VIRTUS INVESTMENT PARTNERS, INC.
Form SC 13G
February 12, 2014

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Schedule 13G

Under the Securities Exchange Act of 1934

(Amendment No.: 0)*

Name of issuer: Virtus Investment Partners Inc

Title of Class of Securities: Common Stock

CUSIP Number: 92828Q109

Date of Event Which Requires Filing of this Statement: **December 31, 2013**

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

(X) Rule 13d-1(b)

( ) Rule 13d-1(c)

( ) Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(Continued on the following page(s))

13G

CUSIP No.: 92828Q109

1. NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

The Vanguard Group - 23-1945930

2. CHECK THE APPROPRIATE [LINE] IF A MEMBER OF A GROUP

A. B. X

3. SEC USE ONLY

4. CITIZENSHIP OF PLACE OF ORGANIZATION

Pennsylvania

(For questions 5-8, report the number of shares beneficially owned by each reporting person with:)

5. SOLE VOTING POWER

9,637

6. SHARED VOTING POWER

7. SOLE DISPOSITIVE POWER

535,731

8. SHARED DISPOSITIVE POWER

9,137

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

544,868

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

N/A

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

5.98%

12. TYPE OF REPORTING PERSON

IA

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Act of 1934

Check the following [line] if a fee is being paid with this statement N/A

Item 1(a) - Name of Issuer:

Virtus Investment Partners Inc

Item 1(b) - Address of Issuer's Principal Executive Offices:

100 Pearl St

Hartford, Ct 06103

Item 2(a) - Name of Person Filing:

The Vanguard Group - 23-1945930

Item 2(b) – Address of Principal Business Office or, if none, residence:

100 Vanguard Blvd.

Malvern, PA 19355

Item 2(c) – Citizenship:

Pennsylvania

Item 2(d) - Title of Class of Securities:

Common Stock

Item 2(e) - CUSIP Number

92828Q109

Item 3 - Type of Filing:

This statement is being filed pursuant to Rule 13d-1. An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E).

Item 4 - Ownership:

(a) Amount Beneficially Owned:

544,868

(b) Percent of Class:

5.98%

(c) Number of shares as to which such person has:

(i) sole power to vote or direct to vote: 9,637

(ii) shared power to vote or direct to vote:

(iii) sole power to dispose of or to direct the disposition of: 535,731

(iv) shared power to dispose or to direct the disposition of: 9,137

Comments:

Item 5 - Ownership of Five Percent or Less of a Class:

Not Applicable

Item 6 - Ownership of More Than Five Percent on Behalf of Another Person:

Not applicable

Item 7 - Identification and Classification of the Subsidiary Which Acquired The Security Being Reported on by the Parent Holding Company:

See Attached Appendix A

Item 8 - Identification and Classification of Members of Group:

Not applicable

Item 9 - Notice of Dissolution of Group:

Not applicable

Item 10 - Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purpose or effect.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: 2/6/14

By /s/ F. William McNabb III*

F. William McNabb III

President and Chief Executive Officer

*By: /s/ Glenn Booraem

Glenn Booraem, pursuant to a Power of Attorney filed September 9, 2013, see File Number 005-56905, Incorporated by Reference

Appendix A

Vanguard Fiduciary Trust Company ("VFTC"), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 9,137 shares or .10% of the Common Stock outstanding of the Company as a result of its serving as investment manager of collective trust accounts.

Vanguard Investments Australia, Ltd. ("VIA"), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 500 shares or .00% of the Common Stock outstanding of the Company as a result of its serving as investment manager of Australian investment offerings.

By /s/ F. William McNabb III*

F. William McNabb III

President and Chief Executive Officer

*By: /s/ Glenn Booraem

Glenn Booraem, pursuant to a Power of Attorney filed September 9, 2013, see File Number 005-56905, Incorporated by Reference

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Balance as of September 30, 2003

$

47,578

$

1,780

$

7,373

$

56,731

(5) Long-Term Obligations

Long-term obligations consisted of the following (in thousands and unaudited):

	September 30, 2003	December 31, 2002
Obligations under capital leases	$ 4,690	$ 8,551
Equipment financing		72,945
Leased fiber capacity	39,620	36,107
Accounts receivable financing facility and other	45,881	42,948
Senior notes	305,682	369,318
Convertible senior notes	132,000	
Convertible subordinated debentures	71,119	71,119
Subtotal	598,992	600,988
Less: Current portion of long-term obligations	(81,940)	(63,231)
Total long-term obligations	$ 517,052	$ 537,757

The indentures governing the senior notes, convertible senior notes and convertible subordinated debentures, as well as other credit arrangements, contain certain financial and other covenants that, among other things, will restrict the Company s ability to incur further indebtedness and make certain payments, including the payment of dividends.

Senior Notes, Convertible Senior Notes and Convertible Subordinated Debentures

In September 2003, the Company completed the sale of $132 million in aggregate principal amount of 3¾% convertible senior notes due 2010 (September 2003 Convertible Senior Notes) with semi-annual interest payments due on March 15th and September 15th, with the first payment due on March 15, 2004. Holders of these notes may convert their notes into the Company s common stock at any time prior to maturity at an initial conversion price of $9.3234 per share, which is equivalent to an initial conversion rate of 107.257 shares per $1,000 principal amount of the notes, subject to adjustment in certain circumstances. The notes are convertible in the aggregate into 14,157,925 shares of the Company s common stock.

In February 2000, the Company completed the sale of $250 million in aggregate principal amount of 5¾% convertible subordinated debentures due 2007 (2000 Convertible Subordinated Debentures) with semi-annual interest payments due on February 15th and August 15th. On March 13, 2000, the Company announced that the initial purchasers of the 2000 Convertible Subordinated Debentures had exercised their $50 million over-allotment option granted pursuant to a purchase agreement dated February 17, 2000. The debentures were convertible into approximately 6,025,170 shares of the Company s common stock based on a conversion price of $49.7913 per share. During the years ended December 31, 2001 and 2000, the Company reduced the principal balance of the debentures through $36.4 million of open market purchases and $192.5 million of conversions to its common stock. The principal that was converted to common stock was retired upon conversion and in February 2002, the Company retired all of the 2000 Convertible Subordinated Debentures that it had previously purchased in December 2000 and January 2001. The retired principal had been held by the Company as treasury bonds and had been recorded as a reduction of long-term obligations. See the table below for detail on debt repurchases since December 31, 2001.

In October 1999, the Company completed the sale of $250 million in aggregate principal amount of 12¾% senior notes due 2009 (October 1999 Senior Notes). The October 1999 Senior Notes are due October 15, 2009, with semi-annual interest payments due on October 15th and April 15th with early redemption at the Company s option at any time after October 15, 2004. During the years ended December 31, 2002, 2001 and 2000, the Company reduced the principal balance of these senior notes through open market purchases. In June and September 2002, the Company retired all of the October 1999 Senior Notes that it had previously purchased in the principal amount of $134.3 million in aggregate. The retired principal had been held by the Company as treasury bonds and had been recorded as a reduction of long-term obligations. See the table below for detail on debt repurchases since December 31, 2001.

In January 1999, the Company completed the sale of $200 million in aggregate principal amount of 11 1/4% senior notes due 2009 (January 1999 Senior Notes) with semi-annual interest payments due on January 15th and July 15th. The January 1999 Senior Notes are due January 15, 2009 with early redemption at the Company s option at any time after January 15, 2004. In June 1999, in connection with the Telegroup acquisition, the Company issued $45.5 million in aggregate principal amount of its 11 1/4% senior notes due 2009 pursuant to the January 1999 Senior Notes indenture. During the three months ended June 30, 2003 and the years ended December 31, 2002 and 2001, the Company reduced the principal balance of these senior notes through open market purchases. In June, November and December 2002 and April 2003, the Company retired all of the January 1999 Senior Notes that it had previously purchased in the principal amount of $135.6 million in aggregate. The retired principal had been held by the Company as treasury bonds and had been recorded as a reduction of long-term obligations. See the table below for detail on debt repurchases since December 31, 2001.

On May 19, 1998, the Company completed the sale of $150 million in aggregate principal amount of 9 7/8% senior notes due 2008 (1998 Senior Notes) with semi-annual interest payments due on May 15th and November 15th. The 1998 Senior Notes are due May 15, 2008 with early redemption at the Company s option any time after May 15, 2003. During the three months ended June 30, 2003 and the years ended December 31, 2002 and 2001, the Company reduced the principal balance of these senior notes through open market purchases. In June, October and December 2002 and April 2003, the Company retired all of the 1998 Senior Notes that it had previously purchased in the principal amount of $103.4 million in aggregate. The retired principal had been held by the Company as treasury bonds and had been recorded as a reduction of long-term obligations. See the table below for detail on debt repurchases since December 31, 2001.

On August 4, 1997, the Company completed the sale of $225 million in aggregate principal amount of 11¾% senior notes due 2004 (1997 Senior Notes) and warrants to purchase 392,654 shares of its common stock, with semi-annual interest payments due on February 1st and August 1st. The 1997 Senior Notes are due August 1, 2004 with early redemption at the Company s option any time after August 1, 2003, at par plus accrued interest to the date of redemption. During the nine months ended September 30, 2003 and the years ended December 31, 2001 and 2000, the Company reduced the principal balance of these senior notes through open market purchases. During the three and nine months ended September 30, 2003, the Company purchased, prior to maturity, $10.0 million and $53.7 million principal amount of the 1997 Senior Notes, respectively. In January 2003, the Company entered into a Supplemental Indenture to amend the terms of the 1997 Senior Notes to eliminate substantially all of the covenants relating to such notes. In June 2002, November 2002, January 2003 and February 2003, the Company retired $181.4 million in principal amount of the 1997 Senior Notes that it had previously purchased. The retired principal had been held by the Company as treasury bonds and had been recorded as a reduction of long-term obligations. See the table below for detail on debt repurchases since December 31, 2001. See Note 11 Subsequent Events.

The following table shows the changes in the balances of the Company s senior notes, convertible senior notes and convertible subordinated debentures for the nine months ended September 30, 2003 and the year ended December 31, 2002 (unaudited).

For the nine months ended September 30, 2003

	Balance at December 31, 2002	Debt Issuance	Principal Purchases	Conversion to Common Stock	Warrant Amortization and Write-off	Balance at September 30, 2003	Cash Paid for Purchase of Principal
2003 3¾% Convertible Senior Notes due 2010	$	$ 132,000,000	$	$	$	$ 132,000,000	$
2000 5¾% Convertible Debentures due 2007	71,119,000					71,119,000	
October 1999 12¾% Senior Notes due 2009	115,680,000					115,680,000	
January 1999 11 1/4% Senior Notes due 2009	116,420,000		(6,523,000)			109,897,000	4,052,414
1998 9 7/8% Senior Notes due 2008	50,220,000		(3,640,000)			46,580,000	2,261,350
1997 11¾% Senior Notes due 2004	86,997,727		(53,650,000)		177,247	33,524,974	46,235,500
Total	$ 440,436,727	$ 132,000,000	$ (63,813,000)	$	$ 177,247	$ 508,800,974	$ 52,549,264

For the year ended December 31, 2002

	Balance at December 31, 2001	Debt Issuance	Principal Purchases	Conversion to Common Stock	Warrant Amortization and Write-off	Balance at December 31, 2002	Cash Paid for Purchase of Principal
2000 5¾% Convertible Debentures due 2007	$ 71,119,000	$	$	$	$	$ 71,119,000	$
October 1999 12¾% Senior Notes due 2009	126,680,000		(11,000,000)			115,680,000	1,485,000
January 1999 11 1/4% Senior Notes due 2009	139,587,000		(23,167,000)			116,420,000	3,782,045
1998 9 7/8% Senior Notes due 2008	69,020,000		(18,800,000)			50,220,000	9,776,000
1997 11¾% Senior Notes due 2004	86,857,345				140,382	86,997,727	
Total	$ 493,263,345	$	$ (52,967,000)	$	$ 140,382	$ 440,436,727	$ 15,043,045

<u>Capital Leases, Leased Fiber Capacity, Equipment Financing and Other Long-Term Obligations</u>

In December 1999, the Company agreed to purchase $23.2 million of fiber capacity from Qwest Communications, which provides the Company with an asynchronous transfer mode (ATM) + Internet protocol (IP) based international broadband backbone. The backbone is comprised of nearly 11,000 route miles of fiber optic cable in the United States and overseas as well as private Internet peering at select sites in the United States and overseas. In March 2000, the Company agreed to purchase an additional $20.8 million of fiber capacity and as of June 30, 2001 had fulfilled the total purchase obligation. As of December 31, 2001, the Company had made cash payments of $27.1 million and in June 2002 settled its outstanding payment obligation of $16.4 million with Qwest for $10 million in cash, which has been fully paid as of September 30, 2003. The Company recorded this transaction in accordance with FIN No. 26, Accounting for Purchase of a Leased Asset by the Lessee during the Term of the Lease, and accordingly, the transaction resulted in a reduction of property and equipment of $7.2 million during the three months ended June 30, 2002.

During the three months ended September 30, 2001, the Company accepted delivery of fiber optic capacity on an indefeasible rights of use (IRU) basis from Southern Cross Cables Limited (SCCL). The Company and SCCL entered into an arrangement financing the capacity purchase. During the three months ended December 31, 2001, the Company renegotiated the payment terms with SCCL. Under the new terms, the payments for each capacity segment will be made over a five-year term ending in April 2008, which added two years to the original three-year term, and continues to bear interest at 6.0% above LIBOR (7.12% at September 30, 2003). The Company further agreed to purchase $12.2 million of additional fiber optic capacity from SCCL under the IRU agreement. As of September 30, 2003, the Company had fulfilled the total purchase obligation. At September 30, 2003 and December 31, 2002, the Company had a liability recorded under this agreement in the amount of $18.2 million and $18.4 million, respectively.

In December 2000, the Company entered into a financing arrangement to purchase fiber optic capacity on an IRU basis in Australia for $34.6 million (51.1 million Australian dollars (AUD)) from Optus Networks Pty. Limited. As of December 31, 2001, the Company had fulfilled the total purchase obligation. The Company signed a promissory note payable over a four-year term ending in April 2005 bearing interest at a rate of 14.31%. During the three months ended June 30, 2003, the Company renegotiated the payment terms extending the payment schedule through March 2007, and lowering the interest rate to 10.2%. At September 30, 2003 and December 31, 2002, the Company had a liability recorded in the amount of $21.1 million and $17.2 million, respectively.

During the year ended December 31, 2000, Cisco Systems Capital Corporation (Cisco) provided the Company with $50.0 million in financing to fund the purchase of network equipment, secured by the equipment purchased. In March 2002, the Company settled its outstanding equipment lease obligations of $15.3 million with Cisco for $6.5 million in cash and 1,200,000 shares of its common stock. Cash of $5.0 million was paid in March 2002, and the remaining $1.5 million was paid in April 2003. The Company recorded this transaction in accordance with FIN No. 26, Accounting for Purchase of a Leased Asset by the Lessee during the Term of the Lease, and accordingly, this transaction resulted in a reduction of property and equipment of $8.0 million during the three months ended March 31, 2002.

During the years ended December 31, 2000 and 1999, NTFC Capital Corporation (NTFC) and General Electric Capital Corporation (GECC) provided the Company with financing in the amount of $65.0 million in aggregate to fund the purchase of telecommunications equipment (the Equipment Facilities), secured by the equipment purchased. During the three months ended March 31, 2003, NTFC and GECC signed an agreement with the Company to amend the terms of the Equipment Facilities to, among other things, merge the facilities into one agreement, defer principal payments otherwise due during the period from January 2002 through June 2003, decrease the interest rates to 8.0% from a range of 9.72% to 11.56%, extend the repayment period through 2006, and further secure the Equipment Facilities through liens placed on additional pieces of property, plant and equipment. Additional fees of $2.9 million were incurred in connection with the renegotiation, which brought the effective interest rate for the new agreement to 10.27%. These amounts had been deferred and would be amortized using the effective interest method over the life of the agreement. During the three months ended September 30, 2003, the Company fully paid its outstanding borrowings of $55.2 million utilized under the Equipment Facilities.

During the year ended December 31, 1999, Ericsson Financing Plc (Ericsson) provided the Company with $35.5 million (21.3 million British pounds (GBP)) in financing to fund the purchase of network equipment, secured by the equipment purchased. In April 2003, the Company settled its outstanding payment obligation of $14.9 million for approximately $10.6 million (one payment of 5.9 million GBP and one payment of 8.7 million Danish Krona), which was paid in April 2003. The Company had liabilities of $15.2 million recorded at December 31, 2002.

<u>Other</u>

In March 2002, the Company consummated a transaction financing accounts receivable of a certain wholly-owned subsidiary with Textron Financial Inc. (Textron). The Company pledged $17.8 million and $15.5 million as collateral as of September 30, 2003 and December 31, 2002, respectively, and recorded a liability of $15.2 million and $14.9 million, respectively, which is included in current portion of long-term obligations as the financing is payable on demand. This financing will terminate by March 2005 and bears fees at a rate of Bloomberg BBSWIB rate plus 5.75% per annum (10.6% at September 30, 2003), plus an additional $150,000 per annum. In July 2001, the Company consummated a transaction financing accounts receivable of its wholly-owned Canadian subsidiary, Primus Canada, with Textron Financial Canada Limited, an affiliate of Textron. The Company pledged $14.9 million and $15.3 million of its accounts receivable as collateral as of September 30, 2003 and December 31, 2002, respectively, and recorded a liability of $10.5 million and $10.4 million, respectively, which is included in current portion of long-term obligations as the financing is payable on demand. This financing will terminate by March 2005 and bears fees at a rate of Canada Prime Rate plus 3.25% (7.75% at September 30, 2003), plus an additional $296,250 per annum. These transactions with Textron collectively permit borrowings of up to $29.8 million, depending on the level of customer receivables.

In September 2002, the Company signed an agreement to acquire the United States-based retail switched voice services customer base of Cable & Wireless (C&W). The Company started acquiring the customer base during the three months ended December 31, 2002, which resulted in a liability of $7.6 million and $9.9 million at September 30, 2003 and December 31, 2002, respectively. The remaining purchase price will be paid through a deferred payment arrangement over a two-year period, ending in December 2004, and bears no interest.

During the three months ended March 31, 2003, Primus Canada signed an agreement with The Manufacturers Life Insurance Company (Manulife) to fund $14.8 million (20.0 million CAD) for acquisitions. As of September 30, 2003, $9.6 million (13.0 million CAD) had been utilized under this facility. The funding is payable in full in March 2005 and bears an interest rate of 15.0% per annum.

(6) Convertible Preferred Stock

In December 2002, the Company signed an agreement to sell 559,950 newly-authorized shares of its Series C convertible preferred stock (the Series C Preferred) for an aggregate purchase price of $42 million. On December 31, 2002, the Company issued 438,853 shares of Series C Preferred for approximately $32.3 million, net of $0.6 million of offering costs. At a special meeting of the Company s stockholders on March 31, 2003, its stockholders voted to approve the issuance of the remaining 121,097 shares of Series C Preferred for approximately $8.9 million in cash, net of $0.2 million of offering costs.

Each Series C Preferred share is convertible into common stock at any time. All shares are mandatorily convertible if (i) two-thirds of the holders elect to convert or (ii) the average closing price of the Company s common stock for any period of 20 consecutive trading days exceeds three times the then effective conversion price, and all of the then outstanding shares of Series C Preferred are no longer subject to transfer restrictions as contained in, and may be sold or transferred by such Series C holders in compliance with, Rule 144(k) and Rule 145 under the Securities Act of 1933, as amended. Since March 31, 2003, each share is convertible into 40.3911 shares of common stock at a conversion price of $1.857 per share. The preferred-to-common stock conversion ratio and the conversion price are subject to certain antidilution adjustments.

The Company issued the remaining 121,097 shares of Series C Preferred shares in April 2003. At the time of issuance, the fair value of the Company s stock was greater than the conversion price. The Company calculated a beneficial conversion feature to be $1.4 million, which has been recorded as a deemed dividend.

On April 30, 2003, the Company s Board of Directors approved an amendment to the Company s Stockholder Rights Plan which provides if the rights issued to stockholders under the Rights Plan are triggered, the Company may exchange for each right one share of Company common stock (or 1/1000 of a share of Series B Company Preferred Stock). With this amendment, the issuance of common stock or Series B Company Preferred Stock is no longer elective on the part of the rights holder, but is elective on the part of the Company. Because the decision regarding the issuance of common stock in exchange for rights is under the control of the Company, the Series C Preferred shares are no longer considered mezzanine financing and have been reclassified to the equity section of the balance sheet as of April 30, 2003. See Note 11 Subsequent Events.

(7) Operating Segment and Related Information

The Company has three reportable operating segments based on management s organization of the enterprise into geographic areas North America, Europe and Asia-Pacific. The Company evaluates the performance of its segments and allocates resources to them based upon net revenue and income (loss) from operations. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Net revenue by reportable segment is reported on the basis of where services are provided. The Company has no single customer representing greater than 10% of its revenues. Operations and assets of the North America segment include shared corporate functions and assets.

Summary information with respect to the Company s segments is as follows (in thousands and unaudited):

	Three months ended September 30, 2003	Three months ended September 30, 2002	Nine months ended September 30, 2003	Nine months ended September 30, 2002
Net Revenue				
North America				
United States	$ 73,309	$ 53,346	$ 214,121	$ 153,427
Canada	57,551	40,238	152,715	122,241
Other	923	1,254	2,711	4,971
Total North America	131,783	94,838	369,547	280,639
Europe				
United Kingdom	40,217	36,523	107,117	105,656
Germany	12,528	14,429	40,814	50,790
Netherlands	31,518	22,177	116,074	49,716
Other	18,979	21,078	58,422	63,201
Total Europe	103,242	94,207	322,427	269,363
Asia-Pacific				
Australia	88,305	65,211	242,638	190,210
Other	4,935	6,277	14,336	16,232
Total Asia-Pacific	93,240	71,488	256,974	206,442
Total	$ 328,265	$ 260,533	$ 948,948	$ 756,444
Income (Loss) From Operations				
North America	$ 8,211	$ 190	$ 12,102	$ (10,706)
Europe	4,097	340	6,856	3,737
Asia-Pacific	11,713	5,322	29,600	17,448
Total	$ 24,021	$ 5,852	$ 48,558	$ 10,479

	September 30, 2003	December 31, 2002
Assets		
North America		
United States	$ 196,343	$ 215,006
Canada	155,597	108,247
Other	7,755	7,125
Total North America	359,695	330,378
Europe		
United Kingdom	89,284	72,178
Germany	19,369	25,410
Netherlands	19,990	29,586
Other	57,425	60,326
Total Europe	186,068	187,500
Asia-Pacific		
Australia	210,775	179,195
Other	26,850	27,515
Total Asia-Pacific	237,625	206,710
Total	$ 783,388	$ 724,588

The Company offers three main products Voice, data/Internet, and voice-over-Internet protocol (VoIP) in all three segments. Summary net revenue information with respect to the Company s products is as follows (in thousands and unaudited):

	Three months ended September 30,				Nine months ended September 30,			
	2003		2002		2003		2002	
Voice	$	278,476	$	216,963	$	803,572	$	629,122
Data/Internet		33,249		27,895		93,711		85,041
VoIP		16,540		15,675		51,665		42,281
Total	$	328,265	$	260,533	$	948,948	$	756,444

(8) Commitments and Contingencies

In March 1999, the Company purchased the common stock of London Telecom Network, Inc. and certain related entities that provide long distance telecommunications services in Canada (the LTN Companies). In April 2001, the LTN Companies received a federal notice and, in May 2002, a provincial notice of income tax assessment disputing certain deductions from taxable income made by the LTN Companies, prior to the Company s acquisition, in the aggregate amount of $9.7 million (13.2 million CAD), plus penalties and interest of $5.1 million (6.8 million CAD). The Company is disputing the entire assessment. As of September 30, 2003, the Company paid $0.9 million (1.3 million CAD) and committed to pay $0.1 million (100,000 CAD) per month for the next twelve months subject to potential refund if the Company prevails. The Company has recorded an accrual for the amounts that management estimates to be the probable loss. The Company s ultimate legal and financial liability with respect to these proceedings cannot be estimated with certainty at this time, while an adverse result for the full amount sought or some significant percentage thereof could have a material adverse effect on its consolidated financial position and results of operations.

On December 9, 1999, Empresa Hondurena de Telecomunicaciones, S.A. (Plaintiff), based in Honduras, filed suit in Florida State Court in Broward County against TresCom and one of TresCom s wholly-owned subsidiaries, St. Thomas and San Juan Telephone Company, alleging that such entities failed to pay amounts due to Plaintiff pursuant to contracts for the exchange of telecommunications traffic during the period from December 1996 through September 1998. The Company acquired TresCom in June 1998, and TresCom is currently its subsidiary. Plaintiff is seeking approximately $14 million in damages, plus legal fees and costs. The Company filed an answer on January 25, 2000, and discovery has commenced. A trial date has not yet been set. The Company has recorded an accrual for the amounts that management estimates to be the probable loss. The Company s legal and financial liability with respect to such legal proceeding would not be covered by insurance, and our ultimate liability, if any, cannot be estimated with certainty at this time. Accordingly, an adverse result for the full amount sought or some significant percentage thereof could have a material adverse effect on its financial results. The Company intends to defend the case vigorously. Management believes that this suit will not have a material adverse effect on the Company s consolidated financial position and results of operations.

The Company and certain of its executive officers have been named as defendants in two separate securities lawsuits brought by stockholders (Plaintiffs) of Tutornet.com, Inc. (Tutornet) in the United States District Courts in Virginia and New Jersey. The Plaintiffs sued Tutornet and several of its officers (collectively, the Non-Primus Defendants) for an undisclosed amount alleging fraud in the sale of Tutornet securities. The Plaintiffs also named the Company and several of its executive officers (the Primus Defendants) as co-defendants. Neither the Company, nor any of its subsidiaries/affiliates, own, or have ever owned, any interest in Tutornet. In the Virginia case, the Primus Defendants were dismissed before the case went to the jury. The case continued against the Non-Primus Defendants, and the jury rendered a verdict of $176 million in favor of the Plaintiffs against the Non-Primus Defendants only. The Non-Primus Defendants have filed post-trial motions seeking to reverse or reduce the jury s award, and the Plaintiffs have sought a new trial involving the Primus Defendants. On April 2, 2003, the judge denied the Plaintiffs motion for a new trial and/or to alter and amend the judgment, as well as their motion for directed verdicts involving the Primus Defendants. In May 2003, the Plaintiffs filed an appeal in the 4th Circuit of the United States Court of Appeals regarding the Primus Defendants dismissal, which appeal is pending. The New Jersey case was filed on September 24, 2002 and includes claims against the Primus Defendants.

The Primus Defendants had moved to dismiss, and the case had been stayed pending further decision by the court in the Virginia case on Plaintiffs motion for a new trial. After the April 2, 2003 decision in the Virginia case, the parties in the New Jersey case agreed to a dismissal without prejudice of the claims against the Primus Defendants, pending a decision in the appeal by the Plaintiffs in the Virginia case. In both cases, the Company intends to vigorously defend against these actions and believes that the Plaintiffs claims against the Primus Defendants are without merit. However, the Company s ultimate legal and financial liability with respect to such legal proceedings cannot be estimated with any certainty at this time, and there is no entity insurance coverage for these claims. Accordingly, an adverse result for the full amount sought or some percentage thereof could have a material adverse effect on the Company s consolidated financial position and results of operations.

The Company is subject to certain other claims and legal proceedings that arise in the ordinary course of its business activities. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be decided unfavorably to the Company. Management believes that any aggregate liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the Company s consolidated financial position and results of operations.

(9) Asset Impairment

The Company recorded an asset impairment of $0.5 million and $0.6 million for the nine months ended September 30, 2003 and 2002, respectively. The impairment in 2003 consisted of a write-off of assets related to the fax-over-IP business that was closed in the Company s Indian venture, DIL, during the three months ended March 31, 2003.

(10) Basic and Diluted Income (Loss) per Common Share (As Restated)

Basic income (loss) per common share is calculated by dividing income attributable to common stockholders by the weighted average common shares outstanding during the period.

Prior to the conversion of the Series C Preferred into common shares in November 2003, the Company included the number of common shares issuable upon conversion of the Series C Preferred in the basic weighted average common shares outstanding as the Series C Preferred was deemed to participate in the earnings of the Company with common shares. Subsequent to the issuance of the Company s Form 10-Q for the quarter ended September 30, 2003, the Company determined that the Series C Preferred did not meet the definition of a participating security. As a result, the basic income per common share for the three and nine months ended September 30, 2003 has been restated to exclude the potentially dilutive common shares issuable upon conversion of the Series C Preferred for the period prior to its conversion. Also, because the Series C Preferred was deemed to be non-participating, the shares are assumed to be converted into common shares and the accreted and deemed dividend on convertible preferred stock is removed from the calculation of diluted income per common share.

A summary of the effects of the adjustments to the previously issued consolidated condensed financial information follows (in thousands, except per share amounts, and unaudited):

	For the Three Months Ended September 30, 2003	For the Nine Months Ended September 30, 2003

	Previously Reported	As Restated	Previously Reported	As Restated
Income per common share:				
Basic	$ 0.07	$ 0.09	$ 0.41	$ 0.54
Diluted	$ 0.06	$ 0.06	$ 0.40	$ 0.41
Basic weighted average common shares outstanding	88,015	65,398	86,236	65,214

Diluted income per common share adjusts basic income per common share for the effects of potentially dilutive common stock equivalents. Potentially dilutive common shares primarily include the dilutive effects of common shares issuable under the Company s stock option compensation plans computed using the treasury stock method and the dilutive effects of shares issuable upon the conversion of its Series C Preferred, September 2003 Convertible Senior Notes, 2000 Convertible Subordinated Debentures and the warrants to purchase shares associated with the 1997 Senior Notes computed using the if-converted method.

For the three and nine months ended September 30, 2003, 0.2 million and 0.3 million shares, respectively, issuable under the Company s stock option compensation plans could potentially dilute income per common share in the future but were excluded from the calculation of income per common share due to their antidilutive effects. For both the three and nine months ended September 30, 2002, 2.7 million shares issuable under the Company s stock option compensation plans, 1.4 million shares issuable upon the assumed conversion of the Company s 2000 Convertible Subordinated Debentures and warrants to purchase 0.4 million shares associated with the 1997 Senior Notes could potentially dilute income per common share in the future but were excluded from the calculation of income per common share due to their antidilutive effects.

A reconciliation of basic income per common share to diluted income per common share is below (in thousands, except per share amounts, and unaudited):

	Three months ended September 30,				Nine months ended September 30,			
	2003		2002		2003		2002	
Net income (loss)	$	5,835	$	(14,368)	$	37,072	$	(16,161)
Accreted and deemed dividend on convertible preferred stock						(1,678)		
Income attributable to common stockholders	$	5,835	$	(14,368)	$	35,394	$	(16,161)
Weighted average common shares outstanding basic		65,398		64,870		65,214		64,536
Series C Preferred		22,617				21,022		
In-the-money options exercisable under stock option compensation plans		3,748				2,960		
Weighted shares convertible related to September 2003 convertible senior notes						830		
Weighted average common shares outstanding diluted		91,763		64,870		90,026		64,536
Income per common share:								
Basic	$	0.09	$	(0.22)	$	0.54	$	(0.25)
Diluted	$	0.06	$	(0.22)	$	0.41	$	(0.25)

(11) Subsequent Events

In October 2003, the Company redeemed the remaining $33.6 million principal amount of the 1997 Senior Notes at par plus accrued interest to the date of redemption.

In October 2003, the Company filed a Form S-3 resale registration statement to satisfy certain of its obligations under a registration rights agreement that the Company entered into in connection with its recent private placement of $132 million in aggregate principal amount of 3 ¾% September 2003 Convertible Senior Notes due September 15, 2010. This registration statement went effective on November 7, 2003.

In November 2003, the Company filed a Form S-3 resale registration statement in connection with its Series C Preferred which is currently under review by the Securities and Exchange Commission (SEC). The selling security holders, prior to the S-3 filing, converted 559,950 shares of convertible preferred stock into 22,616,990 shares of common stock. During a 270-day period commencing November 4, 2003, certain selling security holders shares will be subject to the terms of a lock-up agreement with the Company, which will generally prohibit the resale of 13,540,008 of such shares.

In November 2003, the Company filed a Form S-3 shelf registration statement in the amount of $200,000,000 which is currently under review by the SEC. When this shelf registration becomes effective, the Company may sell common stock, preferred stock, debt securities and warrants in one or more offerings up to a total dollar amount of $200,000,000.

ITEM 4. CONTROLS AND PROCEDURES

Our management evaluated, with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and our principal financial officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective. Disclosure controls and procedures mean our controls and other procedures that are designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in our reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

There have been no changes in our internal control over financial reporting or in other factors that could significantly affect internal controls over financial reporting, that occurred during the period covered by this report, nor subsequent to the date we carried out our evaluation, that have materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

Exhibit Number	**Description**
31	Certifications.
32	Certification*.

* This certification is being furnished and will not be deemed filed for purposes of Section 18 of the Securities Exchange Act (15 U.S.C. 78r) and will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

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

		PRIMUS TELECOMMUNICATIONS GROUP, INCORPORATED	
Date:	October 15, 2004	By:	/s/ NEIL L. HAZARD
		Neil L. Hazard *Executive Vice President, Chief Operating Officer and Chief Financial Officer (Principal Financial Officer)*	
Date:	October 15, 2004	By:	/s/ TRACY BOOK LAWSON
		Tracy Book Lawson *Vice President Corporate Controller (Principal Accounting Officer)*	