PITNEY BOWES INC /DE/
Form 10-Q
November 02, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
þ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2012
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from ________________ to ________________
Commission file number: 1-3579
PITNEY BOWES INC.
(Exact name of registrant as specified in its charter)

Delaware	06-0495050
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Elmcroft Road, Stamford, Connecticut	06926-0700
(Address of principal executive offices)	(Zip Code)

(203) 356-5000
(Registrant's telephone number, including area code)

(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 þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes þ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ
Indicate the number of shares outstanding of each of the issuer's classes of common stock as of November 1, 2012.

Class	Outstanding
Common Stock, $1 par value per share	200,751,672 shares

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PART I. FINANCIAL INFORMATION
Item 1: Financial Statements
PITNEY BOWES INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited; in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Revenue:				
Equipment sales	$212,103	$221,475	$656,517	$706,027
Supplies	66,902	74,271	213,789	235,728
Software	93,476	113,224	302,377	318,305
Rentals	142,288	154,210	428,174	467,064
Financing	123,999	136,000	373,695	412,958
Support services	171,652	175,286	516,424	530,707
Business services	405,257	425,258	1,226,175	1,266,478
Total revenue	1,215,677	1,299,724	3,717,151	3,937,267
Costs and expenses:				
Cost of equipment sales	105,556	97,559	309,190	316,697
Cost of supplies	20,694	22,611	65,428	74,365
Cost of software	22,784	23,431	68,281	73,541
Cost of rentals	25,182	35,819	87,257	107,834
Financing interest expense	19,604	21,430	61,385	66,915
Cost of support services	107,095	114,074	334,304	344,767
Cost of business services	315,830	326,415	948,359	985,232
Selling, general and administrative	400,862	427,412	1,203,653	1,286,739
Research and development	36,669	35,573	104,518	107,772
Restructuring charges and asset impairments	9,986	32,956	11,060	63,974
Goodwill impairment	18,315	45,650	18,315	45,650
Other interest expense	27,541	28,932	87,261	86,006
Interest income	(2,057)	(1,265)	(5,793)	(4,702)
Other expense (income), net	—	(10,718)	1,138	(10,718)
Total costs and expenses	1,108,061	1,199,879	3,294,356	3,544,072
Income from continuing operations before income taxes	107,616	99,845	422,795	393,195
Provision (benefit) for income taxes	26,489	(17,087)	93,519	77,319
Income from continuing operations	81,127	116,932	329,276	315,876
Income from discontinued operations, net of tax	—	60,428	19,332	57,911
Net income before attribution of noncontrolling interests	81,127	177,360	348,608	373,787
Less: Preferred stock dividends of subsidiaries attributable to noncontrolling interests	4,594	4,593	13,782	13,781
Net income - Pitney Bowes Inc.	$76,533	$172,767	$334,826	$360,006
Amounts attributable to common stockholders:				
Net income from continuing operations	$76,533	$112,339	$315,494	$302,095
Income from discontinued operations, net of tax	—	60,428	19,332	57,911
Net income - Pitney Bowes Inc.	$76,533	$172,767	$334,826	$360,006

Basic earnings per share attributable to common stockholders (1):				
Continuing operations	$0.38	$0.56	$1.58	$1.49
Discontinued operations	—	0.30	0.10	0.29
Net income - Pitney Bowes Inc.	$0.38	$0.86	$1.67	$1.78
Diluted earnings per share attributable to common stockholders (1):				
Continuing operations	$0.38	$0.56	$1.57	$1.48
Discontinued operations	—	0.30	0.10	0.28
Net income - Pitney Bowes Inc.	$0.38	$0.85	$1.66	$1.77

(1) The sum of the earnings per share amounts may not equal the totals due to rounding.

See Notes to Condensed Consolidated Financial Statements

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PITNEY BOWES INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited; in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income - Pitney Bowes Inc.	$76,533	$172,767	$334,826	$360,006
Other comprehensive income, net of tax:				
Foreign currency translations	19,025	(111,317)	(883)	(35,336)
Net unrealized gain on cash flow hedges, net of tax of $21, $773, $374 and $1,018, respectively	25	1,209	578	1,596
Net unrealized gain on investment securities, net of tax of $377, $2,012, $618 and $2,722, respectively	589	3,147	967	4,258
Amortization of pension and postretirement costs, net of tax of $6,755, $4,825, $20,221 and $14,658, respectively	12,151	8,692	35,115	25,857
Other comprehensive income (loss)	31,790	(98,269)	35,777	(3,625)
Comprehensive income - Pitney Bowes Inc.	108,323	74,498	370,603	356,381
Preferred stock dividends of subsidiaries attributable to noncontrolling interests	4,594	4,593	13,782	13,781
Total comprehensive income	$112,917	$79,091	$384,385	$370,162

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited; in thousands, except share and per share data)

	September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$424,789	$856,238
Short-term investments	36,238	12,971
Accounts receivable, gross	695,575	755,485
Allowance for doubtful accounts receivables	(28,355)	(31,855)
Accounts receivable, net	667,220	723,630
Finance receivables	1,218,080	1,296,673
Allowance for credit losses	(26,368)	(45,583)
Finance receivables, net	1,191,712	1,251,090
Inventories	187,082	178,599
Current income taxes	22,044	102,556
Other current assets and prepayments	144,987	134,774
Total current assets	2,674,072	3,259,858
Property, plant and equipment, net	382,850	404,146
Rental property and equipment, net	249,310	258,711
Finance receivables	1,047,411	1,123,638
Allowance for credit losses	(18,235)	(17,847)
Finance receivables, net	1,029,176	1,105,791
Investment in leveraged leases	34,373	138,271
Goodwill	2,127,114	2,147,088
Intangible assets, net	175,995	212,603
Non-current income taxes	45,615	89,992
Other assets	555,661	530,644
Total assets	$7,274,166	$8,147,104
LIABILITIES, NONCONTROLLING INTERESTS AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable and accrued liabilities	$1,643,395	$1,840,465
Current income taxes	220,236	242,972
Notes payable and current portion of long-term obligations	375,000	550,000
Advance billings	449,051	458,425
Total current liabilities	2,687,682	3,091,862
Deferred taxes on income	25,017	175,944
Tax uncertainties and other income tax liabilities	193,867	194,840
Long-term debt	3,305,504	3,683,909
Other non-current liabilities	641,093	743,165
Total liabilities	6,853,163	7,889,720
Noncontrolling interests (Preferred stockholders' equity in subsidiaries)	296,370	296,370
Commitments and contingencies (See Note 11)		
Stockholders' equity (deficit):		
Cumulative preferred stock, $50 par value, 4% convertible	4	4
Cumulative preference stock, no par value, $2.12 convertible	653	659

Common stock, $1 par value (480,000,000 shares authorized; 323,337,912 shares issued)	323,338	323,338
Additional paid-in capital	222,620	240,584
Retained earnings	4,709,761	4,600,217
Accumulated other comprehensive loss	(625,868)	(661,645)
Treasury stock, at cost (122,592,062 and 123,586,842 shares, respectively)	(4,505,875)	(4,542,143)
Total Pitney Bowes Inc. stockholders' equity (deficit)	124,633	(38,986)
Total liabilities, noncontrolling interests and stockholders' equity (deficit)	$7,274,166	$8,147,104

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited; in thousands)

	Nine Months Ended September 30, 2012	2011
Cash flows from operating activities:		
Net income before attribution of noncontrolling interests	$348,608	$373,787
Restructuring payments	(60,746)	(78,379)
Special pension plan contributions	(95,000)	(123,000)
Tax payments related to sale of leveraged lease assets	(99,249)	—
Adjustments to reconcile net income to net cash provided by operating activities:		
Goodwill impairment	18,315	45,650
Gain on sale of leveraged lease assets, net of tax	(12,886)	(26,689)
Depreciation and amortization	191,507	205,001
Stock-based compensation	13,505	13,393
Restructuring charges and asset impairments	11,060	63,974
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	58,135	113,422
(Increase) decrease in finance receivables	144,442	169,109
(Increase) decrease in inventories	(7,620)	(12,731)
(Increase) decrease in other current assets and prepayments	(18,018)	(3,707)
Increase (decrease) in accounts payable and accrued liabilities	(124,559)	(102,092)
Increase (decrease) in current and non-current income taxes	38,761	133,893
Increase (decrease) in advance billings	(1,551)	(22,392)
Increase (decrease) in other operating capital, net	34,929	1,217
Net cash provided by operating activities	439,633	750,456
Cash flows from investing activities:		
Short-term and other investments	(58,255)	(100,268)
Capital expenditures	(127,816)	(123,029)
Proceeds from sale of leveraged lease assets	105,506	101,784
Net investment in external financing	(134)	(4,458)
Reserve account deposits	(15,373)	(14,528)
Net cash used in investing activities	(96,072)	(140,499)
Cash flows from financing activities:		
Decrease in notes payable, net	—	(50,000)
Principal payments of long-term obligations	(550,000)	—
Proceeds from issuance of common stock	6,989	10,436
Stock repurchases	—	(99,997)
Dividends paid to stockholders	(225,282)	(225,676)
Dividends paid to noncontrolling interests	(9,188)	(9,188)
Net cash used in financing activities	(777,481)	(374,425)
Effect of exchange rate changes on cash and cash equivalents	2,471	(4,701)
(Decrease) increase in cash and cash equivalents	(431,449)	230,831
Cash and cash equivalents at beginning of period	856,238	484,363
Cash and cash equivalents at end of period	$424,789	$715,194
Cash interest paid	$170,119	$177,682
Cash income tax payments (refund), net	$145,090	$(68,659)

See Notes to Condensed Consolidated Financial Statements

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; table amounts in thousands of dollars, unless otherwise noted)

1. Description of Business and Basis of Presentation

Pitney Bowes Inc. and its subsidiaries (the company, we, us, and our) is a global provider of software, hardware and services that enables both physical and digital communications and that integrates those physical and digital communications channels. We offer a full suite of equipment, supplies, software, services and solutions for managing and integrating physical and digital communication channels. We conduct our business activities in seven reporting segments within two business groups: Small & Medium Business Solutions and Enterprise Business Solutions. See Note 12 for information regarding our reportable segments.

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and the instructions to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In addition, the December 31, 2011 Condensed Consolidated Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. In management's opinion, all adjustments, consisting of normal recurring adjustments, considered necessary to present fairly our financial position, results of operations and cash flows for the periods presented have been included. Operating results for the periods presented are not necessarily indicative of the results that may be expected for any other interim period or the year ending December 31, 2012.

These statements should be read in conjunction with the financial statements and notes thereto included in our Annual Report to Stockholders on Form 10-K for the year ended December 31, 2011 (the 2011 Annual Report). Certain prior year amounts have been reclassified to conform to the current period presentation.

2. Inventories

Inventories at September 30, 2012 and December 31, 2011 consisted of the following:

	September 30, 2012	December 31, 2011
Raw materials and work in process	$64,333	$63,216
Supplies and service parts	75,053	68,600
Finished products	74,653	71,958
Inventory at FIFO cost	214,039	203,774
Excess of FIFO cost over LIFO cost	(26,957)	(25,175)
Total inventory, net	$187,082	$178,599

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PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; table amounts in thousands of dollars, unless otherwise noted)

3. Finance Assets
Finance Receivables
Finance receivables are comprised of sales-type lease receivables and unsecured revolving loan receivables. Sales-type lease receivables are generally due in monthly, quarterly or semi-annual installments over periods ranging from three to five years. Loan receivables arise primarily from financing services offered to our customers for postage and related supplies. Loan receivables are generally due each month; however, customers may rollover outstanding balances.
Finance receivables at September 30, 2012 and December 31, 2011 consisted of the following:

	September 30, 2012		
	North America	International	Total
Sales-type lease receivables			
Gross finance receivables	$1,603,444	$456,370	$2,059,814
Unguaranteed residual values	155,999	20,733	176,732
Unearned income	(317,457)	(105,525)	(422,982)
Allowance for credit losses	(17,138)	(9,820)	(26,958)
Net investment in sales-type lease receivables	1,424,848	361,758	1,786,606
Loan receivables			
Loan receivables	404,099	47,848	451,947
Allowance for credit losses	(15,477)	(2,188)	(17,665)
Net investment in loan receivables	388,622	45,660	434,282
Net investment in finance receivables	$1,813,470	$407,418	$2,220,888

	December 31, 2011		
	North America	International	Total
Sales-type lease receivables			
Gross finance receivables	$1,727,653	$460,101	$2,187,754
Unguaranteed residual values	185,450	20,443	205,893
Unearned income	(348,286)	(102,618)	(450,904)
Allowance for credit losses	(28,661)	(12,039)	(40,700)
Net investment in sales-type lease receivables	1,536,156	365,887	1,902,043
Loan receivables			
Loan receivables	436,631	40,937	477,568
Allowance for credit losses	(20,272)	(2,458)	(22,730)
Net investment in loan receivables	416,359	38,479	454,838
Net investment in finance receivables	$1,952,515	$404,366	$2,356,881

Allowance for Credit Losses and Aging of Receivables
We estimate our finance receivable risks and provide allowances for credit losses accordingly. We establish credit approval limits based on the credit quality of the customer and the type of equipment financed. We believe that our concentration of credit risk is limited because of our large number of customers, small account balances for most of our customers, and customer geographic and industry diversification.

Our policy is to discontinue revenue recognition for lease receivables that are more than 120 days past due and for unsecured loan receivables that are more than 90 days past due. We resume revenue recognition when customer payments reduce the account balance aging to 60 days or less past due. We evaluate the adequacy of the allowance for credit losses based on historical loss experience, the nature and volume of our portfolios, adverse situations that may affect a customer's ability to pay and prevailing economic conditions, and make adjustments to the reserves as necessary. This evaluation is inherently subjective and actual results may differ significantly from estimated reserves.

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PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; table amounts in thousands of dollars, unless otherwise noted)

We maintain a program for U.S. borrowers in our North America loan portfolio who are experiencing financial difficulties, but are able to make reduced payments over an extended period of time. Upon acceptance into the program, the borrower's credit line is closed, interest accrual is suspended, the borrower's minimum required payment is reduced and the account is re-aged and classified as current. There is generally no forgiveness of debt or reduction of balances owed. The loans in the program are considered to be troubled debt restructurings because of the concessions granted to the borrower. At September 30, 2012 and December 31, 2011, loans in this program had a balance of $5 million and $7 million, respectively.

The allowance for credit losses for these modified loans is determined by the difference between the cash flows expected to be received from the borrower discounted at the original effective rate and the carrying value of the loan. The allowance for credit losses related to such loans was $1 million at September 30, 2012 and $2 million at December 31, 2011 and is included in the allowance for credit losses of North America loans in the table below. Management believes that the allowance for credit losses is adequate for these loans and all other loans in the portfolio. Write-offs of loans in the program for the past twelve months were less than $1 million.

Activity in the allowance for credit losses for finance receivables for the nine months ended September 30, 2012 was as follows:

	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
Balance at January 1, 2012	$28,661	$12,039	$20,272	$2,458	$63,430
Amounts charged to expense	1,171	1,489	4,069	703	7,432
Accounts written off	(12,694)	(3,708)	(8,864)	(973)	(26,239)
Balance at September 30, 2012	$17,138	$9,820	$15,477	$2,188	$44,623

The aging of finance receivables at September 30, 2012 and December 31, 2011 was as follows:

	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
September 30, 2012					
< 31 days	$1,520,139	$429,389	$382,897	$42,549	$2,374,974
> 30 days and < 61 days	30,160	8,996	11,268	3,451	53,875
> 60 days and < 91 days	29,187	5,444	4,302	1,211	40,144
> 90 days and < 121 days	6,441	3,118	2,280	347	12,186
> 120 days	17,517	9,423	3,352	290	30,582
Total	$1,603,444	$456,370	$404,099	$47,848	$2,511,761
Past due amounts > 90 days					
Still accruing interest	$6,441	$3,118	$—	$—	$9,559
Not accruing interest	17,517	9,423	5,632	637	33,209
Total	$23,958	$12,541	$5,632	$637	$42,768

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; table amounts in thousands of dollars, unless otherwise noted)

	Sales-type Lease Receivables		Loan Receivables		
	North America	International	North America	International	Total
December 31, 2011					
< 31 days	$1,641,706	$434,811	$414,434	$38,841	$2,529,792
> 30 days and < 61 days	41,018	10,152	12,399	1,066	64,635
> 60 days and < 91 days	24,309	5,666	4,362	425	34,762
> 90 days and < 121 days	4,912	3,207	2,328	186	10,633
> 120 days	15,708	6,265	3,108	419	25,500
Total	$1,727,653	$460,101	$436,631	$40,937	$2,665,322
Past due amounts > 90 days					
Still accruing interest	$4,912	$3,207	$—	$—	$8,119
Not accruing interest	15,708	6,265	5,436	605	28,014
Total	$20,620	$9,472	$5,436	$605	$36,133

Credit Quality

The extension of credit and management of credit lines to new and existing customers uses a combination of an automated credit score, where available, and a detailed manual review of the customer's financial condition and, when applicable, the customer's payment history. Once credit is granted, the payment performance of the customer is managed through automated collections processes and is supplemented with direct follow up should an account become delinquent. We have robust automated collections and extensive portfolio management processes. The portfolio management processes ensure that our global strategy is executed, collection resources are allocated appropriately and enhanced tools and processes are implemented as needed.

We use a third party to score the majority of the North America portfolio on a quarterly basis using a commercial credit score. We do not use a third party to score our International portfolios because the cost to do so is prohibitive, it is a localized process and there is no single credit score model that covers all countries.

The table below shows the North America portfolio at September 30, 2012 and December 31, 2011 by relative risk class (low, medium, high) based on the relative scores of the accounts within each class. The relative scores are determined based on a number of factors, including the company type, ownership structure, payment history and financial information. A fourth class is shown for accounts that are not scored. Absence of a score is not indicative of the credit quality of the account. The degree of risk, as defined by the third party, refers to the relative risk that an account in the next 12 month period may become delinquent.

- Low risk accounts are companies with very good credit scores and are considered to approximate the top 30% of all commercial borrowers.
- Medium risk accounts are companies with average to good credit scores and are considered to approximate the middle 40% of all commercial borrowers.
- High risk accounts are companies with poor credit scores, are delinquent or are at risk of becoming delinquent and are considered to approximate the bottom 30% of all commercial borrowers.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; table amounts in thousands of dollars, unless otherwise noted)

	September 30, 2012	December 31, 2011
Sales-type lease receivables		
Risk Level		
Low	$1,070,643	$1,096,676
Medium	416,138	473,394
High	50,222	58,177
Not Scored	66,441	99,406
Total	$1,603,444	$1,727,653
Loan receivables		
Risk Level		
Low	$258,849	$269,547
Medium	126,984	115,490
High	15,114	21,081
Not Scored	3,152	30,513
Total	$404,099	$436,631

Although the relative score of accounts within each class is used as a factor in determining a customer credit limit, it is not indicative of our actual history of losses due to the business essential nature of our products and services. The aging schedule included above, showing approximately 1.7% of the portfolio as greater than 90 days past due, and the roll-forward schedule of the allowance for credit losses, showing the actual losses for the nine months ended September 30, 2012, are more representative of the potential loss performance of our portfolio than relative risk based on scores, as defined by the third party.

Leveraged Leases

Our investment in leveraged lease assets consisted of the following:

	September 30, 2012	December 31, 2011
Rental receivables	$89,193	$810,306
Unguaranteed residual values	14,312	13,784
Principal and interest on non-recourse loans	(60,762)	(606,708)
Unearned income	(8,370)	(79,111)
Investment in leveraged leases	34,373	138,271
Less: deferred taxes related to leveraged leases	(20,199)	(101,255)
Net investment in leveraged leases	$14,174	$37,016

The following is a summary of the components of income from leveraged leases:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Pretax leveraged lease income	$467	$1,457	$1,692	$4,551
Income tax effect	8	(641)	33	(804)
Income from leveraged leases	$475	$816	$1,725	$3,747

During 2012, we sold certain non-U.S. leveraged lease assets for cash. The investment in the leveraged lease assets at the date of sale was $109 million and an after-tax gain of $13 million was recognized. In the third quarter 2011, we also sold certain non-U.S. leveraged lease assets for cash. The investment in the leveraged lease assets at the date of sale was $109 million and an after-tax gain of $27 million was recognized. The effects of these sales are not included in the table above.

PITNEY BOWES INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited; table amounts in thousands of dollars, unless otherwise noted)

4. Intangible Assets and Goodwill
Intangible assets
Intangible assets at September 30, 2012 and December 31, 2011 consisted of the following:

	September 30, 2012			December 31, 2011		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Customer relationships	$406,746	$(260,737)	$146,009	$409,489	$(237,536)	$171,953
Supplier relationships	29,000	(21,387)	7,613	29,000	(19,213)	9,787
Software & technology	168,912	(149,360)	19,552	170,286	(143,456)	26,830
Trademarks & trade names	34,844	(32,101)	2,743	33,908	(30,076)	3,832
Non-compete agreements	7,487	(7,409)	78	7,564	(7,363)	201
Total intangible assets	$646,989	$(470,994)	$175,995	$650,247	$(437,644)	$212,603

Amortization expense for intangible assets was $10 million and $14 million for the three months ended September 30, 2012 and 2011, respectively, and $35 million and $43 million for the nine months ended September 30, 2012 and 2011, respectively. We also recorded impairment charges of $3 million to write-down the carrying values of certain intangible assets associated with our International Mail Services business to their respective fair values. See Goodwill section below for further details of the impairment charge and method of determining fair value.
The future amortization expense for intangible assets as of September 30, 2012 was as follows:

Remaining for year ended December 31, 2012	$10,222
Year ended December 31, 2013	39,429
Year ended December 31, 2014	36,774
Year ended December 31, 2015	