,275	\$ —		\$356,581
Intercompany revenues	—	—	148	(148)	—
Cost of services (exclusive of depreciation and amortization below)	—	169,904	8,142	(148	)	177,898
Selling, general and administrative expenses	11,997	66,533	9,356	—		87,886
Depreciation and amortization	962	22,752	5,722	—		29,436
Operating (loss)/income	(12,959	) 72,117	2,203	—		61,361
Total interest (expense)/income, net	(11,547	) (126	) 161	—		(11,512
(Loss)/gain on investment and other, net	(260	) 1,250	6,637	—		7,627
(Benefit)/provision for income taxes	(10,640	) 26,994	3,411	—		19,765
Equity in earnings of affiliates, net of tax	—	5,479	237	—		5,716
Equity in earnings of subsidiary, net of tax	57,788	—	—	(57,788)	—
Net income from continuing operations, net of tax	43,662	51,726	5,827	(57,788	)	43,427
Income from discontinued operations, net of tax	—	5,332	—	—		5,332
(Loss)/gain from sale of discontinued operations, net of tax	—	(6,558	) 1,506	—		(5,052
Net income	43,662	50,500	7,333	(57,788	)	43,707
Less: Net income attributable to noncontrolling interest	—	—	45	—		45
Net income attributable to CoreLogic	\$43,662	\$50,500	\$ 7,288	\$ (57,788	)	\$43,662
Net income	\$43,662	\$50,500	\$ 7,333	\$ (57,788	)	\$43,707
Total other comprehensive loss	7,345	—	7,644	(7,644	)	7,345
Less: Comprehensive income attributable to noncontrolling interests	—	—	45	—		45
Comprehensive income attributable to CoreLogic	\$51,007	\$50,500	\$ 14,932	\$ (65,432	)	\$51,007

Condensed Statement of Operations					
For the Nine Months Ended September 30, 2014					
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Eliminating Adjustments	Total
Operating revenues	\$—	\$954,224	\$ 105,304	\$ —	\$ 1,059,528
Intercompany revenues	—	—	475	(475)	—
Cost of services (exclusive of depreciation and amortization below)	—	523,455	41,478	(17)	564,916
Selling, general and administrative expenses	40,975	184,277	30,694	(458)	255,488
Depreciation and amortization	3,606	77,271	19,759	—	100,636
Impairment loss	—	4,888	—	—	4,888
Operating (loss)/income	(44,581)	164,333	13,848	—	133,600
Total interest expense, net	(48,029)	(194)	(1,241)	—	(49,464)
(Loss)/gain on investments and other, net	(3,413)	5,688	550	—	2,825
(Benefit)/provision for income taxes	(41,306)	59,657	4,719	—	23,070
Equity in earnings of affiliates, net of tax	—	10,289	—	—	10,289
Equity in earnings of subsidiary, net of tax	113,255	—	—	(113,255)	—
Net income from continuing operations, net of tax	58,538	120,459	8,438	(113,255)	74,180
Loss from discontinued operations, net of tax	—	(15,219)	—	—	(15,219)
(Loss)/gain from sale of discontinued operations, net of tax	—	(1,060)	1,536	—	476
Net income	58,538	104,180	9,974	(113,255)	59,437
Less: Net income attributable to noncontrolling interest	—	—	899	—	899
Net income attributable to CoreLogic	\$58,538	\$104,180	\$ 9,075	\$ (113,255)	\$58,538
Net income	\$58,538	\$104,180	\$ 9,974	\$ (113,255)	\$59,437
Total other comprehensive loss	(6,305)	—	(8,709)	8,709	(6,305)
Less: Comprehensive income attributable to noncontrolling interests	—	—	899	—	899
Comprehensive income attributable to CoreLogic	\$52,233	\$104,180	\$ 366	\$ (104,546)	\$52,233

Condensed Statement of Operations
For the Nine Months Ended September 30, 2013

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/ Adjustments	Eliminating)	Total
Operating revenues	\$—	\$1,003,699	\$ 72,180	\$ —		\$ 1,075,879
Intercompany revenues	—	—	493	(493)	—
Cost of services (exclusive of depreciation and amortization below)	—	513,666	26,623	(493	)	539,796
Selling, general and administrative expenses	49,450	200,879	25,928	—		276,257
Depreciation and amortization	2,655	76,579	17,463	—		96,697
Impairment loss	—	1,721	—	—		1,721
Operating (loss)/income	(52,105	) 210,854	2,659	—		161,408
Total interest (expense)/income, net	(34,993	) (345	) 468	—		(34,870
Gain on investments and other, net	1,474	1,251	6,637	—		9,362
(Benefit)/provision for income taxes	(33,583	) 80,056	3,614	—		50,087
Equity in earnings of affiliates, net of tax	—	23,053	795	—		23,848
Equity in earnings of subsidiary, net of tax	172,822	—	—	(172,822)	—
Net income from continuing operations, net of tax	120,781	154,757	6,945	(172,822	)	109,661
Income/(loss) from discontinued operations, net of tax	—	18,107	(172	)	—	17,935
(Loss)/gain on sale of discontinued operations, net of tax	—	(8,302	) 1,506	—		(6,796
Net income	120,781	164,562	8,279	(172,822	)	120,800
Less: Net income attributable to noncontrolling interest	—	—	19	—		19
Net income attributable to CoreLogic	\$ 120,781	\$ 164,562	\$ 8,260	\$ (172,822	)	\$ 120,781
Net income	\$ 120,781	\$ 164,562	\$ 8,279	\$ (172,822	)	\$ 120,800
Total other comprehensive loss	(31,127	) —	(32,289	)	32,289	(31,127
Less: Comprehensive income attributable to noncontrolling interests	—	—	19	—		19
Comprehensive income/(loss) attributable to CoreLogic	\$ 89,654	\$ 164,562	\$ (24,029	)	\$ (140,533)

Condensed Statement of Cash Flows
For the Nine Months Ended September 30, 2014

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidating/Eliminating Adjustments	Total
Cash flows from operating activities:					
Net cash (used in)/provided by operating activities - continuing operations	\$(7,831	) \$190,961	\$ 27,613	\$ —	\$210,743
Net cash used in by operating activities - discontinued operations	—	(2,104	) —	—	(2,104)
Total cash (used in)/provided by operating activities	\$(7,831	) \$188,857	\$ 27,613	\$ —	\$208,639
Cash flow from investing activities:					
Purchases of property and equipment	\$(1,430	) \$(28,016	) \$(7,676	) \$ —	\$(37,122)
Purchases of capitalized data and other intangible assets	—	(22,258	) (2,949	) —	(25,207)
Cash paid for acquisitions, net of cash acquired	—	(643,218	) (29,118	) —	(672,336)
Proceeds from sale of discontinued operations	—	25,525	—	—	25,525
Proceeds from sale of property and equipment	—	13,937	—	—	13,937
Change in restricted cash	(1,750	) 307	—	—	(1,443)
Net cash used in investing activities - continuing operations	(3,180	) (653,723	) (39,743	) —	(696,646)
Net cash provided by investing activities - discontinued operations	—	—	1,536	—	1,536
Total cash used in investing activities	\$(3,180	) \$(653,723	) \$(38,207	) \$ —	\$(695,110)
Cash flow from financing activities:					
Proceeds from long-term debt	\$690,017	\$—	\$—	\$ —	\$690,017
Debt issuance costs	(14,042	) —	—	—	(14,042)
Repayments of long-term debt	(113,967	) (4,869	) —	—	(118,836)
Shares repurchased and retired	(72,781	) —	—	—	(72,781)
Proceeds from issuance of stock related to stock options and employee benefit plans	5,736	—	—	—	5,736
Minimum tax withholding paid on behalf of employees for restricted stock units	(15,247				