

VIRTUS INVESTMENT PARTNERS, INC.

Form 10-Q

August 13, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2009

.. 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: 001-10994

VIRTUS INVESTMENT PARTNERS, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

95-4191764
(I.R.S. Employer
Identification No.)

100 Pearl St., 9th Floor, Hartford, CT 06103
(Address of principal executive offices) (Zip Code)

(800) 248-7971
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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, non-accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES NO

The number of shares outstanding of the registrant's common stock was 5,824,388 as of August 7, 2009.

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Virtus Investment Partners, Inc.
Condensed Consolidated Balance Sheets
(Unaudited)

	June 30, 2009	December 31, 2008
<i>(\$ in thousands, except share data)</i>		
Assets		
Current Assets		
Cash and cash equivalents	\$ 25,589	\$ 51,056
Trading securities, at fair value	5,668	5,198
Available-for-sale securities, at fair value	1,565	1,216
Accounts receivable	19,570	18,087
Prepaid expenses and other assets	2,747	9,290
Total current assets	55,139	84,847
Furniture, equipment, and leasehold improvements, net	5,676	5,895
Intangible assets, net	57,729	60,985
Goodwill	4,795	4,795
Long-term investments and other assets	4,086	2,487
Total assets	\$ 127,425	\$ 159,009
Liabilities and Stockholders Equity		
Current Liabilities		
Accrued compensation and benefits	\$ 7,417	\$ 22,867
Accounts payable	3,824	5,642
Income taxes payable	832	626
Other accrued liabilities	6,118	14,076
Broker-dealer payable	4,098	4,461
Current portion of note payable	10,000	4,000
Total current liabilities	32,289	51,672
Deferred taxes, net	8,527	8,527
Note payable	8,000	16,000
Lease obligations and other long-term liabilities	3,421	1,178
Total liabilities	52,237	77,377
Commitments and Contingencies (Note 6)		
Series B Redeemable Convertible Preferred Stock (stated at liquidation value, including \$1,800 in accrued but unpaid dividends), \$.01 par value, 45,000 shares authorized, issued and outstanding at June 30, 2009	46,800	45,000
Stockholders Equity	58	58

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Common stock, \$.01 par value, 1,000,000,000 shares authorized, 5,824,388 and 5,772,076 shares issued and outstanding at June 30, 2009 and December 31, 2008, respectively

Additional paid-in capital	903,321	903,825
Accumulated deficit	(874,687)	(866,661)
Accumulated other comprehensive loss	(304)	(590)
Total stockholders' equity	28,388	36,632
Total liabilities and stockholders' equity	\$ 127,425	\$ 159,009

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**Virtus Investment Partners, Inc.****Condensed Consolidated Statements of Operations****(Unaudited)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
<i>(\$ in thousands, except per share data)</i>				
Revenues				
Investment management fees	\$ 18,188	\$ 33,992	\$ 35,978	\$ 69,950
Distribution and service fees	5,653	7,963	10,920	16,472
Administration and transfer agent fees	2,982	5,526	5,849	10,755
Other income and fees	358	567	685	1,404
Total revenues	27,181	48,048	53,432	98,581
Operating Expenses				
Employment expenses	13,167	20,944	27,513	43,982
Distribution and administration expenses	7,449	11,555	14,287	22,927
Other operating expenses	6,977	11,928	13,810	23,608
Restructuring and severance	193	667	630	667
Intangible asset impairment				10,452
Depreciation and other amortization	375	177	743	349
Amortization of intangible assets	1,842	7,518	3,742	15,028
Total operating expenses	30,003	52,789	60,725	117,013
Operating Loss	(2,822)	(4,741)	(7,293)	(18,432)
Other Income (Expense)				
Realized and unrealized gain (loss) on trading securities	1,268	(646)	407	(1,488)
Other income	1	588	5	605
Total other income (expense), net	1,269	(58)	412	(883)
Interest Income (Expense)				
Interest expense	(662)	(666)	(1,092)	(1,408)
Interest income	114	202	217	529
Total interest expense, net	(548)	(464)	(875)	(879)
Loss Before Income Taxes	(2,101)	(5,263)	(7,756)	(20,194)
Income tax expense (benefit)	147	(1,829)	270	(7,586)
Net Loss	(2,248)	(3,434)	(8,026)	(12,608)
Preferred Stockholder Dividends	(900)		(1,960)	
Net Loss Attributable to Common Stockholders	\$ (3,148)	\$ (3,434)	\$ (9,986)	\$ (12,608)

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Weighted Average Shares Outstanding (in thousands)	5,811	5,772	5,800	5,772
Loss per Share Basic and Diluted	\$ (0.54)	\$ (0.59)	\$ (1.72)	\$ (2.18)

See Notes to Condensed Consolidated Financial Statements.

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Virtus Investment Partners, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Six Months Ended June 30,	
	2009	2008
<i>(\$ in thousands)</i>		
Cash Flows from Operating Activities:		
Net loss	\$ (8,026)	\$ (12,608)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of intangible assets	3,742	15,028
Intangible assets impairments		10,452
Amortization of deferred commissions	1,294	1,052
Depreciation and other amortization	743	349
Stock-based compensation	1,536	1,340
Realized and unrealized (gains) losses on trading securities	(407)	1,408
Sale (purchase) of trading securities, net	(63)	378
Payments of deferred commissions	(1,145)	(718)
Deferred taxes		(5,297)
Changes in operating assets and liabilities:		
Accounts receivable	(1,483)	4,055
Prepaid expenses and other assets	(707)	(130)
Accounts payable and accrued liabilities	(17,702)	(16,197)
Income taxes payable	206	(2,168)
Other liabilities	(708)	(5,274)
Net cash used in operating activities	(22,720)	