SCOTTS MIRACLE-GRO CO
Form 4
November 25, 2014

FORM 4

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

OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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 *
SANDERS BARRY W

(Last) (First) (Middle)

C/O THE SCOTTS MIRACLE-GRO COMPANY, 14111 SCOTTSLAWN ROAD

(Street)

MARYSVILLE, OH 43041

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SCOTTS MIRACLE-GRO CO [SMG]

3. Date of Earliest Transaction (Month/Day/Year)
11/21/2014

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

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President and COO

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 Shares	11/21/2014		M		48,838	A	$ 49.19	48,838	D	
Common Shares	11/21/2014		S		301	D	$ 60.45	48,537	D	
Common Shares	11/21/2014		S		200	D	$ 60.46	48,337	D	
Common Shares	11/21/2014		S		200	D	$ 60.465	48,137	D	
	11/21/2014		S		399	D	$ 60.48	47,738	D	

Common Shares							
Common Shares	11/21/2014	S	997	D	$ 60.49	46,741	D
Common Shares	11/21/2014	S	100	D	$ 60.5	46,641	D
Common Shares	11/21/2014	S	391	D	$ 60.51	46,250	D
Common Shares	11/21/2014	S	12	D	$ 60.52	46,238	D
Common Shares	11/21/2014	S	500	D	$ 60.525	45,738	D
Common Shares	11/21/2014	S	199	D	$ 60.53	45,539	D
Common Shares	11/21/2014	S	900	D	$ 60.54	44,639	D
Common Shares	11/21/2014	S	800	D	$ 60.55	43,839	D
Common Shares	11/21/2014	S	398	D	$ 60.56	43,441	D
Common Shares	11/21/2014	S	2	D	$ 60.565	43,439	D
Common Shares	11/21/2014	S	916	D	$ 60.57	42,523	D
Common Shares	11/21/2014	S	2,264	D	$ 60.58	40,259	D
Common Shares	11/21/2014	S	670	D	$ 60.59	39,589	D
Common Shares	11/21/2014	S	600	D	$ 60.595	38,989	D
Common Shares	11/21/2014	S	1,540	D	$ 60.6	37,449	D
Common Shares	11/21/2014	S	796	D	$ 60.61	36,653	D
Common Shares	11/21/2014	S	1,328	D	$ 60.63	35,325	D
Common Shares	11/21/2014	S	112	D	$ 60.635	35,213	D
Common Shares	11/21/2014	S	1,881	D	$ 60.64	33,332	D
	11/21/2014	S	2	D		33,330	D

Common Shares							$ 60.645			
Common Shares	11/21/2014		S		1,205	D	$ 60.65	32,125	D	
Common Shares	11/21/2014		S		300	D	$ 60.66	31,825	D	
Common Shares	11/21/2014		S		1,769	D	$ 60.67	30,056	D	
Common Shares	11/21/2014		S		306	D	$ 60.68	29,750	D	
Common Shares	11/21/2014		S		594	D	$ 60.7	29,156	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
Stock Option (right to buy)	$ 49.19	11/21/2014		M			48,838	01/21/2014	01/20/2021	Common Shares	48,838

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
SANDERS BARRY W C/O THE SCOTTS MIRACLE-GRO COMPANY 14111 SCOTTSLAWN ROAD MARYSVILLE, OH 43041			President and COO	

Signatures

Kathy L. Uttley as attorney-in-fact for Barry W. Sanders	11/25/2014
**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).

Remarks:
Form 1 of 3

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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124

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124

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Foreign currency translation adjustment
—

—

—

—

(216
)

—

—

(216

)

—

(216
)

—

Activity of noncontrolling interests, net
—

—

—

—

—

—

—

—

—

—

(18,508
)
Cash dividends declared ($1.35 per common share)
—

—

(12,451

Explanation of Responses:

)

—

—

—

—

(12,451
)

—

(12,451
)

—

Repurchase of common shares
(225,441
)

—

—

—

—

225,441

(40,261
)

(40,261
)

—

Explanation of Responses:

(40,261
)

—

Issuance of common stock related to employee stock transactions
95,753

1

1,416

—

—

—

—

1,417

—

1,417

—

Taxes paid on stock-based compensation
—

—

(9,512
)

—

—

—

—

(9,512
)

—

(9,512
)

—

Stock-based compensation
—

—

9,006

—

—

—

—

9,006

—

9,006

Explanation of Responses:

—

Excess tax benefits from stock-based compensation
—

—

24,805

—

—

—

—

24,805

—

24,805

—

Balances at December 31, 2014
8,975,833

96

1,148,908

(507,521
)

(242

Explanation of Responses:

)

575,441

(77,699
)

563,542

(190
)

563,352

23,071

Net income (loss)
—

—

—

35,106

—

—

—

35,106

(176
)

34,930

(4,259

)
Net unrealized loss on securities available-for-sale
—

—

—

—

(358
)

—

—

(358
)

—

(358
)

Foreign currency translation adjustment
—

—

—

—

(434
)

—

—

(434
)

—

(434
)

—

Activity of noncontrolling interests, net
—

—

—

(199
)

—

—

—

(199
)

199

—

55,052

Cash dividends declared ($1.80 per common share)
—

—

(16,009
)

—

—

—

—

(16,009
)

—

(16,009
)

—

Repurchase of common shares
(638,703
)

—

—

—

—

638,703

(80,000

)

(80,000
)

—

(80,000
)

—

Issuance of common shares related to employee stock transactions
61,814

—

842

—

—

—

—

842

—

842

—

Taxes paid on stock-based compensation
—

—

(5,080
)

—

—

—

—

(5,080
)

—

(5,080
)

—

Stock-based compensation
—

—

11,116

—

—

—

—

11,116

—

11,116

—

Excess tax benefits from stock-based compensation
—

—

1,098

—

—

—

—

1,098

—

1,098

—

Balances at December 31, 2015
8,398,944

$
96

$
1,140,875

$
(472,614
)

$
(1,034
)

1,214,144

$
(157,699
)

$
509,624

$
(167
)

$
509,457

$
73,864

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

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Virtus Investment Partners, Inc.
Consolidated Statements of Cash Flow

	Years Ended December 31,		
	2015	2014	2013
($ in thousands)			
Cash Flows from Operating Activities:			
Net income	$30,671	$96,965	$77,130
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation expense, intangible asset and other amortization	6,967	6,759	7,046
Stock-based compensation	11,863	9,778	7,960
Excess tax benefit from stock-based compensation	(1,586)	(24,805)	(478)
Amortization of deferred commissions	7,924	17,907	14,453
Payments of deferred commissions	(3,322)	(13,796)	(18,912)
Equity in earnings of equity method investments	(879)	(488)	(161)
Realized and unrealized losses (gains) on trading securities, net	1,158	(914)	(2,350)
Realized and unrealized losses (gains) on investments of consolidated sponsored investment products, net	26,532	4,671	(3,515)
Realized and unrealized losses on investments of consolidated investment product, net	3,505	—	—
Sales (purchases) of trading securities, net	8,962	26,742	(2,701)
Purchases of investments by consolidated sponsored investment products, net	(113,190)	(195,850)	(100,526)
(Purchases) sales of securities sold short by consolidated sponsored investment products, net	(1,747)	8,071	—
Purchases of investments by consolidated investment product, net	(186,028)	—	—
Deferred taxes, net	6,356	4,394	32,596
Changes in operating assets and liabilities:			
Cash pledged or on deposit of consolidated sponsored investment products	(2,604)	(10,785)	—
Accounts receivable, net and other assets	10,620	(4,157)	(13,416)
Other assets of consolidated sponsored investment products	(2,002)	(1,468)	508
Other assets of consolidated investment product	(426)	—	—
Accrued compensation and benefits, accounts payable, accrued liabilities and other liabilities	(14,795)	17,754	31,051
Liabilities of consolidated sponsored investment products	2,107	351	152
Liabilities of consolidated investment product, net	484	—	—
Net cash (used in) provided by operating activities	(209,430)	(58,871)	28,837
Cash Flows from Investing Activities:			
Capital expenditures	(4,683)	(2,432)	(2,009)
Change in cash and cash equivalents of consolidated sponsored investment products due to deconsolidation	—	(436)	(662)
Asset acquisitions and purchases of other investments	(1,617)	(5,000)	(3,364)
Cash acquired in business combination	89	—	—
Purchases of available-for-sale securities	(227)	(313)	(196)
Net cash used in investing activities	(6,438)	(8,181)	(6,231)
Cash Flows from Financing Activities:			
Contingent consideration paid for acquired investment management contracts	—	—	(630)

Borrowings of proceeds from short sales by consolidated sponsored investment products	1,473	2,555	—
Payments on borrowings by consolidated sponsored investment products	(350)	—	—
Borrowings of debt of consolidated investment product	152,597	—	—
Repurchase of common shares	(80,000)	(40,261)	(19,704)
Dividends paid	(16,047)	(8,182)	—
Proceeds from exercise of stock options	116	753	570
Taxes paid related to net share settlement of restricted stock units	(5,080)	(9,512)	(7,513)
Proceeds from issuance of common stock, net of issuance costs	—	—	191,771
Excess tax benefits from stock-based compensation	1,586	24,805	478

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Payment of debt and deferred financing costs	(47)	—	(15,026)
Contributions of noncontrolling interests, net	55,700	28,653	35,547
Net cash provided by (used in) financing activities	109,948	(1,189)	185,493
Net (decrease) increase in cash and cash equivalents	(105,920)	(68,241)	208,099
Cash and cash equivalents, beginning of year	203,304	271,545	63,446
Cash and Cash Equivalents, end of year	$97,384	$203,304	$271,545
Supplemental Disclosure of Cash Flow Information			
Interest paid	$266	$266	$393
Income taxes paid, net	$31,850	$23,274	$1,697
Supplemental Disclosure of Non-Cash Activities			
Activity related to rabbi trust	$(247)	$(843)	$(1,250)
Capital expenditures	$(692)	$(311)	$52
Dividends payable	$4,233	$4,270	$—
(Decrease) increase to noncontrolling interest due to (deconsolidation) consolidation of sponsored investment products, net	$(648)	$(47,165)	$1,477

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

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Virtus Investment Partners, Inc.
Notes to Consolidated Financial Statements

1. Organization and Business
Virtus Investment Partners, Inc. (the "Company," "we," "us," "our" or "Virtus"), a Delaware corporation, operates in the investment management industry through its subsidiaries.
The Company provides investment management and related services to individuals and institutions throughout the United States of America. The Company's retail investment management services are provided to individuals through products consisting of open-end mutual funds, closed-end funds, variable insurance funds, exchange traded funds ("ETFs") and separately managed accounts. Institutional investment management services are provided primarily to corporations, multi-employer retirement funds, employee retirement systems, foundations, endowments and subadvisory accounts.

2. Summary of Significant Accounting Policies

The Company's significant accounting policies, which have been consistently applied, are as follows:

Principles of Consolidation and Basis of Presentation

The Company's consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The consolidated financial statements include the accounts of the Company, its subsidiaries and sponsored investment products in which it has a controlling financial interest, referred to as consolidated sponsored investment products or consolidated investment product. The Company is considered to have a controlling financial interest when it owns a majority of the voting interest in an entity or otherwise has the power to govern the financial and operating policies of the subsidiary. See Notes 17, 18 and 19 for additional information related to the consolidation of sponsored investment products and the consolidated investment product. Intercompany accounts and transactions have been eliminated.

The Company also evaluates any variable interest entities ("VIEs") in which the Company has a variable interest for consolidation. A VIE is an entity in which either (a) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (b) where as a group, the holders of the equity investment at risk do not possess: (i) the power through voting or similar rights to direct the activities that most significantly impact the entity's economic performance; (ii) the obligation to absorb expected losses or the right to receive expected residual returns of the entity; or (iii) proportionate voting and economic interests and where substantially all of the entity's activities either involve or are conducted on behalf of an investor with disproportionately fewer voting rights. If any entity has any of these characteristics, it is considered a VIE and is required to be consolidated by its primary beneficiary. The primary beneficiary is the entity that has both the power to direct the activities that most significantly impact the VIE's economic performance and has the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE.

The Company reclassified certain amounts in prior-period financial statements to conform to the current period's presentation.

Collateralized Debt Obligations
During 2015, the Company contributed $40.0 million to a special purpose entity ("SPE") that was created specifically to accumulate bank loan assets for securitization as a potential collateralized loan obligation ("CLO") that will be managed by its Newfleet affiliate. The special purpose entity is a VIE, and the Company consolidates the SPE's assets and liabilities as a consolidated investment product within its financial statements as it is the primary beneficiary of the VIE. The Company determined that it is the primary beneficiary of the VIE as the Company has the power to

direct the activities that most significantly impact the economic performance of the entity and has the obligation to absorb losses, or the rights to receive benefits from, the VIE that could potentially be significant to the VIE. The Company's $40.0 million contribution to the SPE serves as first loss protection for the bank lending counterparty under the Financing Facility. In the event of default, the recourse to the Company is limited to its investments.

Additionally, certain of the Company’s affiliates serve as the collateral manager for other collateralized loan and collateralized bond obligations (collectively, “CDOs”). These CDOs’ assets and liabilities reside in bankruptcy remote, special purpose entities in which the Company has no ownership in, nor holds any notes issued by, the CDOs and provides neither recourse nor guarantees. Accordingly, the Company’s financial exposure to these CDOs is limited only to the collateral

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Virtus Investment Partners, Inc.
Notes to Consolidated Financial Statements—(Continued)

investment management fees it earns, which totaled $0.9 million, $1.6 million and $1.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

These CDOs are also considered VIEs, and as a result, the Company is required to consider the nature of its involvement in these VIEs in determining if it should consolidate the entity. In assessing consolidation of these CDOs, the Company assessed whether the collateral management fees represented a variable interest and the Company was the primary beneficiary of the VIE. The primary beneficiary assessment includes an analysis of the rights of the Company in its capacity as collateral manager and an analysis of whether the Company could receive significant benefits or absorb significant losses from these CDOs.
The Company determined that its investment management fees received as collateral manager for these CDOs did not represent a variable interest due to the anticipated fees being fixed in nature, senior to interest and principal payments, and any subordinated fee elements were insignificant relative to the total fee and total anticipated economic performance of these CDOs.

Noncontrolling Interest

Noncontrolling interests represent the profit or loss attributed to third-party investors in consolidated sponsored investment products and other affiliates. Movements in amounts attributable to noncontrolling interests in consolidated entities on the Company's Consolidated Statements of Operations offset the operating results, gains and losses and interest expense of the third-party investors. Noncontrolling interests related to certain consolidated sponsored investment products are classified as redeemable noncontrolling interests because investors in these funds may request withdrawals at any time.

Use of Estimates

The preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Management believes the estimates used in preparing the consolidated financial statements are reasonable and prudent. Actual results could differ from those estimates.

Segment Information

Accounting Standards Codification ("ASC") 280, Segment Reporting, establishes disclosure requirements relating to operating segments in annual and interim financial statements. Business or operating segments are defined as components of an enterprise about which separate financial information is available that is regularly evaluated by the chief operating decision maker in deciding how to allocate resources and assess performance. The Company operates in one business segment, namely as an asset manager providing investment management and distribution services for individual and institutional clients. The Company's Chief Executive Officer is the Company's chief operating decision maker. Although the Company provides disclosures regarding assets under management and other asset flows by product, the Company's determination that it operates in one business segment is based on the fact that the same investment and operational resources support multiple products, such products have the same or similar regulatory framework and the Company's chief operating decision maker reviews the Company's financial performance at a consolidated level. Investment organizations within the Company are generally not aligned with specific product lines. Furthermore, investment professionals manage both retail and institutional products.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in banks and money market fund investments.

Investments

Marketable Securities

Marketable securities include sponsored mutual funds, sponsored variable insurance funds and other equity securities classified as trading securities and sponsored closed-end funds classified as available-for-sale securities which are carried at fair value in accordance with ASC 320, Investments—Debt and Equity Securities (“ASC 320”). Marketable securities are marked to market based on the respective publicly quoted net asset values of the funds or market prices of the equity securities or bonds. Marketable securities transactions are recorded on a trade date basis. Any unrealized appreciation or depreciation on available-

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Virtus Investment Partners, Inc.
Notes to Consolidated Financial Statements—(Continued)

for-sale securities, net of income taxes, is reported as a component of accumulated other comprehensive income in equity attributable to stockholders.

On a quarterly basis, the Company conducts a review to assess whether other-than-temporary impairments exist on its available-for-sale marketable securities. Other-than-temporary declines in value may exist if the fair value of a marketable security has been below the carrying value for an extended period of time. If an other-than-temporary decline in value is determined to exist, the unrealized investment loss, net of tax, is recognized in the Consolidated Statements of Operations in the period in which the other-than-temporary decline in value occurs, as well as an accompanying permanent adjustment to accumulated other comprehensive income.

Equity Method Investments

The Company's investment in noncontrolled entities, where the Company does not hold a controlling financial interest but has the ability to significantly influence operating and financial matters, is accounted for under the equity method of accounting in accordance with ASC 323, Investments-Equity Method and Joint Ventures. Under the equity method of accounting, the Company's share of the noncontrolled entities net income or loss is recorded in other income (expense), net in the accompanying Consolidated Statements of Operations. Distributions received reduce the Company's investment balance. The investment is evaluated for impairment as events or changes indicate that the carrying amount exceeds its fair value. If the carrying amount of an investment does exceed its fair value and the decline in fair value is deemed to be other-than-temporary, an impairment charge will be recorded.

Non-qualified Retirement Plan Assets and Liabilities

The Company has a non-qualified retirement plan (the "Excess Incentive Plan") that allows certain employees to voluntarily defer compensation. Under the Excess Incentive Plan, participants elect to defer a portion of their compensation, which the Company then contributes into a trust. Each participant is responsible for designating investment options for assets they contribute, and the ultimate distribution paid to each participant reflects any gains or losses on the assets realized while in the trust. The Company holds the Excess Incentive Plan assets in a rabbi trust, which is subject to the claims of the Company's creditors in the event of the Company's bankruptcy or insolvency. Assets held in trust, which are considered trading securities, are included in investments and are carried at fair value in accordance with ASC 820 Fair Value Measurement; the associated obligations to participants are included in other liabilities in the Company's Consolidated Balance Sheets and approximate the fair value of the associated assets. Assets held in trust consist of mutual funds and are recorded at fair value, utilizing Level 1 valuation techniques.

Deferred Commissions

Deferred commissions, which are included in other assets in the Company's Consolidated Balance Sheets, are commissions paid to broker-dealers on sales of mutual fund shares. Deferred commissions are recovered by the receipt of monthly asset-based distributor fees from the mutual funds or contingent deferred sales charges received upon redemption of shares within one to five years, depending on the fund share class. The deferred costs resulting from the sale of shares are amortized on a straight-line basis over a one to five-year period, depending on the fund share class, or until the underlying shares are redeemed. Deferred commissions are periodically assessed for impairment and additional amortization expense is recorded, as appropriate.

Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of three to seven years for furniture and office equipment, and three to five years for computer equipment and software. Leasehold improvements are depreciated over the shorter of the remaining estimated lives of the related leases or useful lives of the improvements. Major renewals or betterments are capitalized, and recurring repairs and maintenance are expensed as incurred. Leasehold improvements that are funded upfront by a landlord and are constructed for the benefit of the Company are recorded at cost and depreciated on a straight-line basis over the original minimum term of the lease and a corresponding lease incentive liability in the same amount is also recorded and initially amortized over the same period.

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Virtus Investment Partners, Inc.
Notes to Consolidated Financial Statements—(Continued)

Leases

The Company currently leases office space and equipment under various leasing arrangements. Leases are classified as either capital leases or operating leases, as appropriate. Most lease agreements are classified as operating leases and contain renewal options, rent escalation clauses or other inducements provided by the lessor. Rent expense under non-cancelable operating leases with scheduled rent increases or rent holidays is accounted for on a straight-line basis over the lease term, beginning on the date of initial possession or the effective date of the lease agreement. The amount of the excess of straight-line rent expense over scheduled payments is recorded as a deferred liability. Build-out allowances and other such lease incentives are recorded as deferred credits, and are amortized on a straight-line basis as a reduction of rent expense beginning in the period they are deemed to be earned, which generally coincides with the effective date of the lease.

Intangible Assets and Goodwill

Definite-lived intangible assets are comprised of acquired investment advisory contracts. These assets are amortized on a straight-line basis over the estimated useful lives of such assets, which range from one to sixteen years. Definite-lived intangible assets are evaluated for impairment on an ongoing basis under GAAP whenever events or circumstances indicate that the carrying value of the definite-lived intangible asset may not be fully recoverable. The Company determines if impairment has occurred by comparing estimates of future undiscounted cash flows to the carrying value of assets. Assets are considered impaired, and impairment is recorded, if the carrying value exceeds the expected future undiscounted cash flows.

Goodwill represents the excess of the purchase price of acquisitions and mergers over the identified net assets and liabilities acquired. In accordance with ASC 350, Goodwill and Other Intangible Assets, goodwill is not being amortized. A single reporting unit has been identified for the purpose of assessing potential future impairments of goodwill. An impairment analysis of goodwill is performed annually or more frequently, if warranted by events or changes in circumstances affecting the Company’s business. The Company follows the Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2011-08, Testing Goodwill for Impairment, which states that an entity has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The Company’s 2015 and 2014 annual goodwill impairment analysis did not result in any impairment charges.

Indefinite-lived intangible assets are comprised of closed-end and exchange traded fund investment advisory contracts. These assets are tested for impairment annually and when events or changes in circumstances indicate the assets might be impaired. The Company follows ASU No. 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment, which provides entities with an option to perform a qualitative assessment of indefinite-lived intangible assets other than goodwill for impairment to determine if additional impairment testing is necessary. The Company’s 2015 and 2014 annual indefinite-lived intangible assets impairment analyses did not result in any impairment charges.

Treasury Stock

Treasury stock is accounted for under the cost method and is included as a deduction from equity in the Stockholders’ Equity section of the Consolidated Balance Sheets. Upon any subsequent resale, the treasury stock account is reduced by the cost of such stock.

Revenue Recognition

Investment management fees, distribution and service fees and administration and transfer agent fees are recorded as revenues during the period in which services are performed. Investment management fees are earned based upon 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 payment.

The Company accounts for investment management fees in accordance with ASC 605, Revenue Recognition, and has recorded its management fees net of fees paid to unaffiliated subadvisers. The Company considers the nature of its contractual arrangements in determining whether to recognize revenue based on the gross amount billed or net amount retained. The Company has evaluated the factors in ASC 605-45 in determining whether to record revenue on a gross or net basis with significant weight placed on: (i) whether the Company is the primary obligor in the arrangement; and (ii) whether the Company

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has latitude in establishing price. Amounts paid to unaffiliated subadvisers for the years ended December 31, 2015, 2014 and 2013 were $76.4 million, $124.4 million and $96.1 million, respectively.

Distribution and service fees are earned based on a percentage of assets under management and are paid monthly pursuant to the terms of the respective distribution and service fee contracts. Underwriter fees are sales-based charges on sales of certain class A-share mutual funds.

Administration and transfer agent fees consist of fund administration fees, transfer agent fees and fiduciary fees. Fund administration and transfer agent fees are earned based on the average daily assets in the funds.

Other income and fees consist primarily of redemption income on the early redemption of certain share classes of mutual funds.

Advertising and Promotion

Advertising and promotional costs include print advertising and promotional items and are expensed as incurred. These costs are classified in other operating expenses in the Consolidated Statements of Operations.

Stock-based Compensation

The Company accounts for stock-based compensation expense in accordance with ASC 718, Compensation—Stock Compensation (“ASC 718”), which requires the measurement and recognition of compensation expense for share-based awards based on the estimated fair value on the date of grant.

Restricted stock units (“RSUs”) are stock awards that entitle the holder to receive shares of the Company’s common stock as the award vests over time or when certain performance targets are achieved. The fair value of each RSU award is estimated using the intrinsic value method, which is based on the fair market value price on the date of grant unless it contains a performance metric that is considered a market condition. RSUs that contain a market condition are valued using a simulation valuation model. Compensation expense for RSU awards is recognized ratably over the vesting period on a straight-line basis.

Income Taxes

The Company accounts for income taxes in accordance with ASC 740, Income Taxes, which requires recognition of the amount of taxes payable or refundable for the current year, as well as deferred tax liabilities and assets for the future tax consequences of events that have been included in the Company’s financial statements or tax returns. Deferred tax liabilities and assets result from temporary differences between the book value and tax basis of the Company’s assets, liabilities and carry-forwards, such as net operating losses or tax credits.

The Company’s methodology for determining the realizability of deferred tax assets includes consideration of taxable income in prior carryback year(s) if carryback is permitted under the tax law, as well as consideration of the reversal of deferred tax liabilities that are in the same period and jurisdiction and are of the same character as the temporary differences that gave rise to the deferred tax assets. The Company’s methodology also includes estimates of future taxable income from its operations, as well as the expiration dates and amounts of carry-forwards related to net operating losses and capital losses. These estimates are projected through the life of the related deferred tax assets based on assumptions that the Company believes to be reasonable and consistent with demonstrated operating results. Changes in future operating results not currently forecasted may have a significant impact on the realization of deferred tax assets. Valuation allowances are provided when it is determined that it is more likely than not that the benefit of deferred tax assets will not be realized.

Comprehensive Income

The Company reports all changes in comprehensive income in the Consolidated Statements of Changes in Stockholders' Equity and the Consolidated Statements of Comprehensive Income. Comprehensive income includes net income (loss), foreign currency translation adjustments (net of tax) and unrealized gains and losses on investments classified as available-for-sale (net of tax).

Earnings per Share

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Virtus Investment Partners, Inc.
Notes to Consolidated Financial Statements—(Continued)

Earnings per share (“EPS”) is calculated in accordance with ASC 260, Earnings per Share. Basic EPS excludes dilution for potential common stock issuances and is computed by dividing basic net income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. For the calculation of diluted EPS, the basic weighted average number of shares is increased by the dilutive effect of RSUs and stock options using the treasury stock method.

Fair Value Measurements and Fair Value of Financial Instruments

The FASB defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. ASC 820 establishes a framework for measuring fair value and a valuation hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Classification within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The valuation hierarchy contains three levels as follows:

Level 1—Unadjusted quoted prices for identical instruments in active markets. Level 1 assets and liabilities may include debt securities and equity securities that are traded in an active exchange market.

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 2 inputs may include observable market data such as closing market prices provided by independent pricing services after considering factors such as the yields or prices of comparable investments of comparable quality, coupon, maturity, call rights and other potential prepayments, terms and type, reported transactions, indications as to values from dealers and general market conditions. In addition, pricing services may determine the fair value of equity securities traded principally in foreign markets when it has been determined that there has been a significant trend in the U.S. equity markets or in index futures trading. Level 2 assets and liabilities may include debt and equity securities, purchased loans and over-the-counter derivative contracts whose fair value is determined using a pricing model without significant unobservable market data inputs.

Level 3—Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable in active exchange markets.

Recent Accounting Pronouncements

In January 2016, the FASB issued ASU 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-1"), which requires all equity investments (other than those accounted for under the equity method) to be measured at fair value with changes in the fair value recognized through net income. ASU 2016-01 is effective for fiscal years beginning after December 15, 2017 and interim periods therein. Early adoption is not permitted. The Company is currently evaluating the potential impact of this standard on its consolidated financial statements.

In September 2015, the FASB issued ASU 2015-16, “Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments” ("ASU 2015-16) which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. ASU 2015-16 requires that the acquirer record, in the financial statements of the period in which adjustments to provisional amounts are determined, the effect on earnings of changes in depreciation, amortization, or other income effects, if any, as a result of the change to the provisional amounts, calculated as if the accounting had been completed at the acquisition date. ASU 2015-16 is effective prospectively for fiscal years beginning after December 15, 2015, including interim periods within those fiscal years, with early adoption permitted. The Company believes the adoption of this standard will not have a material impact on the Company's consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-3"), which changes the presentation of debt issuance costs in the balance sheet. The new guidance requires that debt issuance costs be presented as a deduction from the carrying amount of the related debt rather than being presented as an asset. Amortization of debt issuance costs will continue to be reported as interest expense. In August 2015, the FASB issued ASU 2015-15 to amend ASU 2015-03 to address line-of-credit agreements. ASU 2015-15 allows entities to present debt issuance costs related to line-of-credit agreements as an asset and amortize deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings. The new guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2015 and requires retrospective application for each prior

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Virtus Investment Partners, Inc.
Notes to Consolidated Financial Statements—(Continued)

period presented. Early adoption is permitted for financial statements that have not been previously issued. The Company believes the adoption of this standard will not have a material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis (“ASU 2015-02”). This standard modifies existing consolidation guidance for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. ASU 2015-02 is effective for fiscal years and interim periods within those years beginning after December 15, 2015 and requires either a retrospective or a modified retrospective approach to adoption. Early adoption is permitted. The Company believes the adoption of this standard will not have a material impact on the Company's consolidated financial statements.

In August 2014, the FASB issued ASU No. 2014-13, Measuring the Financial Assets and Financial Liabilities of a Consolidated Collateralized Financing Entity (“CFE”) (“ASU 2014-13”). This new guidance requires reporting entities to use the more observable of the fair value of the financial assets or the financial liabilities to measure the financial assets and the financial liabilities of a CFE when a CFE is initially consolidated. It permits entities to make an accounting policy election to apply this same measurement approach after initial consolidation or to apply other GAAP to account for the consolidated CFE’s financial assets and financial liabilities. It also prohibits all entities from electing to use the fair value option in ASC 825, Financial Instruments, to measure either the financial assets or financial liabilities of a consolidated CFE that is within the scope of this issue. This guidance is effective for fiscal years beginning after December 15, 2015 and interim periods therein. Early adoption is permitted using a modified retrospective transition approach as described in the pronouncement. The Company believes the adoption of this standard will not have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (“ASU 2014-09”). ASU 2014-09 provides a comprehensive new revenue recognition model requiring a company to recognize revenue to depict the transfer of goods or services to a customer at an amount reflecting the consideration it expects to receive in exchange for those goods or services. Companies may use either a full retrospective or a modified retrospective approach. In July 2015, the FASB confirmed a deferral of the effective date by one year, with early adoption on the original effective date permitted. As deferred, ASU 2014-09 is effective for the first interim period within annual reporting periods beginning after December 15, 2017 with early adoption permitted. The Company has not yet adopted ASU 2014-09 and is currently evaluating the impact ASU 2014-09 is expected to have on its consolidated financial statements.

3. Goodwill and Other Intangible Assets
Intangible assets, net are summarized as follows:

	December 31,	
	2015	2014
($ in thousands)		
Definite-lived intangible assets, net:		
Investment contracts	$158,747	$158,747
Accumulated amortization	(152,676)	(149,380)
Definite-lived intangible assets, net	6,071	9,367
Indefinite-lived intangible assets	34,816	32,416
Total intangible assets, net	$40,887	$41,783

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Virtus Investment Partners, Inc.
Notes to Consolidated Financial Statements—(Continued)

Activity in goodwill and intangible assets, net is as follows:

	Years Ended December 31,		
	2015	2014	2013
($ in thousands)			
Intangible assets, net			
Balance, beginning of period	$41,783	$44,633	$48,711
Acquisition	2,400	1,075	356
Amortization expense	(3,296)	(3,925)	(4,434)
Balance, end of period	$40,887	$41,783	$44,633
Goodwill			
Balance, beginning of period	$5,260	$5,260	$5,260
Acquisition	1,441	—	—
Balance, end of period	$6,701	$5,260	$5,260

Definite-lived intangible asset amortization for the next five years is estimated as follows: 2016—$2.5 million, 2017—$0.8 million, 2018—$0.6 million, 2019—$0.5 million, 2020—$0.4 million, and thereafter—$1.3 million. At December 31, 2015, th weighted average estimated remaining amortization period for definite-lived intangible assets is 5.6 years.

4. Business Combination

On April 10, 2015, the Company made an investment of approximately $4.8 million for a majority ownership position in Virtus ETF Solutions (“VES”), formerly known as ETF Issuer Solutions. VES is a New York City-based company that operates a platform for listing, operating, and distributing exchange traded funds. The transaction was accounted for under ASC 805 Business Combinations. Goodwill of $1.4 million and other intangible assets of $2.4 million were recorded as a result of this transaction. The impact of this transaction was not material to the Company’s consolidated financial statements.

5. Investments

Investments consist primarily of investments in our sponsored mutual funds. The Company’s investments, excluding the assets of consolidated sponsored investment products discussed in Note 17 and the assets of the consolidated investment product discussed in Note 18, at December 31, 2015 and 2014 were as follows:

	December 31,	
	2015	2014
($ in thousands)		
Marketable securities	$41,496	$50,251
Equity method investments	9,007	7,209
Nonqualified retirement plan assets	5,310	5,063
Other investments	925	925
Total investments	$56,738	$63,448

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Marketable Securities

The Company's marketable securities consist of both trading (including securities held by a broker-dealer affiliate) and available-for-sale securities. The composition of the Company's marketable securities is summarized as follows:

December 31, 2015

($ in thousands)	Cost	Unrealized Loss	Unrealized Gain	Fair Value
Trading:				
Sponsored funds	$31,167	$(2,134)	$298	$29,331
Equity securities	9,434	(386)	120	9,168
Available-for-sale:				
Sponsored closed-end funds	3,355	(365)	7	2,997
Total marketable securities	$43,956	$(2,885)	$425	$41,496

December 31, 2014

($ in thousands)	Cost	Unrealized Loss	Unrealized Gain	Fair Value
Trading:				
Sponsored funds	$39,079	$(1,190)	$423	$38,312
Equity securities	8,421	—	319	8,740
Available-for-sale:				
Sponsored closed-end funds	3,129	(163)	233	3,199
Total marketable securities	$50,629	$(1,353)	$975	$50,251

For the years ended December 31, 2015, 2014 and 2013, the Company recognized a realized gain of $0.4 million, $8.2 million and $1.0 million, respectively, on trading securities.

Equity Method Investments

In 2014, the Company acquired an interest in a limited partnership for approximately $5.0 million which includes a future capital commitment for up to $4.9 million in the event that it is called by the partnership.

On April 9, 2013, the Company acquired a 24% noncontrolling Euro-denominated equity interest in Kleinwort Benson Investors International, Ltd. ("KBII"), a subsidiary of Kleinwort Benson Investors (Dublin) ("KBID") for €2.6 million or $3.4 million. KBII is a U.S. registered investment adviser that provides specialized equity strategies. In conjunction with this investment, the Company entered into a put and call option with KBID. This investment is translated into U.S. dollars at current exchange rates as of the end of each accounting period. Net income or loss of the noncontrolled affiliate is translated at average exchange rates in effect during the accounting period. Net translation exchange gains and losses are excluded from income and recorded in accumulated other comprehensive income.

Nonqualified Retirement Plan Assets

The Excess Incentive Plan allows certain employees to voluntarily defer compensation. The Company holds the Excess Incentive Plan assets in a rabbi trust, which is subject to the claims of the Company's creditors in the event of the Company's bankruptcy or insolvency. Assets held in trust are included in investments and are carried at fair value in accordance with ASC 320; the associated obligations to participants are included in other liabilities in the Company's Consolidated Balance Sheets.

Other Investments

Other investments represents interests in entities not accounted for under the equity method such as the cost method or fair value.

6. Fair Value Measurements

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The Company’s assets and liabilities measured at fair value on a recurring basis, excluding the assets and liabilities of consolidated sponsored investment products and the consolidated investment product discussed in Notes 17 and 18, respectively, as of December 31, 2015 and December 31, 2014, by fair value hierarchy level were as follows:

December 31, 2015

($ in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$54,772	$—	$—	$54,772
Marketable securities trading:				
Sponsored funds	29,331	—	—	29,331
Equity securities	9,168	—	—	9,168
Marketable securities available-for-sale:				
Sponsored closed-end funds	2,997	—	—	2,997
Other investments				
Nonqualified retirement plan assets	5,310	—	—	5,310
Total assets measured at fair value	$101,578	$—	$—	$101,578

December 31, 2014

($ in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Cash equivalents	$202,054	$—	$—	$202,054
Marketable securities trading:				
Sponsored funds	38,312	—	—	38,312
Equity securities	8,740	—	—	8,740
Marketable securities available-for-sale:				
Sponsored closed-end funds	3,199	—	—	3,199
Other investments				
Nonqualified retirement plan assets	5,063	—	—	5,063
Total assets measured at fair value	$257,368	$—	$—	$257,368

The following is a discussion of the valuation methodologies used for the Company’s assets measured at fair value.

Cash equivalents represent investments in money market funds. Cash investments in actively traded money market funds are valued using published net asset values and are classified as Level 1.

Sponsored funds represent investments in open-end mutual funds, variable insurance funds and closed-end funds for which the Company acts as the investment manager. The fair value of open-end mutual funds and variable insurance funds is determined based on their published net asset values and are categorized as Level 1. The fair value of closed-end funds is determined based on the official closing price on the exchange they are traded on and are categorized as Level 1.

Equity securities include securities traded on active markets and are valued at the official closing price (typically last sale or bid) on the exchange on which the securities are primarily traded and are categorized as Level 1.

Nonqualified retirement plan assets represent mutual funds within a nonqualified retirement plan whose fair value is determined based on their published net asset value and are categorized as Level 1.

Cash, accounts receivable, accounts payable and accrued liabilities equal or approximate fair value based on the short-term nature of these instruments.

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Transfers into and out of levels are reflected when significant inputs used for the fair value measurement, including market inputs or performance attributes, become observable or unobservable or when the Company determines it has the ability, or no longer has the ability, to redeem, in the near term, certain investments that the Company values using a net asset value, or if the book value no longer represents fair value. There were no transfers between Level 1 and Level 2 during the years ended December 31, 2015 and 2014.

7. Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements, net are summarized as follows:

	December 31,	
	2015	2014
($ in thousands)		
Furniture and office equipment	$5,840	$4,762
Computer equipment and software	6,600	6,148
Leasehold improvements	11,071	8,454
	23,511	19,364
Accumulated depreciation and amortization	(14,395)	(12,171)
Furniture, equipment and leasehold improvements, net	$9,116	$7,193

8. Income Taxes

The components of the provision for income taxes are as follows:

	Years Ended December 31,		
	2015	2014	2013
($ in thousands)			
Current			
Federal	$28,077	$31,787	$10,395
State	2,539	3,168	1,787
Total current tax expense	30,616	34,955	12,182
Deferred			
Federal	4,339	3,200	29,933
State	2,017	1,194	2,663
Total deferred tax expense	6,356	4,394	32,596
Total expense for income taxes	$36,972	$39,349	$44,778

The following presents a reconciliation of the provision (benefit) for income taxes computed at the federal statutory rate to the provision (benefit) for income taxes recognized in the Consolidated Statements of Operations for the years indicated:

	Years Ended December 31,					
	2015		2014		2013	
($ in thousands)						
Tax at statutory rate	$23,675	35 %	$47,922	35 %	$41,968	35 %
State taxes, net of federal benefit	2,717	4	4,357	3	2,893	2
Uncertain tax positions	—	—	(30,961)	(22)	—	—
IRS audit resolution	—	—	15,505	11	—	—
Effect of net income attributable to noncontrolling interests	1,492	2	—	—	—	—
Change in valuation allowance	7,812	12	2,165	2	(264)	—
Other, net	1,276	2	361	—	181	—
Income tax expense	$36,972	55 %	$39,349	29 %	$44,778	37 %

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The provision for income taxes reflects U.S. federal, state and local taxes at an estimated effective tax rate of 55%, 29% and 37% for the years ended December 31, 2015, 2014 and 2013, respectively. The Company's tax position for the years ended December 31, 2015 and 2014 was impacted by changes in the valuation allowance related to the unrealized loss position on the Company's marketable securities. Additionally, the Company's effective tax rate for the year ended December 31, 2014 was impacted by a net tax benefit of approximately $15.5 million due to the settlement of the Internal Revenue Service ("IRS") examination of its 2011 federal consolidated corporate income tax return. The net benefit arises from the settlement of the Company's 2011 IRS exam and is comprised of the recognition of tax benefits from previously uncertain tax positions of approximately $31.0 million and a reduction in the available loss deduction of approximately $15.5 million of which both related to the past dissolution of a subsidiary.

Deferred taxes resulted from temporary differences between the amounts reported in the consolidated financial statements and the tax basis of assets and liabilities. The tax effects of temporary differences are as follows:

	December 31, 2015	2014
($ in thousands)		
Deferred tax assets:		
Intangible assets	$27,728	$36,340
Net operating losses	20,591	21,547
Compensation accruals	7,804	6,757
Investments	8,704	8,717
Unrealized loss/(gain)	12,157	2,362
Other	118	46
Gross deferred tax assets	77,102	75,769
Valuation allowance	(10,855)	(2,397)
Gross deferred tax assets after valuation allowance	66,247	73,372
Deferred tax liabilities:		
Intangible assets	(12,104)	(12,718)
Other investments	—	(492)
Gross deferred tax liabilities	(12,104)	(13,210)
Deferred tax assets, net	$54,143	$60,162

At each reporting date, the Company evaluates the positive and negative evidence used to determine the likelihood of realization of its deferred tax assets. The Company maintained a valuation allowance in the amount of $10.9 million and $2.4 million at December 31, 2015 and 2014, respectively, relating to deferred tax assets on items of a capital nature as well as certain state deferred tax assets.

As of December 31, 2015, the Company had $40.3 million of net operating loss carry-forwards for federal income tax purposes. The related federal net operating loss carry-forwards are scheduled to begin to expire in the year 2029. As of December 31, 2015, the Company had state net operating loss carry-forwards, varying by subsidiary and jurisdiction, represented by a $6.5 million deferred tax asset. The state net operating loss carry-forwards are scheduled to begin to expire in 2016.

Internal Revenue Code Section 382 limits tax deductions for net operating losses, capital losses and net unrealized built-in losses after there is a substantial change in ownership in a corporation's stock involving a 50 percentage point increase in ownership by 5% or larger stockholders. During the year ended December 31, 2009, due to changes in the Company's stockholder base, the Company incurred an ownership change as defined in Section 382. At December 31, 2015, the Company has approximately $62.3 million in pre-change built-in losses that are reflected within the Company's deferred tax assets noted above and are subject to an annual limitation of $4.2 million plus any cumulative unused Section 382 limitation from post-change tax years.

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Activity in unrecognized tax benefits is as follows:

	Years Ended December 31,		
	2015	2014	2013
($ in thousands)			
Balance, beginning of year	$—	$32,602	$33,948
Decrease related to tax positions taken in prior years	—	(32,602)	(1,346)
Increase related to positions taken in the current year	—	—	—
Balance, end of year	$—	$—	$32,602

The Company's practice is to classify interest and penalties related to income tax matters in income tax expense. The Company recorded no interest or penalties related to uncertain tax positions at December 31, 2015, 2014 and 2013.
During the year ended December 31, 2015, the Company recognized tax benefits of $1.1 million related to cumulative windfall deductions on certain stock-based incentive plans. Under ASC 718, these tax benefits are utilized for financial statement purposes when they serve to reduce income taxes payable. Under the Company's accounting policy, net operating losses and benefits from other sources are recognized before windfall benefit carryovers. The tax benefit related to these windfall deductions was recorded as an increase to stockholders' equity in the Company's Consolidated Balance Sheets.
The earliest federal tax year that remains open for examination is 2008 since unutilized net operating loss carry-forwards from 2008 could be denied when claimed in future years. The earliest open years in the Company's major state tax jurisdictions are 2001 for Connecticut and 2011 for all of the Company's remaining state tax jurisdictions.

9. Debt

Credit Facility

The Company has an amended and restated senior secured revolving credit facility (the "Credit Facility") that has a five-year term expiring in September 2017 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 in borrowing capacity conditioned on approval by the lending group. The Credit Facility is secured by substantially all of the assets of the Company. At December 31, 2015 and 2014, there were no amounts outstanding under the Credit Facility. As of December 31, 2015, the Company had the capacity to draw on the entire $75.0 million under the Credit Facility.
Amounts outstanding under the Credit Facility bear interest at an annual rate equal to, at the Company's 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%. Under the terms of the Credit Facility, the Company is also required to pay certain fees, including an annual commitment fee that ranges from 0.35% to 0.50% on undrawn amounts and a letter of credit participation fee at an annual rate equal to the applicable margin as well as any applicable fronting fees, each of which is payable quarterly in arrears.

The Credit Facility contains customary covenants, including covenants that restrict (subject in certain instances to minimum thresholds or exceptions) the ability of the Company and certain of its subsidiaries to incur additional indebtedness, create liens, merge or make acquisitions, dispose of assets, enter into leases, sale/leasebacks or acquisitions of capital stock, and make loans, guarantees and investments, among other things. In addition, the Credit Facility contains certain financial covenants, the most restrictive of which include: (i) a minimum interest coverage ratio (generally, adjusted EBITDA to interest expense as defined in and for the period specified in the Credit Facility agreement) of at least 4.00:1, and (ii) a leverage ratio (generally, total debt as of any date to adjusted EBITDA as defined in and for the period specified in the Credit Facility agreement) of no greater than 2.75:1. For purposes of the Credit Facility, adjusted EBITDA generally means, for any period, net income of the Company before interest expense, income taxes, depreciation and amortization expense, and excluding non-cash stock-based compensation, unrealized mark-to-market gains and losses, certain severance, and certain non-cash non-recurring gains and losses as described in and specified under the Credit Facility. At December 31, 2015 and 2014, the Company was in compliance with all financial covenants under the Credit Facility.

The Credit Facility agreement also contains customary provisions regarding events of default which could result in an acceleration of amounts due under the facility. Such events of default include our failure to pay principal or interest when due, our failure to satisfy or comply with covenants, a change of control, the imposition of certain judgments, the invalidation of liens we have granted, and a cross-default to other debt obligations.

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10. Commitments and Contingencies
Legal Matters
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 regulatory matters of this nature involve or may involve but are not limited to 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. Based on information currently available, available insurance coverage and established reserves, the Company believes 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 the Company's results of operations, cash flows or 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, 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. In November 2015, without admitting or denying the SEC's findings, the Company consented to the entry of the order which found that the Company violated certain Sections of the Investment Advisers Act and the Investment Company Act of 1940. The Company agreed to pay a total of $16.5 million, which it paid in the fourth quarter of 2015.

In re Virtus Investment Partners, Inc. Securities Litigation; formerly styled as 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 (the "defendants") in the United States District Court for the Southern District of New York. On April 21, 2015, three plaintiffs, including the original plaintiff, filed motions to be appointed lead plaintiff. On June 9, 2015, the court entered an order appointing Arkansas Teachers Retirement System lead plaintiff. On August 21, 2015, plaintiff filed a Consolidated Class Action

Complaint (the “Consolidated Complaint”) amending the originally filed complaint. The Consolidated Complaint was purportedly filed on behalf of all purchasers of the Company’s common stock between January 25, 2013 and May 11, 2015 (the “Class Period”). The Consolidated 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. The Consolidated 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. The Company believes that the suit is without merit and intends to defend it vigorously. A motion to dismiss the Consolidated Complaint was filed on behalf of the Company and the other defendants on October 21, 2015. Briefing of the motion was completed on December 4, 2015 and oral argument was held on December 17, 2015. The motion is pending. The Company believes that there is not a material loss that is probable and reasonably estimable related to this claim.

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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 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. On June 7, 2015, a group of three individuals, including the original plaintiff, filed a motion to be appointed lead plaintiff. No other motions to be appointed lead plaintiff were filed. On July 27, 2015, the court granted the motion, appointing movants as lead plaintiff. On July 27, 2015, the court issued an order to show cause requiring lead plaintiff to explain no later than July 31, 2015, why his claims should not be transferred and consolidated with the In re Virtus Investment Partners, Inc. Securities Litigation action discussed above. On October 1, 2015, plaintiff filed a First Amended Class Action Complaint which, among other things, added a derivative claim for breach of fiduciary duty on behalf of Virtus Opportunities Trust. On October 19, 2015, The United States District Court for the Central District of California entered an order transferring the action to the Southern District of New York. On January 4, 2016, Plaintiffs filed a Second Amended Complaint. Defendant's filed a motion to dismiss on February 1, 2016. The Company believes the plaintiff’s claims asserted in the complaint are frivolous and intends to defend it vigorously. The Company believes that there is not a material loss that is probable and reasonably estimable related to this claim.

Lease Commitments

The Company incurred rental expenses, primarily related to office space, under operating leases of $4.3 million, $3.7 million and $3.4 million in 2015, 2014 and 2013, respectively. Minimum aggregate rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2015 are as follows: $4.8 million in 2016; $5.0 million in 2017; $4.5 million in 2018; $2.9 million in 2019; $2.4 million in 2020; and $3.2 million thereafter.

11. Equity Transactions

During the years ended December 31, 2015 and 2014, pursuant to the Company’s share repurchase program implemented in the fourth quarter of 2010, the Company repurchased 638,703 and 225,441 common shares, respectively, at a weighted average price of $125.22 per share and $178.54 per share, respectively, plus transaction costs for a total cost of approximately $80.0 million and $40.3 million, respectively. As of December 31, 2015, the Company has repurchased a total of 1,214,144 shares of common stock at a weighted average price of $129.85 per share plus transaction costs for a total cost of $157.7 million.

On October 21, 2015, the Company's board of directors authorized an additional 1,500,000 shares of common stock under the current share repurchase program and at December 31, 2015 1,485,856 shares remain available for repurchase. Under terms of the program, the Company may repurchase shares of its common stock from time to time at its discretion through open market repurchases and/or privately negotiated transactions, depending on price and prevailing market and business conditions. The program, which has no specified term, may be suspended or terminated at any time.

During each quarter of the year ended December 31, 2015 and the second, third and fourth quarters of the year ended December 31, 2014, the Board of Directors declared quarterly cash dividends of $0.45 each. Total dividends declared were $16.0 million for the year ended December 31, 2015 and $12.5 million for the year ended December 31, 2014. At December 31, 2015, $4.2 million is shown as dividends payable in liabilities in the Consolidated Balance Sheet, primarily representing the fourth quarter dividend to be paid on February 12, 2016 to all shareholders of record on January 29, 2016. There were no cash dividends during the year ended December 31, 2013.

12. Accumulated Other Comprehensive Income

The changes in accumulated other comprehensive loss, by component, are as follows:

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($ in thousands)	Unrealized Gains and (Losses) on Securities Available-for-Sale	Foreign Currency Translation Adjustments
Balance December 31, 2014	$(107)	$(135)
Unrealized net loss on available-for-sale securities, net of tax of $71	(358)	—
Foreign currency translation adjustments, net of tax of $266	—	(434)
Amounts reclassified from accumulated other comprehensive loss	—	—
Net current-period other comprehensive loss	(358)	(434)
Balance December 31, 2015	$(465)	$(569)

($ in thousands)	Unrealized Gains and (Losses) on Securities Available-for-Sale	Foreign Currency Translation Adjustments
Balance December 31, 2013	$(231)	$81
Unrealized net gains on available-for-sale securities, net of tax of ($76)	124	—
Foreign currency translation adjustments, net of tax of $132	—	(216)
Amounts reclassified from accumulated other comprehensive loss	—	—
Net current-period other comprehensive income (loss)	124	(216)
Balance December 31, 2014	$(107)	$(135)

13. Retirement Savings Plan

The Company sponsors a defined contribution 401(k) retirement plan (the “401(k) Plan”) covering all employees who meet certain age and service requirements. Employees may contribute a percentage of their eligible compensation into the 401(k) Plan, subject to certain limitations imposed by the Internal Revenue Code. The Company matches employees’ contributions at a rate of 100% of employees’ contributions up to the first 3.0% and 50.0% of the next 2.0% of the employees’ compensation contributed to the 401(k) Plan. The Company’s matching contributions were $2.1 million, $2.8 million and $2.5 million in 2015, 2014 and 2013, respectively.

14. Stock-Based Compensation

The Company has an Omnibus Incentive and Equity Plan (the “Plan”) under which officers, employees and directors may be granted equity-based awards, including restricted stock units (“RSUs”), stock options and unrestricted shares of common stock. At December 31, 2015, 322,986 shares of common stock remain available for issuance of the 1,800,000 shares that were reserved for issuance under the Plan. Each RSU entitles the holder to one share of common stock when the restriction expires. RSUs generally have a term of one to three years and may be time-vested or performance-contingent. Stock options generally cliff vest after three years and have a contractual life of ten years. Stock options are granted with an exercise price equal to the fair market value of the shares at the date of grant. The fair value of each RSU is estimated using the intrinsic value method, which is based on the fair market value price on the date of grant unless it contains a performance metric that is considered a market condition. RSUs that contain a market condition are valued using a simulation valuation model. Shares that are issued upon exercise of stock options and vesting of RSUs are newly issued shares from the Plan and are not issued from treasury stock.

Stock-based compensation expense is summarized as follows:

Years Ended December 31,

	2015	2014	2013
($ in thousands)			
Stock-based compensation expense	$11,863	$9,778	$7,960

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RSU activity for the year ended December 31, 2015 is summarized as follows:

	Number of shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2014	179,936	$143.25
Granted	118,380	$134.37
Forfeited	(19,289)	$142.41
Settled	(87,410)	$102.00
Outstanding at December 31, 2015	191,617	$156.66

The grant-date intrinsic value of RSUs granted during the year ended December 31, 2015 was $15.9 million. The weighted-average grant-date fair value of RSUs granted during the years ended December 31, 2015, 2014 and 2013 was $134.37, $183.83 and $188.36 per share, respectively. The total fair value of RSUs vested during the years ended December 31, 2015, 2014 and 2013 was $11.8 million, $21.1 million and $17.9 million, respectively. For the years ended December 31, 2015, 2014 and 2013, a total of 37,488, 50,952 and 38,222 RSUs, respectively, were withheld through net share settlement by the Company to settle minimum employee tax withholding obligations. The Company paid $5.1 million, $9.1 million and $7.5 million for the years ended December 31, 2015, 2014 and 2013, respectively, in minimum employee tax withholding obligations related to RSUs withheld. These net share settlements had the effect of share repurchases by the Company as they reduced the number of shares that would have been otherwise issued as a result of the vesting.

As of December 31, 2015, unamortized stock-based compensation expense for outstanding RSUs was $16.7 million, with a weighted average remaining contractual life of 1.7 years. As of December 31, 2014, unamortized stock-based compensation expense for outstanding RSUs was $12.6 million, with weighted average remaining contractual life of 1.1 years. The Company did not capitalize any stock-based compensation expenses during the years ended December 31, 2015, 2014 and 2013. There were no unvested stock options at December 31, 2015.

During the years ended December 31, 2015 and 2014, the Company granted 33,632 and 30,101 RSUs, respectively, each of which contains two performance based metrics in addition to a service condition. The two performance metrics are based on the Company’s growth in operating income, as adjusted, relative to peers over a one year period and total shareholder return (“TSR”) relative to peers over a three year period. For the years ended December 31, 2015 and 2014, total stock-based compensation expense included $2.5 million and $1.4 million respectively, for these performance contingent RSUs. As of December 31, 2015, unamortized stock-based compensation expense related to these performance contingent RSUs was $6.2 million. As of December 31, 2014, unamortized stock-based compensation expense related to these performance contingent RSUs was $3.5 million.

Compensation expense for these performance contingent awards is recognized over the three year service period based upon the value determined under the intrinsic value method for the growth in operating income, as adjusted portion of the awards and the Monte Carlo simulation valuation model for the TSR portion of the awards since it represents a market condition. Compensation expense for the TSR portion of the awards is fixed at the date of grant and will not be adjusted in future periods based upon the achievement of the TSR performance metric. Compensation expense for the growth in operating income, as adjusted, portion of the awards is recorded each period based upon a probability assessment of the expected outcome of the performance metric with a final adjustment upon the final outcome.

Stock option activity for the year ended December 31, 2015 is summarized as follows:

	Number of shares	Weighted Average Exercise Price
Outstanding at December 31, 2014	162,824	$18.79
Granted	—	$—

Exercised	(6,188)	$19.04
Forfeited	—	$—
Outstanding at December 31, 2015	156,636	$18.78
Vested and exercisable at December 31, 2015	156,636	$18.78

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The weighted-average remaining contractual term for stock options outstanding at December 31, 2015 and December 31, 2014 was 2.9 and 3.9 years, respectively. The weighted-average remaining contractual term for stock options vested and exercisable at December 31, 2015 was 2.9 years. At December 31, 2015, the aggregate intrinsic value of stock options outstanding and vested and exercisable was $15.5 million. The total grant-date fair value of stock options vested during the years ended December 31, 2014 and 2013 was $0.4 million and $0.2 million, respectively. There were no options vested during the year ended December 31, 2015. The total intrinsic value of stock options exercised for the years ended December 31, 2015, 2014 and 2013 was $0.7 million, $4.2 million, $5.1 million, respectively. Cash received from stock option exercises was $0.1 million, $0.8 million and $0.6 million for 2015, 2014 and 2013, respectively.

Employee Stock Purchase Plan

The Company offers an employee stock purchase plan that allows employees to purchase shares of common stock on the open market at market price through after-tax payroll deductions. The initial transaction fees are paid for by the Company and shares of common stock are purchased on a quarterly basis. The Company does not reserve shares for this plan or discount the purchase price of the shares.

15. Earnings Per Share

The computation of basic and diluted earnings per share is as follows:

	Years Ended December 31,		
	2015	2014	2013
($ in thousands, except per share amounts)			
Net Income	$30,671	$96,965	$77,130
Noncontrolling interests	4,435	735	(1,940)
Net Income Attributable to Common Stockholders	$35,106	$97,700	$75,190
Shares:			
Basic: Weighted-average number of shares outstanding	8,797	9,091	8,188
Plus: Incremental shares from assumed conversion of dilutive instruments	163	201	245
Diluted: Weighted-average number of shares outstanding	8,960	9,292	8,433
Earnings per share—basic	$3.99	$10.75	$9.18
Earnings per share—diluted	$3.92	$10.51	$8.92

For the years ended December 31, 2015 and 2014, there were 1,521 and 6,085 instruments, respectively, excluded from the above computations of weighted-average shares for diluted EPS because the effect would be anti-dilutive. For the year ended December 31, 2013, there were no instruments excluded from the above computations of weighted-average shares for diluted EPS because the effect would be anti-dilutive.

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16. Concentration of Credit Risk

The concentration of credit risk with respect to advisory fees receivable is generally limited due to the short payment terms extended to clients by the Company. The following funds provided 10 percent or more of the total revenues of the Company:

	Years Ended December 31,					
	2015		2014		2013	
($ in thousands)						
Virtus Emerging Markets Opportunities Fund						
Investment management, administration and transfer agent fees	$62,329		$50,435		$53,202	
Percent of total revenues	16	%	11	%	14	%
Virtus Multi-Sector Short Term Bond Fund						
Investment management, administration and transfer agent fees	$49,174		$55,401		$52,568	
Percent of total revenues	13	%	12	%	14	%
Virtus Equity Trend Fund (a)						
Investment management, administration and transfer agent fees	$30,398		$61,566		$41,921	
Percent of total revenues	8	%	14	%	11	%

(a) Formerly Virtus Premium AlphaSector™ Fund

17. Consolidated Sponsored Investment Products

Sponsored Investment Products

In the normal course of its business, the Company sponsors various investment products. The Company consolidates, as a consolidated sponsored investment product, an investment product when it owns a majority of the voting interest in the entity or it is the primary beneficiary of an investment product that is a VIE. The consolidation and deconsolidation of these investment products have no impact on net income attributable to stockholders. The Company's risk with respect to these investments is limited to its investment in these products. The Company has no right to the benefits from, and does not bear the risks associated with these investment products, beyond the Company's investments in, and fees generated from these products. The Company does not consider cash and investments held by consolidated sponsored investment products or any other VIE to be assets of the Company other than its direct investment in these products.

As of December 31, 2015 and December 31, 2014, the Company consolidated twelve sponsored investment products, respectively. During the year ended December 31, 2015, the Company consolidated three additional sponsored investment products and deconsolidated three sponsored investment products because it no longer has a majority voting interest.

The following table presents the balances of the consolidated sponsored investment products that were reflected in the Consolidated Balance Sheets as of December 31, 2015 and 2014:

	As of December 31,			
	2015		2014	
($ in thousands)				
Total cash	$11,866		$8,687	
Total investments	323,335		236,652	
All other assets	8,549		6,960	
Total liabilities	(15,387	)	(12,556	)
Redeemable noncontrolling interest	(73,864	)	(23,071	)
The Company's net interests in consolidated sponsored investment products	$254,499		$216,672	
The Company's net interest as a percentage of total investments of consolidated sponsored investment products	78.7	%	91.6	%

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Fair Value Measurements of Consolidated Sponsored Investment Products

The assets and liabilities of the consolidated sponsored investment products measured at fair value on a recurring basis by fair value hierarchy level were as follows:

As of December 31, 2015

	Level 1	Level 2	Level 3	Total
($ in thousands)				
Assets				
Debt securities	$—	$151,156	$1,397	$152,553
Equity securities	162,986	7,796	—	170,782
Derivatives	33	738	—	771
Total assets measured at fair value	$163,019	$159,690	$1,397	$324,106
Liabilities				
Derivatives	$128	$844	$—	$972
Short sales	5,334	75	—	5,409
Total liabilities measured at fair value	$5,462	$919	$—	$6,381

As of December 31, 2014

	Level 1	Level 2	Level 3	Total
($ in thousands)				
Assets				
Debt securities	$—	$135,050	$1,065	$136,115
Equity securities	82,417	18,120	—	100,537
Derivatives	154	227	—	381
Total assets measured at fair value	$82,571	$153,397	$1,065	$237,033
Liabilities				
Derivatives	$191	$—	$—	$191
Short sales	7,491	674	—	8,165
Total liabilities measured at fair value	$7,682	$674	$—	$8,356

The following is a discussion of the valuation methodologies used for the assets and liabilities of the Company’s consolidated sponsored investment products measured at fair value.

Investments of consolidated sponsored investment products represent the underlying debt, equity and other securities held in sponsored products, which are consolidated by the Company. Equity securities are valued at the official closing price on the exchange on which the securities are traded and are categorized within Level 1. Level 2 investments include most debt securities, which are valued based on quotations received from independent pricing services or from dealers who make markets in such securities and certain equity securities, including non-US securities, for which closing prices are not readily available or are deemed to not reflect readily available market prices and are valued using an independent pricing service. Pricing services do not provide pricing for all securities, and therefore indicative bids from dealers are utilized, which are based on pricing models used by market makers in the security and are also included within Level 2. Level 3 investments include debt securities that are not widely traded, are illiquid or are priced by dealers based on pricing models used by market makers in the security.

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The following table is a reconciliation of assets of consolidated sponsored investment products for Level 3 investments for which significant unobservable inputs were used to determine fair value.

	Year Ended December 31, 2015	2014
(in thousands)		
Level 3 Debt Securities (a)		
Balance at beginning of period	$1,065	$—
Purchases	913	1,119
Sales	(370)	—
Paydowns	(10)	(3)
Change in unrealized loss, net	(113)	(51)
Change in realized loss, net	(141)	—
Transfers from Level 2	151	—
Transfers to Level 2	(98)	—
Balance at end of period	$1,397	$1,065

(a) None of the securities were internally fair valued at December 31, 2015 or December 31, 2014.

For the year ended December 31, 2015, securities held by consolidated sponsored investment products with an end of period value of $8.4 million were transferred from Level 2 to Level 1 because certain non-US securities quoted market prices were no longer adjusted based on third-party factors derived from model-based valuation techniques for which the significant assumptions were observable in the market. Securities with an end of period market value of $0.2 million and $1.5 million were transferred from Level 1 to Level 2 during the years ended December 31, 2015 and December 31, 2014, respectively, because certain non-US securities' quoted market prices were adjusted based on third-party factors derived from model-based valuation techniques for which the significant assumptions were observable in the market or an exchange price for preferred shares was no longer available.

Derivatives

The Company has certain consolidated sponsored investment products which include derivative instruments as part of their investment strategies to contribute to the achievement of defined investment objectives. These derivatives may include futures contracts, swaps contracts, options contracts and forward contracts. Derivative instruments in an asset position are classified as other assets of consolidated sponsored investment products in the Consolidated Balance Sheets. Derivative instruments in a liability position are classified as liabilities of consolidated sponsored investment products within the Consolidated Balance Sheets. The change in fair value of such derivatives is recorded in realized and unrealized gain (loss) on investments of consolidated sponsored investment products, net, in the Consolidated Statements of Operations. In connection with entering into these derivative contracts, these funds may be required to pledge to the broker an amount of cash equal to the "initial margin" requirements that varies based on the type of derivative. The cash pledged or on deposit is recorded in the Consolidated Balance Sheets of the Company as Cash pledged or on deposit of consolidated sponsored investment products. The fair value of such derivatives at December 31, 2014 was immaterial.

The Company's consolidated sponsored investment products were party to the following derivative instruments for the year ended December 31, 2015:

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($ in thousands)	Volume	
Purchased options	$3,015	(a)
Written options	755	(b)
Futures contracts long/short	278	(c)
Forward foreign currency exchange purchase contracts	5,591	(d)
Forward foreign currency exchange sale contracts	29,069	(e)
Interest rate swaps	69,094	(f)
Other swaps	35,180	(f), (g)

(a) Represents average premiums paid for the period.
(b) Represents average premiums received for the period.
(c) Represents average unrealized gains/losses for the period.
(d) Represents average value payable at trade date.
(e) Represents average value at receivable at settlement date.
(f) Represents notional value of holdings as of the end of the period.
(g) Includes credit default, total return, inflation and variance swaps.

The following is a summary of the consolidated sponsored investment products' derivative instruments as of December 31, 2015. For financial reporting purposes, the Company does not offset derivative assets and derivative liabilities that are subject to netting arrangements in its Consolidated Balance Sheets.

	Fair Value	
($ in thousands)	Assets	Liabilities
Futures contracts	$77	$128
Forward foreign currency exchange contracts	388	287
Swaps	897	502
Purchased options	2,071	63
Purchased swaptions	803	—
Written options	—	654
Total derivative assets and liabilities in the Consolidated Balance Sheets	4,236	1,634
Derivatives not subject to a master netting agreement	(978)	(281)
Total assets and liabilities subject to a master netting agreement	$3,258	$1,353

The following is a summary of the Company's consolidated sponsored investment products' assets and liabilities, net of amounts available for offset under a master netting arrangement and net of any related cash collateral received:

	As of December 31, 2015			
($ in thousands)	Amount Subject to a Master Netting Arrangement	Derivatives Available for Offset	Collateral Pledged or Received	Net Amount
Derivative assets	$3,258	$(1,140)	$(1,784)	$334
Derivative liabilities	1,353	(1,140)	(209)	4

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The Company's consolidated sponsored investment products have counterparty risk associated with these derivative assets and liabilities. Multiple counterparties are utilized to mitigate this risk, and the maximum exposure to a single bank does not exceed 33.1% of the total derivative assets or 43.3% of the total derivative liabilities.

The following is a summary of the net gains (losses) recognized in income by primary risk exposure:

	Year Ended December 31, 2015
($ in thousands)	
Interest rate contracts	$(80)
Foreign currency exchange contracts	181
Equity contracts	312
Commodity contracts	324
Credit contracts	8
Total	$745

Short Sales

Some of the Company’s consolidated sponsored investment products may engage in short sales, which are transactions in which a security is sold, which is not owned or is owned but there is no intention to deliver, in anticipation that the price of the security will decline. Short sales are recorded in the Consolidated Balance Sheets within other liabilities of consolidated sponsored investment products.

Borrowings

One of the Company’s consolidated sponsored investment products employs leverage in the form of using proceeds from short sales, which allows it to use its long positions as collateral in order to purchase additional securities. The use of these proceeds from short sales is secured by the assets of the consolidated sponsored investment product, which are held with the custodian in a separate account. This consolidated sponsored investment product is permitted to borrow up to 33.33% of its total assets.

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18. Consolidated Investment Product

During 2015, the Company contributed $40.0 million to a SPE that was created specifically to accumulate bank loan assets for securitization as a potential CLO that will be managed by its Newfleet affiliate. The SPE is a VIE and the Company consolidates the SPE's assets and liabilities as a consolidated investment product within its financial statements as it is the primary beneficiary of the VIE. The Company determined that it is the primary beneficiary of the VIE as the Company has the power to direct the activities that most significantly impact the economic performance of th entity and has the obligation to absorb losses, or the rights to receive benefits from, the VIE that could potentially be significant to the VIE.

The following table presents the balances of the consolidated investment product that were reflected in the Consolidated Balance Sheet as of December 31, 2015. There was no consolidated investment product at December 31, 2014.

	As of December 31, 2015	
($ in thousands)		
Total cash equivalents	$8,297	
Total investments	199,485	
Other assets	1,467	
Debt	(152,597	)
Securities purchased payable	(18,487	)
The Company’s net interests in the consolidated investment product	$38,165	

Fair Value Measurements of Consolidated Investment Product

The assets and liabilities of the consolidated investment product measured at fair value on a recurring basis as of December 31, 2015 by fair value hierarchy level were as follows:

	Level 1	Level 2	Level 3	Total
($ in thousands)				
Assets				
Cash equivalents	$8,297	$—	$—	$8,297
Bank loans	—	199,485	—	199,485
Total Assets Measured at Fair Value	$8,297	$199,485	$—	$207,782

The following is a discussion of the valuation methodologies used for the assets and liabilities of the Company’s consolidated investment product measured at fair value.

Cash equivalents represent investments in money market funds. Cash investments in actively traded money market funds are valued using published net asset values and are classified as Level 1.

Bank loans represent the underlying debt securities held in the sponsored product which are consolidated by the Company. Bank loan investments include debt securities, which are valued based on quotations received from an independent pricing service. Pricing services do not provide pricing for all securities, and therefore indicative bids from dealers are utilized, which are based on pricing models used by market makers in the security and are also included within Level 2.

The estimated fair value of debt at December 31, 2015, which has a variable interest rate, approximates its carrying value and is classified as Level 2. The securities purchase payable at December 31, 2015 approximates fair value due to the short-term nature of the instruments.

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Debt of Consolidated Investment Product

On August 17, 2015, the SPE, entered into a three-year term $160.0 million financing transaction with a bank lending counterparty (the “Financing Facility”). The proceeds of the Financing Facility are intended to be used to purchase and warehouse commercial bank loan assets pending the securitization of such assets as a CLO. The size of the Financing Facility may be increased subject to the occurrence of certain events and the mutual consent of the parties. The Financing Facility is secured by all the assets of the SPE and initially bears interest at a rate of three-month LIBOR plus 1.25% per annum (with such interest rate, upon completion of the initial nine-month ramp-up period, increasing to three-month LIBOR plus 2.0% per annum). The Financing Facility contains standard covenants and event of default provisions (including loan-to-value ratio triggers) and foreclosure remedies upon such default in favor of the lender thereunder. The $40.0 million the Company contributed to the SPE serves as first loss protection for the bank lending counterparty under the Financing Facility. In the event of default, the recourse to the Company is limited to its investment in the SPE. At December 31, 2015 $152.6 million was outstanding under the Financing Facility.

19. Consolidation

As of December 31, 2015, 13 products were consolidated by the Company including, 12 consolidated sponsored investment products and one consolidated investment product. As of December 31, 2014, 12 products were consolidated by the Company, comprised entirely of sponsored investment products.
The following tables reflect the impact of the consolidated sponsored investment products and consolidated investment product in the Consolidated Balance Sheets as of December 31, 2015 and December 31, 2014, respectively:
As of December 31, 2015

	Balance Before Consolidation of Investment Products	Consolidated Sponsored Investment Products	Consolidated Investment Products	Eliminations and Adjustments (a)	Balances as Reported in Consolidated Balance Sheet
($ in thousands)					
Total cash	$87,574	$11,866	$8,297	$—	$107,737
Total investments	349,147	323,335	199,485	(292,409)	579,558
All other assets	162,673	8,549	1,467	(255)	172,434
Total assets	$599,394	$343,750	$209,249	$(292,664)	$859,729
Total liabilities	$89,937	$15,642	$171,084	$(255)	$276,408
Redeemable noncontrolling interest	—	—	—	73,864	73,864
Equity attributable to stockholders of the Company	509,624	328,108	38,165	(366,273)	509,624
Non-redeemable noncontrolling interest	(167)	—	—	—	(167)
Total liabilities and equity	$599,394	$343,750	$209,249	$(292,664)	$859,729

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As of December 31, 2014

($ in thousands)	Balance Before Consolidation of Investment Products	Consolidated Sponsored Investment Products	Consolidated Investment Products	Eliminations and Adjustments (a)	Balances as Reported in Consolidated Balance Sheet
Total cash	$202,847	$8,687	$—	$—	$211,534
Total investments	279,863	236,652	—	(216,415)	300,100
All other assets	180,436	6,960	—	(257)	187,139
Total assets	$663,146	$252,299	$—	$(216,672)	$698,773
Total liabilities	$99,794	$12,813	$—	$(257)	$112,350
Redeemable noncontrolling interest	—	—	—	23,071	23,071
Equity attributable to stockholders of the Company	563,542	239,486	—	(239,486)	563,542
Non-redeemable noncontrolling interest	(190)	—	—	—	(190)
Total liabilities and equity	$663,146	$252,299	$—	$(216,672)	$698,773

(a) Adjustments include the elimination of intercompany transactions between the Company, its consolidated sponsored investment products and consolidated investment product, primarily the elimination of the investments, consolidated sponsored investment product equity, consolidated investment product equity and recording of any noncontrolling interest.

The following table reflects the impact of the consolidated sponsored investment products in the Consolidated Statement of Operations for the years ended December 31, 2015, 2014 and 2013, respectively:

For the Year Ended December 31, 2015

($ in thousands)	Balance Before Consolidation of Investment Products	Consolidated Sponsored Investment Products	Consolidated Investment Products	Eliminations and Adjustments (a)	Balances as Reported in Consolidated Statement of Operations
Total operating revenues	$ 383,581	$—	$—	$(1,604)	$381,977
Total operating expenses	297,465	5,738	—	(1,604)	301,599
Operating income (loss)	86,116	(5,738)	—	—	80,378
Total other non-operating expense	(14,214)	(11,677)	(1,832)	14,988	(12,735)
Income (loss) before income tax expense	71,902	(17,415)	(1,832)	14,988	67,643
Income tax expense	36,972	—	—	—	36,972
Net income (loss)	34,930	(17,415)	(1,832)	14,988	30,671
Noncontrolling interests	176	—	—	4,259	4,435

Net income (loss) attributable to common stockholders	$ 35,106	$(17,415)	$(1,832)	$ 19,247	$35,106

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For the Year Ended
December 31, 2014

($ in thousands)	Balance Before Consolidation of Investment Products	Consolidated Sponsored Investment Products	Consolidated Investment Products	Eliminations and Adjustments (a)	Balances as Reported in Consolidated Statement of Operations
Total operating revenues	$ 451,259	$—	$—	$ (661)	$450,598
Total operating expenses	316,840	3,699	—	(661)	319,878
Operating income (loss)	134,419	(3,699)	—	—	130,720
Total other non-operating income (expense)	2,502	2,619	—	473	5,594
Income (loss) before income tax expense	136,921	(1,080)	—	473	136,314
Income taxes	39,349	—	—	—	39,349
Net income (loss)	97,572	(1,080)	—	473	96,965
Noncontrolling interests	128	—	—	607	735
Net income (loss) attributable to common stockholders	$ 97,700	$(1,080)	$—	$ 1,080	$97,700

For the Year Ended
December 31, 2013

($ in thousands)	Balance Before Consolidation of Investment Products	Consolidated Sponsored Investment Products	Consolidated Investment Products	Eliminations and Adjustments (a)	Balances as Reported in Consolidated Statement of Operations
Total operating revenues	$ 389,202	$—	$—	$ 13	$389,215
Total operating expenses	274,913	785	—	13	275,711
Operating income (loss)	114,289	(785)	—	—	113,504
Total other non-operating income	5,620	6,098	—	(3,314)	8,404
Income (loss) before income tax expense	119,909	5,313	—	(3,314)	121,908
Income tax expense	44,778	—	—	—	44,778
Net income (loss)	75,131	5,313	—	(3,314)	77,130
Noncontrolling interests	59	—	—	(1,999)	(1,940)
Net income (loss) attributable to common stockholders	$ 75,190	$5,313	$—	$ (5,313)	$75,190

(a) Adjustments include the elimination of intercompany transactions between the Company, its consolidated sponsored investment products and consolidated investment product, primarily the elimination of the investments, consolidated sponsored investment product equity, consolidated investment product equity and recording of any noncontrolling interest.

20. Subsequent Event

On February 17, 2016, the Company declared a quarterly cash dividend of $0.45 per common share to be paid on May 13, 2016 to shareholders of record at the close of business on April 29, 2016.

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21. Selected Quarterly Data (Unaudited)

	2015 Fourth Quarter	Third Quarter	Second Quarter	First Quarter
($ in thousands, except share data)				
Revenues	$86,115	$92,375	$99,656	$103,831
Operating Income	16,506	23,122	16,208	24,542
Net Income (Loss) Attributable to Common Stockholders	6,636	(649)	9,777	19,342
Earnings (loss) per share—Basic	$0.78	$(0.07)	$1.10	$2.16
Earnings (loss) per share—Diluted	$0.76	$(0.07)	$1.08	$2.11

	2014 Fourth Quarter	Third Quarter (1)	Second Quarter	First Quarter
($ in thousands, except share data)				
Revenues	$112,137	$117,841	$112,749	$107,871
Operating Income	36,665	38,927	22,502	32,626
Net Income Attributable to Common Stockholders	18,879	37,340	19,543	21,938
Earnings per share—Basic	$2.09	$4.10	$2.14	$2.41
Earnings per share—Diluted	$2.05	$4.02	$2.10	$2.34

(1) The third quarter of 2014 includes a net tax benefit of approximately $15.5 million due to completion of the audit of the Company's 2011 federal corporate income tax return.

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