REPUBLIC SERVICES INC
Form 4
February 14, 2008

# FORM 4

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

OMB APPROVAL

| | |
|---|---|
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**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
OCONNOR JAMES E

(Last) (First) (Middle)

110 S.E. 6TH STREET, 28TH FLOOR

(Street)

FORT LAUDERDALE, FL 33301

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
REPUBLIC SERVICES INC [RSG]

3. Date of Earliest Transaction (Month/Day/Year)
02/12/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chairman/Chief Executive Offic

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1.Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) | | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) | | | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Code | V | Amount | (A) or (D) | Price | | | |
| Common Stock | 02/12/2008 | | M | | 82,500 | A | $ 12.2917 | 424,158.4458 | D | |
| Common Stock | 02/12/2008 | | M | | 3,750 | A | $ 12.82 | 427,908.4458 | D | |
| Common Stock | 02/12/2008 | | S | | 17,050 | D | $ 30.5 | 410,858.4458 | D | |
| Common Stock | 02/12/2008 | | S | | 4,300 | D | $ 30.505 | 406,558.4458 | D | |
| Common Stock | 02/12/2008 | | S | | 5,400 | D | $ 30.51 | 401,158.4458 | D | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Common Stock | 02/12/2008 | | S | | 200 | D | $ 30.515 | 400,958.4458 | D |
| Common Stock | 02/12/2008 | | S | | 3,600 | D | $ 30.52 | 397,358.4458 | D |
| Common Stock | 02/12/2008 | | S | | 500 | D | $ 30.525 | 396,858.4458 | D |
| Common Stock | 02/12/2008 | | S | | 2,500 | D | $ 30.53 | 394,358.4458 | D |
| Common Stock | 02/12/2008 | | S | | 1,200 | D | $ 30.535 | 393,158.4458 | D |
| Common Stock | 02/12/2008 | | S | | 4,500 | D | $ 30.54 | 388,658.4458 | D |
| Common Stock | 02/12/2008 | | S | | 1,100 | D | $ 30.545 | 387,558.4458 | D |
| Common Stock | 02/12/2008 | | S | | 5,400 | D | $ 30.55 | 382,158.4458 | D |
| Common Stock | 02/12/2008 | | S | | 600 | D | $ 30.555 | 381,558.4458 | D |
| Common Stock | 02/12/2008 | | S | | 3,200 | D | $ 30.56 | 378,358.4458 | D |

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned**
**(*e.g.*, puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) | | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) | | 6. Date Exercisable and Expiration Date (Month/Day/Year) | | 7. Title and Amount of Underlying Securities (Instr. 3 and 4) | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Code | V | (A) | (D) | Date Exercisable | Expiration Date | Title | Amount or Number of Shares |
| Common Stock Option | $ 12.2917 | 02/12/2008 | | M | | | 82,500 | (1) | 01/04/2009 | Common Stock | 82,500 |
| Common | $ 12.82 | 02/12/2008 | | M | | | 3,750 | (2) | 02/05/2013 | Common | 3,750 |

| | |
|---|---|
| Stock Option | Stock |

# Reporting Owners

| Reporting Owner Name / Address | Relationships | | | |
|---|---|---|---|---|
| | Director | 10% Owner | Officer | Other |
| OCONNOR JAMES E<br>110 S.E. 6TH STREET<br>28TH FLOOR<br>FORT LAUDERDALE, FL 33301 | X | | Chairman/Chief Executive Offic | |

# Signatures

| | |
|---|---|
| /s/ David A. Barclay, Attorney-in-Fact | 02/14/2008 |
| **Signature of Reporting Person | Date |

# Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

**(1)** The options vested in four equal installments commencing on 1/04/1999.

**(2)** The options vested in four equal installments commencing on 02/05/2003.

**Remarks:**
FORM 1 OF 2

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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**Ending balance**

**$7,288.0 $6,690.7**

**Mutual Funds  Money Market**

Beginning balance

$ $1,556.6

Other (1)

(178.6)

**Ending balance**

**$ $1,378.0**

**Variable Insurance Funds**

Beginning balance

$1,221.9 $1,311.8

Inflows

14.3 11.6

Outflows

(68.7) (55.5)

Net flows

(54.4) (43.9)

Market performance

29.8 18.7

Other (1)

**Ending balance**

**$1,197.3 $1,286.6**

Explanation of Responses:

**Separately Managed Accounts (2)**

Beginning balance

$6,884.8  $7,433.1

Inflows

328.5   471.9

Outflows

(355.3)  (1,028.0)

Net flows

(26.8)  (556.1)

Market performance

177.4   (100.1)

Other (1)

95.6   1.5

Explanation of Responses:

**Ending balance**

**$7,131.0  $6,778.4**

**Institutional Accounts (2)**

Beginning balance

$4,722.0  $4,570.8

Inflows

368.1  124.4

Outflows

(147.2)  (236.5)

Net flows

220.9 (112.1)

Market performance

117.6 86.9

Other (1)

(24.3) (15.1)

**Ending balance**

**$5,036.2 $4,530.5**

**Total**

Beginning balance

$56,702.4 $57,739.6

Inflows

3,710.8 4,249.2

Outflows

(5,900.5) (4,708.9)

Net flows

(2,189.7) (459.7)

Market performance

323.5 955.5

Other (1)

(63.2) (224.2)

**Ending balance**

**$54,773.0 $58,011.2**

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(1) Represents open-end and closed-end mutual fund distributions, net of reinvestments, net flows of cash management strategies, net flows and market performance on structured products and net flows from non-sales related activities such as asset acquisitions/(dispositions), marketable securities investments/(withdrawals) and the impact on assets from the use of leverage.

(2) Includes assets under management related to option strategies.

The following table summarizes our assets under management by asset class:

| | **As of March 31,** | | **Change** | | **% of Total** | |
|---|---|---|---|---|---|---|
| | **2015** | **2014** | **2015 vs. 2014** | **%** | **2015** | **2014** |
| ***($ in millions)*** | | | | | | |
| **Asset Class** | | | | | | |
| Equity | $ 33,129.0 | $ 33,804.4 | $ (675.4) | (2.0)% | 60.5% | 58.3% |
| Fixed income | 16,521.1 | 16,319.6 | 201.5 | 1.2% | 30.1% | 28.1% |
| Alternatives (1) | 4,703.8 | 5,678.3 | (974.5) | (17.2)% | 8.6% | 9.8% |
| Other (2) | 419.1 | 2,208.9 | (1,789.8) | (81.0)% | 0.8% | 3.8% |
| **Total** | **$ 54,773.0** | **$ 58,011.2** | **$ 3,238.2** | **(5.6)%** | **100.0%** | **100.0%** |

(1) Consists of long/short equity, real estate, master-limited partnerships and other.

(2) Consists of cash management and option strategies. Option strategies were $419.1 million and $740.7 million at March 31, 2015 and March 31, 2014, respectively.

***Average Assets Under Management and Average Basis Points***

The following table summarizes the average assets under management and the average management fee basis points:

| | **Three Months Ended March 31,** | | | |
|---|---|---|---|---|
| | **Average Fees Earned** ***(expressed in basis points)*** | | **Average Assets Under Management** ***($ in millions)*** | |
| | **2015** | **2014** | **2015** | **2014** |
| **Products** | | | | |
| Mutual Funds Long-term Open-End (1)(2) | 49.9 | 52.1 | $ 35,449.1 | $ 36,354.5 |
| Mutual Funds Closed-End | 66.7 | 63.8 | 7,435.8 | 6,523.4 |
| Mutual Funds Money Market Open-End (1) | | | | 1,436.8 |
| Variable Insurance Funds (1) | 51.4 | 53.0 | 1,214.6 | 1,282.2 |
| Separately Managed Accounts (3) | 54.2 | 52.2 | 6,846.3 | 6,982.8 |
| Institutional Accounts (3) | 36.3 | 36.2 | 4,786.7 | 4,593.8 |
| **All Products** | 51.5 | 50.9 | **$ 55,732.5** | **$ 57,173.5** |

(1) Average fees earned are net of non-affiliated subadvisory fees.
(2) Excludes the impact of consolidated sponsored investment products.
(3) Includes assets under management related to option strategies.

Long-term and money market open-end mutual fund and variable insurance fund fees are calculated based on average daily net assets. Closed-end fund fees are calculated based on either average weekly or daily net assets. Average fees earned will vary based on several factors, including the asset mix and reimbursements to funds. Separately managed account fees are calculated based on the end of the preceding or current quarter s asset values or on an average of month-end balances. Institutional account fees are calculated based on an average of month-end balances or current quarter s asset values.

The average fee rate earned for the first quarter of 2015 increased 0.6 basis points compared to the same period in the prior year primarily due to an increase in the closed-end fund fee rate due to a fund launch during the second quarter of 2014 partially offset by a decrease in the long-term open-end mutual fund fee rate primarily resulting from the outflows in our high fee earning funds. The average fee rate earned on separately managed accounts increased in the first quarter of 2015 as compared to the same period in 2014 primarily due to the redemption of low fee earning accounts.

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***Results of Operations***

***Summary Financial Data***

| | Three Months Ended March 31, 2015 | 2014 | Change 2015 vs. 2014 | % |
|---|---|---|---|---|
| *($ in thousands)* | | | | |
| **Results of Operations** | | | | |
| Investment management fees | $ 70,496 | $ 71,792 | $ (1,296) | (1.8)% |
| Other revenue | 33,335 | 36,079 | (2,744) | (7.6)% |
| **Total revenues** | 103,831 | 107,871 | (4,040) | (3.7)% |
| Total operating expenses | 79,289 | 75,245 | 4,044 | 5.4% |
| **Operating income** | **24,542** | **32,626** | **(8,084)** | **(24.8)%** |
| Other income, net | 3,570 | 2,033 | 1,537 | 75.6% |
| Interest income, net | 2,481 | 1,118 | 1,363 | 121.9% |
| **Income before income taxes** | **30,593** | **35,777** | **(5,184)** | **(14.5)%** |
| Income tax expense | 10,868 | 14,010 | (3,142) | (22.4)% |
| **Net income** | **19,725** | **21,767** | **(2,042)** | **(9.4)%** |
| Noncontrolling interests | (383) | 171 | (554) | (324.0)% |
| **Net income attributable to common stockholders** | **$ 19,342** | **$ 21,938** | **$ (2,596)** | **(11.8)%** |

***Revenues***

Revenues by source are as follows:

| | Three Months Ended March 31, 2015 | 2014 | Change 2015 vs. 2014 | % |
|---|---|---|---|---|
| *($ in thousands)* | | | | |
| **Investment management fees** | | | | |
| Mutual funds | $ 55,531 | $ 57,020 | $ (1,489) | (2.6)% |
| Separately managed accounts | 9,143 | 8,995 | 148 | 1.6% |
| Institutional accounts | 4,284 | 4,102 | 182 | 4.4% |
| Variable products | 1,538 | 1,675 | (137) | (8.2)% |
| **Total investment management fees** | 70,496 | 71,792 | (1,296) | (1.8)% |

| | | | | |
|---|---|---|---|---|
| **Distribution and service fees** | 19,598 | 22,438 | (2,840) | (12.7)% |
| **Administration and transfer agent fees** | 13,042 | 13,073 | (31) | (0.2)% |
| **Other income and fees** | 695 | 568 | 127 | 22.4% |
| **Total revenues** | **$ 103,831** | **$ 107,871** | **$ (4,040)** | **(3.7)%** |

***Investment Management Fees***

Investment management fees are earned based on a percentage of assets under management and are paid pursuant to the terms of the respective investment management contracts, which generally require monthly or quarterly payments. Investment management fees decreased by $1.3 million, or 1.8%, for the three months ended March 31, 2015 compared to the same period in the prior year due to a 2.5% decrease in average assets under management. The decrease in average assets under management for the three months ended March 31, 2015 compared to the same period in the prior year was due primarily to net outflows in assets under management.

***Distribution and Service Fees***

Distribution and service fees, which are asset-based fees earned from open-end mutual funds and variable insurance funds for distribution services, decreased by $2.8 million, or 12.7%, for the three months ended March 31, 2015 compared to the same period in the prior year due to lower average long-term open-end assets under management.

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***Administration and Transfer Agent Fees***

Administration and transfer agent fees represent fees earned for fund administration and shareholder services from our open-end mutual funds, variable insurance funds and certain of our closed-end funds. Fund administration and transfer agent fees remained relatively consistent, for the three months ended March 31, 2015 compared to the same period in the prior year due to relatively consistent average assets under management for which the Company provides fund administrative and stockholder services.

***Other Income and Fees***

Other income and fees primarily represent contingent sales charges earned from investor redemptions of certain shares sold without a front-end sales charge and fees earned for the distribution of unaffiliated products. Other income and fees increased $0.1 million, or 22.4%, primarily due to an increase in contingent sales charges earned from redemptions.

***Operating Expenses***

Operating expenses by category were as follows:

| | Three Months Ended March 31, | | Change | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015 vs. 2014** | **%** |
| *($ in thousands)* | | | | |
| **Operating expenses** | | | | |
| Employment expenses | $ 35,622 | $ 35,029 | $ 593 | 1.7% |
| Distribution and administrative expenses | 24,507 | 27,737 | (3,230) | (11.6)% |
| Other operating expenses | 17,544 | 10,865 | 6,679 | 61.5% |
| Depreciation and amortization expense | 1,616 | 1,614 | 2 | 0.1% |
| **Total operating expenses** | **$ 79,289** | **$ 75,245** | **$ 4,044** | **5.4%** |

***Employment Expenses***

Employment expenses primarily consist of fixed and variable compensation and related employee benefit costs. Employment expenses for the three months ended March 31, 2015 were $35.6 million, which represented an increase of $0.6 million, or 1.7%, compared to the same period in the prior year. The increase was primarily due to personnel additions throughout the prior year related to the growth of the business partially offset by a reduction in profit-based variable compensation resulting from lower profits.

***Distribution and Administrative Expenses***

Distribution and administrative expenses primarily consist of payments to third-party distribution partners for providing services to investors in our sponsored funds. These payments are primarily based on percentages of assets under management. These expenses also include the amortization of deferred sales commissions related to up-front commissions on shares sold without a front-end sales charge to shareholders. The deferred sales commissions are amortized on a straight line basis over the periods in which commissions are generally recovered from distribution fee revenues and contingent sales charges received from shareholders of the funds upon redemption of their shares. Distribution and administrative expenses decreased by $3.2 million, or 11.6%, in the three months ended March 31, 2015, compared to the same period in the prior year primarily due to lower average long-term open-end assets under management.

***Other Operating Expenses***

Other operating expenses primarily consist of investment research and technology costs, professional fees, travel and distribution related costs, rent and occupancy expenses and other miscellaneous costs. Other operating expenses for the three months ended March 31, 2015 increased $6.7 million, or 61.5%, to $17.5 million as compared to $10.9 million for the same period in the prior year primarily due to (1) the impact of a $5.2 million loss contingency recorded in the first quarter of 2015 related to a regulatory matter, (2) increases in investment research costs and (3) costs related to the ongoing transition of middle-and-back office systems to a third party service. Other operating expenses of consolidated sponsored investment products increased by $0.5 million over the prior year, reflecting the consolidation of an additional four funds.

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***Depreciation and Amortization Expense***

Depreciation and amortization expense consists primarily of the straight-line depreciation of furniture, equipment, and leasehold improvements over their estimated useful lives and the straight-line amortization of acquired investment advisory contracts, recorded as definite-lived intangible assets, over their estimated useful lives. Depreciation and amortization expense remained relatively flat during the three months ended March 31, 2015 compared to the same period in the prior year.

***Other Income, net***

Other income, net consists primarily of realized and unrealized gains and losses recorded on investments, investments of consolidated sponsored investment products as well as earnings from equity method investments. Other income, net increased during the three months ended March 31, 2015 by $1.5 million or 75.6%. Excluding investments of consolidated sponsored investment products, other income, net decreased $1.0 million, or 50.9%, primarily due to a decrease in realized and unrealized gains on investments partially offset by an increase in earnings on equity method investments. Realized and unrealized gains on investments of consolidated sponsored investment products were $2.6 million during the first three months of 2015 versus less than $0.1 million during the same period in the prior year.

***Interest Income, net***

Interest income, net consists of interest and dividend income earned on cash equivalents, investments and the investments of our consolidated sponsored investment products. Interest income, net increased $1.4 million, or 121.9% for the three months ended March 31, 2015 compared to the same period in the prior year. The increase in interest income, net was primarily due to higher interest and dividend income earned on the investments of our consolidated sponsored investment products. Investments of consolidated sponsored investment products have grown $192.3 million, or 309.9%, to $254.5 million at March 31, 2015, from $62.1 million at March 31, 2014.

***Income Tax Expense***

The provision for income taxes reflects U.S. federal, state and local taxes at an estimated effective tax rate of 35.5% and 39.2%, for the three months ended March 31, 2015 and 2014, respectively. The decrease in the estimated effective tax rate was primarily related to a release of valuation allowances related to market adjustments on our marketable securities.

***Liquidity and Capital Resources***

*Certain Financial Data*

The following table summarizes certain key financial data relating to our liquidity and capital resources:

| *($ in thousands)* | **March 31, 2015** | **December 31, 2014** | **Change 2015 vs. 2014** | **%** |
|---|---|---|---|---|
| **Balance Sheet Data** | | | | |
| Cash and cash equivalents | $ 166,031 | $ 202,847 | $ (36,816) | (18.1)% |
| Investments | 56,995 | 63,448 | (6,453) | (10.2)% |

| | | | | |
|---|---|---|---|---|
| Deferred taxes, net | 57,958 | 60,162 | (2,204) | (3.7)% |
| Dividends payable | 4,236 | 4,270 | (34) | (0.8)% |
| Total equity | 565,144 | 563,352 | 1,792 | 0.3% |
| Net assets of consolidated sponsored investment products (1) | 223,254 | 216,672 | 6,582 | 3.0% |

(1) Net assets of consolidated sponsored investment products were comprised of $274.7 million and $252.3 million of total assets, $16.5 million and $12.6 million of total liabilities and $35.0 million and $23.1 million of redeemable noncontrolling interest at March 31, 2015 and December 31, 2014, respectively.

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| | Three Months Ended March, 31 2015 | 2014 | Change 2015 vs. 2014 | % |
|---|---|---|---|---|
| *(in thousands)* | | | | |
| **Cash Flow Data:** | | | | |
| *Used In:* | | | | |
| Operating Activities | $ 24,852 | $ 33,231 | $ (8,379) | (25.2)% |
| Investing Activities | 1,440 | 858 | 582 | 67.8% |
| Financing Activities | 8,923 | 118 | 8,805 | 7,461.9% |

***Overview***

We maintained significant liquidity and capital during the three months ended March 31, 2015. At March 31, 2015, we had $166.0 million of cash and cash equivalents and $43.7 million of investments in marketable securities compared to $202.8 million of cash and cash equivalents and $50.3 million of investments in marketable securities at December 31, 2014. We have additional liquidity available through a Credit Facility that provides borrowing capacity of up to $75.0 million and can be increased to $125.0 million upon satisfaction of certain approval requirements by the lending group. At March 31, 2015, we had no outstanding borrowings under the Credit Facility.

***Short-Term Capital Requirements***

Our short-term capital requirements, which we consider to be those capital requirements due within one year, include payment of annual incentive compensation, income tax payments and other operating expenses, primarily consisting of investment research and technology costs, professional fees, distribution and occupancy costs. Incentive compensation, which is one of the largest annual operating cash expenditures, is paid in the first quarter of the year. In the first quarter of 2015 and 2014, we paid approximately $45.9 million and $45.0 million, respectively, in incentive compensation earned during the years ended December 31, 2014 and 2013, respectively. Short-term capital requirements may also be affected by employee tax withholding payments related to the net share settlement of equity awards. The Company paid $4.1 million and $7.4 million in minimum employee tax withholding obligations related to net share settlements in the first three months of 2015 and 2014, respectively. These net share settlements had the effect of share repurchases by the Company as they reduced the number of shares that otherwise would have been issued as a result of the vesting or exercise. The amount of employee tax withholdings we pay in future periods will vary based on our stock price, the number of equity awards net settled during the period and whether we and our employees elect to satisfy withholding taxes through net share settlement. Our liquidity could also by impacted by certain contingencies, including any legal or regulatory settlements, described more fully in Note 11, Commitments and Contingencies of our Form 10-Q for the quarter ended March 31, 2015.

***Other Uses of Capital***

We expect that our main uses of cash will be to (i) invest in our organic growth, including our distribution efforts and closed-end fund launches; (ii) seed new investment strategies and mutual funds to introduce new products or to enhance distribution access; (iii) return capital to stockholders through acquisition of shares of our common stock, payment of cash dividends on our common stock or other means; (iv) fund ongoing and potential investments in our infrastructure; and (v) invest in inorganic growth opportunities as they arise.

In February 2015, we paid cash dividends on our common stock in the amount of $0.45 per share, totaling $4.1 million. On February 18, 2015, our Board of Directors declared a quarterly cash dividend of $0.45 per common share to be paid on May 13, 2015 to shareholders of record at the close of business on April 30, 2015. In addition, during the first three months of 2015, we paid approximately $14.0 million to repurchase a total of 103,818 common shares under the board authorized share repurchase program. During the first three months of 2014, we had no share repurchases.

***Capital and Reserve Requirements***

VP Distributors, LLC ( VPD ), a wholly-owned subsidiary of the Company, is a broker-dealer registered with the SEC and is therefore subject to certain rules regarding minimum net capital, as defined by those rules. VPD is required to maintain a ratio of aggregate indebtedness to net capital, as defined, which may not exceed 15 to 1 and must also maintain a minimum amount of net capital. Failure to meet these requirements could result in adverse consequences to us including additional reporting requirements, a lower required ratio of aggregate indebtedness to net capital or interruption of our business. At both March 31, 2015 and December 31, 2014, the ratio of aggregate indebtedness to net capital of our broker-dealer was below the maximum allowed, and its net capital was significantly greater than the required minimum.

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### *Balance Sheet*

Cash and cash equivalents consist of cash and money market fund investments. Cash and cash equivalents typically increase in the second, third and fourth quarters of the year as we record, but do not pay, variable incentive compensation. Investments consist primarily of investments in our affiliated mutual funds. Consolidated sponsored investment products primarily represent investment products we sponsor and where we own a majority of the voting interest in the entity or we are the primary beneficiary of an investment product that is a variable interest entity. At both March 31, 2015 and December 31, 2014, we had no debt outstanding.

### *Operating Cash Flow*

Net cash used in operating activities of $24.9 million for the three months ended March 31, 2015 decreased by $8.4 million from $33.2 million in the same period in the prior year. The decrease was due primarily to increased sales of trading securities and increased liabilities of consolidated sponsored investment products. The decrease was partially offset by increased purchases of investments by consolidated sponsored investment products, increased other assets of consolidated sponsored investment products and decreased deferred taxes, net.

### *Investing Cash Flow*

Net cash used in investing activities consists primarily of capital expenditures for our business operations. Net cash used in investing activities of $1.4 million for the three months ended March 31, 2015 increased by $0.6 million from net cash used in investing activities of $0.9 million in the same period for the prior year due to increased capital expenditures of $1.0 million partially offset by the decrease in cash and cash equivalents as a result of the deconsolidation of certain consolidated sponsored investment products of $0.4 million.

### *Financing Cash Flow*

Cash flows used in financing activities consist primarily of return of capital through repurchases and dividends, withholding obligations for the net share settlement of employee share transactions and contributions to noncontrolling interests related to our consolidated sponsored investment products. Net cash used in financing activities increased $8.8 million to $8.9 million for the three months ended March 31, 2015 as compared to $0.1 million for the three months ended March 31, 2014. The primary reason for the increase was due to repurchases of our common stock of $14.0 million and dividends paid of $4.1 million during the first three months of 2015 with no such activity during the first three months of 2014. This was partially offset by decreased payments made to settle minimum tax withholding obligations for the net share settlement of RSUs of $3.3 million as well as increased third-party contributions of $4.1 million to the noncontrolling interests related in our consolidated sponsored investment products.

### *Debt*

Our Credit Facility, as amended and restated, has a five-year term and provides borrowing capacity of up to $75.0 million with a $7.5 million sub-limit for the issuance of standby letters of credit. In addition, the Credit Facility provides for a $50.0 million increase provision conditioned on approval by the lending group. The Credit Facility is secured by substantially all of our assets. At March 31, 2015 and December 31, 2014, no amount was outstanding under the Credit Facility. As of March 31, 2015, we had the capacity to draw on the entire $75.0 million available under the Credit Facility. The Credit Facility contains financial covenants with respect to leverage and interest coverage and requires us to pay an annual commitment fee on any unused portion. We were in compliance with all debt covenants as of March 31, 2015.

***Contractual Obligations***

Our contractual obligations are summarized in our 2014 Annual Report on Form 10-K. As of March 31, 2015, there have been no material changes outside of the ordinary course in our contractual obligations since December 31, 2014.

***Critical Accounting Policies and Estimates***

Our financial statements and the accompanying notes are prepared in accordance with Generally Accepted Accounting Principles, which require the use of estimates. Actual results will vary from these estimates. A discussion of our critical accounting policies and estimates is included in Management s Discussion and Analysis of Financial Condition and Results of Operations in our 2014 Annual Report on Form 10-K. A complete description of our significant accounting policies is included in our 2014 Annual Report on Form 10-K. There were no changes in our critical accounting policies in the three months ended March 31, 2015.

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***Recently Issued Accounting Pronouncements***

For a discussion of accounting standards, see Note 13 to our condensed consolidated financial statements.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

***Market Risk***

Substantially all of our revenues are derived from investment management, distribution and service and administration and transfer agent fees, which are based on the market value of assets under management. Accordingly, a decline in the prices of securities would cause our revenues and income to decline due to a decrease in the value of the assets under management. In addition, a decline in security prices could cause our clients to withdraw their investments in favor of other investments offering higher returns or lower risk, which would cause our revenues and income to decline.

We are also subject to market risk due to a decline in the market value of our investments, consisting primarily of marketable securities. At March 31, 2015, the fair value of marketable securities was $264.1 million. Assuming a 10.0% increase or decrease in the fair value of marketable securities at March 31, 2015, our net income attributable to common stockholders would change by $16.2 million, and our total comprehensive income would change by $16.4 million, in each case for the three months ended March 31, 2015.

***Interest Rate Risk***

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At March 31, 2015, we were exposed to interest rate risk as a result of holding investments in fixed-income sponsored funds of $96.5 million. Assuming a 1.0% increase or decrease in interest rates, the fair value of our fixed income investments could change by $3.7 million for the three months ended March 31, 2015.

At March 31, 2015, we had no amounts outstanding under our Credit Facility. Amounts outstanding under the Credit Facility bear interest at an annual rate equal to, at our option, either LIBOR for interest periods of one, two, three or six months or an alternate base rate (as defined in the Credit Facility agreement), plus, in each case, an applicable margin, that ranges from 0.75% to 2.50%.

## Item 4. Controls and Procedures

***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act of 1934, as amended (the Exchange Act ), is recorded, processed, summarized and reported within the time periods specified in the Commission s rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective at the reasonable assurance level as of March 31, 2015, the end of the period covered by this Quarterly Report on Form 10-Q.

***Changes in Internal Controls over Financial Reporting***

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II OTHER INFORMATION

### Item 1. Legal Proceedings

The Company is regularly involved in litigation and arbitration as well as examinations, inquiries and investigations by various regulatory bodies, including the SEC, involving its compliance with, among other things, securities laws, client investment guidelines, laws governing the activities of broker-dealers and other laws and regulations affecting its products and other activities. Legal and

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regulatory matters of this nature involve or may involve the Company s activities as an employer, issuer of securities, investor, investment adviser, broker-dealer or taxpayer. In addition, in the normal course of business, the Company discusses matters with its regulators raised during regulatory examinations or is otherwise subject to their inquiry. These matters could result in censures, fines, penalties or other sanctions.

The Company accrues for a liability when it is both probable that a liability has been incurred and the amount of the liability can be reasonably estimated. Significant judgment is required in both the determination of probability and the determination as to whether a loss is reasonably estimable. In addition, in the event the Company determines that a loss is not probable, but is reasonably possible, and it becomes possible to develop what the Company believes to be a reasonable range of possible loss, then the Company will include disclosures related to such matter as appropriate and in compliance with ASC 450, Loss Contingencies. The disclosures, accruals or estimates, if any, resulting from the foregoing analysis are reviewed at least quarterly and adjusted to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular matter. Other than as described herein, the Company believes, based on its current knowledge, that the outcomes of its legal and regulatory proceedings are not likely, either individually or in the aggregate, to have a material adverse effect on its consolidated financial condition. However, in the event of unexpected subsequent developments and given the inherent unpredictability of these legal and regulatory matters, the Company can provide no assurance that its assessment of any claim, dispute, regulatory examination or investigation or other legal matter will reflect the ultimate outcome, and an adverse outcome in certain matters could, from time to time, have a material adverse effect on the Company s results of operations or cash flows in particular quarterly or annual periods.

***Regulatory Matter***

As previously disclosed, in December 2014 the SEC announced a settlement with F-Squared Investments ( F-Squared ), an unaffiliated former subadviser (see Note 14 of the condensed consolidated financial statements) which settled charges that F-Squared had violated the federal securities laws as described in Investment Advisers Act Release No. 3988. The settlement related to F-Squared s inaccurate performance information for the period of April 2001 through September 2008, including indices that certain Virtus mutual funds tracked beginning in September 2009 and January 2011. As part of the SEC s non-public, confidential investigation of this matter, the SEC staff informed the Company that it was inquiring into whether the Company had violated securities laws or regulations with respect to F-Squared s historical performance information. Although the Company has not received a Wells Notice in connection with the investigation, the Company is in active discussions with the SEC staff with the objective of promptly resolving this matter.

Based upon these circumstances, the Company has recorded a loss contingency pursuant to *ASC 450 Contingencies*, of approximately $5.2 million in the first quarter 2015, in other operating expenses along with a related potential income tax benefit as a component of the Company s income tax expense. The Company believes that it is reasonably possible that a loss greater than the amount accrued may be incurred, but the Company is unable to estimate the amount at this time. The discussions are ongoing, and the Company cannot provide any assurance that a resolution will be reached.

***Tom Cummins v. Virtus Investment Partners Inc. et al***

On February 20, 2015, a putative class action complaint alleging violation of the federal securities laws was filed by an individual shareholder against the Company and certain of the Company s current officers in the United States District Court for the Southern District of New York. The complaint was purportedly filed on behalf of all purchasers of the Company s common stock between May 28, 2013 and December 22, 2014, inclusive (the Class Period ). The complaint alleges that, during the Class Period, the defendants disseminated materially false and misleading statements and concealed material adverse facts relating to certain funds subadvised by F-Squared Investments. The complaint alleges claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended, and Rule 10b-5. The plaintiff seeks to recover unspecified damages on behalf of the class members. On April 21, 2015, three plaintiffs, including the original plaintiff, filed motions to be appointed lead plaintiff. One of the motions has been withdrawn and on May 7, 2015 the other applicant filed a statement of non-opposition to the motion of Arkansas Teachers Retirement System to be appointed lead plaintiff. The Company believes that the suit is without merit and intends to defend it vigorously.

***Mark Youngers v. Virtus Investment Partners, Inc. et al***

On May 8, 2015, a putative class action complaint alleging violations of certain provisions of the federal securities laws was filed in the United States District Court for the Central District of California by an individual who alleges he is a former shareholder of one of the Virtus mutual funds formerly subadvised by F-Squared Investments and formerly known as the AlphaSector Funds. The complaint purports to allege claims against the Company, certain of the Company s officers and affiliates, and certain other parties (the defendants ). The complaint was purportedly filed on behalf of purchasers of the AlphaSector Funds between May 8, 2010 and December 22, 2014, inclusive (the Class Period ). The complaint alleges that during the Class Period the defendants disseminated materially false and misleading statements and concealed or omitted material facts necessary to make the statements made not misleading. The Company has not been served with the complaint. The Company believes the plaintiff s claims asserted in the complaint are without merit and intends to defend it vigorously.

**Item 1A. Risk Factors**

There have been no material changes to our risk factors previously reported in our 2014 Annual Report on Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

During the first three months of 2015, we repurchased a total of 103,818 shares of our common stock pursuant to the Board of Director s fourth quarter 2010 authorization. On December 10, 2014, our Board of Directors authorized an additional 500,000 shares of our common stock to be repurchased under the share repurchase program. As of March 31, 2015, 1.2 million shares of our common stock have been authorized to be repurchased under the program, and 520,741 shares remain available for repurchase. Under the terms of the program, we may repurchase shares of our common stock from time to time at our discretion through open market repurchases and/or privately negotiated transactions, depending on price and prevailing market and business conditions. The program is intended to generally offset dilution caused by shares issued under equity-based plans. The program, which has no specified term, may be suspended or terminated at any time.

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The following table sets forth information regarding our share repurchases in each month during the quarter ended December 31, 2014:

| Month | Total number of shares repurchased | Average price paid per share (1) | Total number of shares repurchased as part of publicly announced plans or programs (2) | Maximum number of shares that may yet be repurchased under the plans or programs (2) |
|---|---|---|---|---|
| January 1 31, 2015 | | $ | | 624,559 |
| February 1 28, 2015 | | $ | | 624,559 |
| March 1 31, 2015 | 103,818 | $ 134.70 | 103,818 | 520,741 |
| Total | 103,818 | | 103,818 | |

(1) Average price paid per share is calculated on a settlement basis and excludes commissions.
(2) The share repurchases above were completed pursuant to a program announced in the fourth quarter of 2010 and most recently expanded in December 2014.

There were no unregistered sales of equity securities during the period covered by this Quarterly Report. Shares of our common stock purchased by participants in our Employee Stock Purchase Plan were delivered to participant accounts via open market purchases at fair value by the third-party administrator under the plan. We do not reserve shares for this plan or discount the purchase price of the shares.

For the three months ended March 31, 2015, we paid $4.1 million in minimum employee tax withholding obligations related to employee share transactions.

**Item 6. Exhibits**

| Exhibit Number | Description |
|---|---|
| 31.1 | Certification of the Registrant s Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 31.2 | Certification of the Registrant s Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 32.1 | Certification of the Registrant s Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101 | The following information formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets (Unaudited) as of March 31, 2015 and December 31, 2014, |

(ii) Condensed Consolidated Statements of Operations (Unaudited) for the three months ended March 31, 2015 and 2014, (iii) Condensed Consolidated Statements of Comprehensive Income (Unaudited) for the three months ended March 31, 2015 and 2014, (iv) Condensed Consolidated Statements of Cash Flows (Unaudited) for the three months ended March 31, 2015 and 2014, (v) Condensed Consolidated Statements of Changes in Stockholders Equity for the three months ended March 31, 2015 and 2014 and (vi) Notes to Condensed Consolidated Financial Statements (Unaudited).

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## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 11, 2015

**VIRTUS INVESTMENT PARTNERS, INC.**
(Registrant)

By: /s/ Michael A. Angerthal
**Michael A. Angerthal**
**Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)**

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