

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

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**FORM 10-K**

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

For the fiscal year ended December 31, 2020

or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-10994

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**VIRTUS INVESTMENT PARTNERS, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
State or other jurisdiction of  
incorporation or organization

**26-3962811**  
(I.R.S. Employer  
Identification No.)

**One Financial Plaza, Hartford, CT 06103**  
(Address of principal executive offices, including zip code)

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

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$.01 par value	VRTS	The NASDAQ Stock Market LLC

**Securities registered pursuant to Section 12(g) of the Act:**

**None**  
(Title of class)

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.  Yes  No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).  Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).  Yes  No

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold (based on the closing share price as quoted on the NASDAQ Global Market) as of the last business day of the registrant's most recently completed second fiscal quarter was approximately \$835,000,000. For purposes of this calculation, shares of common stock held or controlled by executive officers and directors of the registrant have been treated as shares held by affiliates.

There were 7,583,557 shares of the registrant's common stock outstanding on February 12, 2021.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's proxy statement that will be filed with the SEC in connection with the 2021 Annual Meeting of Shareholders are incorporated by reference into Part III of this Form 10-K.

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**Virtus Investment Partners, Inc.**  
**Annual Report on Form 10-K for the Fiscal Year Ended December 31, 2020**

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"We," "us," "our," the "Company," and "Virtus" as used in this Annual Report on Form 10-K (the "Annual Report"), refer to Virtus Investment Partners, Inc., a Delaware corporation, and its subsidiaries.

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## PART I

### Item 1. Business.

#### Organization

Virtus Investment Partners, Inc. (the "Company"), a Delaware corporation, commenced operations on November 1, 1995 and became an independent publicly traded company on December 31, 2008 as a result of the distribution by Phoenix Life Insurance Company ("Phoenix"), the Company's former parent, of 100% of Virtus common stock to Phoenix stockholders in a spin-off transaction.

#### Our Business

We provide investment management and related services to individuals and institutions. We use a multi-manager, multi-style approach, offering investment strategies from affiliated managers, each having its own distinct investment style, autonomous investment process and individual brand. By offering a broad array of products, we believe we can appeal to a greater number of investors and have offerings across market cycles and through changes in investor preferences. Our earnings are primarily driven by asset-based fees charged for services relating to these various products, including investment management, fund administration, distribution and shareholder services.

We offer investment strategies for individual and institutional investors in different product structures and through multiple distribution channels. Our investment strategies are available in a diverse range of styles and disciplines, managed by a collection of differentiated investment managers. We have offerings in various asset classes (equity, fixed income and alternative), geographies (domestic, international and emerging) market capitalizations (large, mid and small), styles (growth, core and value) and investment approaches (fundamental, quantitative and thematic). Our retail products include open-end funds and exchange traded funds ("ETFs") as well as closed-end funds and retail separate accounts. Our institutional products are offered through separate accounts and pooled or commingled structures to a variety of institutional clients. We also provide subadvisory services to other investment advisers and serve as the collateral manager for structured products.

#### Our Investment Managers

We provide investment management services through our affiliated investment managers who are registered under the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act"). The investment managers are responsible for portfolio management activities for our retail, institutional and structured products operating under advisory, subadvisory or collateral management agreements. We provide our affiliated managers with distribution, operational and administrative support, thereby allowing each manager to focus primarily on investment management. We also use the investment management services of select unaffiliated managers to sub-advise certain of our open-end funds and ETFs. We monitor our managers' services by assessing their performance, style and consistency and the discipline with which they apply their investment process.

Our affiliated investment managers and their respective assets under management, products and strategies as of December 31, 2020 were as follows:

<b>Manager</b>	<b>Products</b>	<b>Strategies</b>	<b>Assets (in billions)</b>
Ceredex Value Advisors	Open-end funds and institutional accounts	<i>Value Equity Strategies</i> large-, mid- and small-cap domestic equities	\$ 8.5
Duff & Phelps Investment Management	Closed- and open-end funds and institutional accounts	<i>Income Focused Strategies</i> global listed infrastructure, domestic, international real estate and energy	\$ 10.6
Kayne Anderson Rudnick Investment Management	Open-end funds, institutional accounts, intermediary-sold managed accounts and private client accounts	<i>Quality-Oriented Equity Strategies</i> small- to large-cap, including domestic global, international and emerging market strategies	\$ 51.7
Newfleet Asset Management	Closed- and open-end funds, ETFs, institutional, private client accounts and structured products	<i>Multi-Sector Fixed Income Strategies</i> multi-sector, enhanced core strategies and dedicated sector strategies such as bank loans and high yield	\$ 10.0
Seix Investment Advisors	Open-end funds, institutional, ETFs and structured products	<i>Investment Grade and Leveraged Finance Fixed Income Strategies</i> high yield, bank loans, investment grade taxable, non-taxable and multi-sector strategies	\$ 17.9
Silvant Capital Management	Open-end funds and institutional	<i>Growth Equity Strategies</i> including large-cap and small-cap	\$ 0.8
Sustainable Growth Advisers	Institutional and private client accounts and open-end funds	<i>Global Growth Equity Strategies</i> large-cap growth strategies, including domestic, global, international and emerging markets	\$ 22.2

As of December 31, 2020, \$10.5 billion in assets under management were managed by unaffiliated managers including an unaffiliated manager in which the Company holds a minority interest.

#### Our Investment Products

Our assets under management are in open-end funds, closed-end funds, ETFs, retail separate accounts, institutional accounts and structured products.

#### *Assets Under Management by Product as of December 31, 2020*

<b>Fund assets</b>	<b>(in billions)</b>
Open-end funds	\$ 49.5
Closed-end funds	5.9
Exchange traded funds	0.8
Retail separate accounts	29.8
Institutional accounts	40.6
Structured products	4.1
Total Long-Term	130.7
Liquidity (1)	1.5
Total Assets Under Management	\$ 132.2

(1) Represents assets under management in liquidity strategies, including in certain open-end funds and institutional accounts.

**Open-End Funds**

Our open-end mutual funds are offered in a variety of asset classes (domestic and international equity, taxable and non-taxable fixed income, and alternative investments), market capitalizations (large, mid and small), styles (growth, core and value) and investment approaches (fundamental, quantitative and thematic). Our offshore funds are offered in select investment strategies to non-U.S. investors. Summary information about our open-end funds as of December 31, 2020 were as follows:

Asset Class	Number of Funds Offered	Total Assets (in millions)	Advisory Fee Range (1) (%)
Domestic Equity	20	\$ 23,774	2.15-0.40
Fixed Income	22	11,317	1.85-0.21
International/Global Equity	15	12,054	1.20-0.65
Alternatives	9	1,303	1.30-0.55
Multi-Asset	2	1,073	0.55-0.45
<b>Total Open-End Funds</b>	<b>68</b>	<b>\$ 49,521</b>	

- (1) Percentage of average daily net assets. The percentages listed represent the range of management advisory fees paid by the funds, from the highest to the lowest. The range indicated includes the impact of breakpoints at which management advisory fees for certain of the funds in each fund type decrease as assets in the funds increase. Subadvisory fees paid on funds managed by unaffiliated subadvisers are not reflected in the percentages listed.

**Closed-End Funds**

Our closed-end funds are offered in a variety of asset classes and various strategies such as infrastructure, energy and global multi-sector. We managed the following closed-end funds as of December 31, 2020, each of which is traded on the New York Stock Exchange:

Fund Type/Name	Total Assets (in millions)	Advisory Fee (%)	
<b>Multi-Asset</b>			
DNP Select Income Fund Inc.	\$ 3,807	0.60-0.50	(1)
Virtus Total Return Fund Inc.	604	0.70	(2)
<b>Alternatives</b>			
Duff & Phelps Utility and Infrastructure Fund Inc.	716	1.00	(1)
Duff & Phelps Select MLP and Midstream Energy Fund Inc.	19	1.00	(2)
<b>Fixed Income</b>			
Duff & Phelps Utility and Corporate Bond Trust Inc.	370	0.50	(1)
Virtus Global Multi-Sector Income Fund	196	0.95	(2)
DTF Tax-Free Income, Inc.	202	0.50	(1)
<b>Total Closed-End Funds</b>	<b>\$ 5,914</b>		

- (1) Percentage of average weekly net assets. A range indicates that the fund has breakpoints at which management advisory fees decrease as assets in the fund increase.  
(2) Percentage of average daily net assets of each fund.

**Exchange Traded Funds**

Our ETFs are offered in a range of actively managed and index-based investment capabilities across multiple asset classes. We managed the following ETFs as of December 31, 2020:

ETF Name	Total Assets (in millions)	Advisory Fee (1) (%)
<b>Alternative</b>		
Virtus InfraCap U.S. Preferred Stock ETF	\$ 225	0.140
Virtus Real Asset Income ETF	152	0.033
InfraCap MLP ETF	147	0.075
InfraCap REIT Preferred ETF	59	0.075
Virtus Reaves Utilities ETF	30	0.490
<b>Equity</b>		
Virtus Terranova U.S. Quality Momentum ETF	92	0.290
Virtus LifeSci Biotech Clinical Trials ETF	47	0.450
Virtus LifeSci Biotech Products ETF	29	0.450
Virtus WMC International Dividend ETF	5	0.280
<b>Fixed Income</b>		
Virtus Newfleet Multi-Sector Bond ETF	18	0.700
Virtus Newfleet Dynamic Credit ETF	6	0.550
Virtus Seix Senior Loan ETF	6	0.570
<b>Multi-Asset</b>		
Virtus Private Credit Strategy ETF	21	0.467
Total ETFs	<u>\$ 837</u>	

(1) Percentage of average daily net assets of each fund. Subadvisory fees paid on funds managed by unaffiliated subadvisers are not reflected in the percentages listed.

**Retail Separate Accounts**

Intermediary-Sold Managed Accounts

Intermediary-sold managed accounts are individual investment accounts that are primarily contracted through intermediaries as part of investment programs offered to retail investors. Summary information about our intermediary-sold managed accounts as of December 31, 2020 were as follows:

Asset Class	Total Assets (in millions)
<b>Equity</b>	
Domestic equity	\$ 21,489
International equity	329
<b>Fixed Income</b>	
Investment grade	244
Leveraged finance	1,789
Alternative	1
Total Intermediary-Sold Managed Accounts	<u>\$ 23,852</u>

### Private Client Accounts

Private client accounts are investment accounts offered by certain affiliates directly to individual investors. Services provided include investment and wealth advisory services employing both affiliated and unaffiliated investment managers and select third-party business partners. Summary information about our private client accounts as of December 31, 2020 was as follows:

Asset Class	Total Assets (in millions)
Multi-Asset	\$ 5,750
Fixed Income	103
Equity	46
Total Private Client Accounts	\$ 5,899

### Institutional Accounts

Our institutional clients include corporations, multi-employer retirement funds, public employee retirement systems, foundations and endowments; in addition, we provide subadvisory services to unaffiliated mutual funds. Summary information about our institutional accounts as of December 31, 2020 was as follows:

Asset Class	Total Assets (in millions)
Equity	
Domestic equity	\$ 19,664
International equity	8,738
Fixed Income	
Investment grade	6,655
Leveraged finance	2,288
Alternative	2,333
Multi-Asset	945
Total Institutional Accounts	\$ 40,623

### Structured Products

We act as collateral manager for structured finance products that primarily consist of collateralized loan obligations ("CLOs"). We managed the following structured products as of December 31, 2020:

Fund Name	Inception	Total Assets (in millions)
Mountain View CLO IX Ltd.	2015	\$ 541
Mountain View CLO 2017-1 Ltd.	2017	494
Mountain View CLO 2016-1 Ltd.	2016	405
Mountain View CLO XV Ltd.	2020	405
Mountain View CLO 2017-2 Ltd.	2018	399
Mountain View CLO XIV Ltd.	2019	398
Mountain View CLO 2013-1 Ltd.	2013	377
Mountain View CLO X Ltd.	2015	342
Newfleet CLO 2016-1 Ltd.	2016	305
Mountain View CLO 2014-1 Ltd.	2014	259
Broderick CDO 1 Ltd.	2005	135
Total Structured Products		\$ 4,060



**Our Investment Management, Administration and Shareholder Services**

Our investment management, administration and shareholder service fees earned in each of the last three years were as follows:

<i>(in thousands)</i>	Years Ended December 31,		
	2020	2019	2018
Open-end funds	\$ 247,519	\$ 229,637	\$ 231,175
Closed-end funds	36,833	42,199	41,455
Retail separate accounts	104,932	82,999	73,532
Institutional accounts	109,531	96,429	77,711
Structured products	4,012	6,381	9,622
Other products	2,511	3,832	3,526
Total investment management fees	505,338	461,477	437,021
Administration fees	41,582	42,009	44,503
Shareholder service fees	17,881	17,875	19,111
Total	\$ 564,801	\$ 521,361	\$ 500,635

***Investment Management Fees***

We provide investment management services pursuant to investment management agreements through our affiliated investment advisers (each an "Adviser"). With respect to our funds, the Adviser provides overall investment management services, pursuant to agreements with the funds. We earn fees based on each fund's average daily or weekly net assets with most fee schedules providing for rate declines or "breakpoints" as asset levels increase to certain thresholds. For funds managed by subadvisers, the day-to-day investment management of the fund's portfolio is performed by the subadviser, which receives a management fee based on a percentage of the Adviser's management fee. Each fund bears all expenses associated with its operations. In some cases, to the extent total fund expenses exceed a specified percentage of a fund's average net assets, the Adviser has agreed to reimburse the funds for such excess expenses.

For retail separate accounts and institutional accounts, investment management fees are negotiated and based primarily on portfolio size and complexity, individual client requests and investment strategy capacity, as appropriate. In certain instances, institutional fees may include performance related fees. Generally, we are entitled to performance related fees only if the returns on the portfolios exceed agreed upon periodic or cumulative return targets, primarily benchmark indices. Fees for structured finance products, for which we act as the collateral manager, consist of senior, subordinated and, in certain instances, incentive management fees. Senior and subordinated management fees are calculated at a contractual fee rate applied against the end of the preceding quarter par value of the total collateral being managed with subordinated fees being recognized only after certain portfolio criteria are met. Incentive fees on certain of our structured products are typically a percentage of the excess cash flows available to holders of the subordinated notes, above a threshold level internal rate of return.

***Administration Fees***

We provide various administrative fund services to our open-end mutual funds, ETFs and certain of our closed-end funds. We earn fees based on each fund's average daily or weekly net assets. These services include: record keeping, preparing and filing documents required to comply with securities laws, legal administration and compliance services, customer service, supervision of the activities of the funds' service providers, tax services and treasury services as well as providing office space, equipment and personnel that may be necessary for managing and administering the business affairs of the funds.

***Shareholder Service Fees***

We provide shareholder services to our open-end mutual funds. We earn fees based on each fund's average daily net assets. Shareholder services include maintaining shareholder accounts, processing shareholder transactions, preparing filings and performing necessary reporting, among other things.

## **Our Distribution Services**

We distribute our open-end funds and ETFs principally through financial intermediaries. We have broad distribution access in the retail market, with distribution partners that include national and regional broker-dealers, independent broker-dealers and registered investment advisers, banks and insurance companies. In many of these firms, we have a number of products that are on preferred "recommended" lists and on fee-based advisory programs. Our sales efforts are supported by regional sales professionals, a national account relationship group and separate teams for ETFs and the retirement and insurance channels.

Our retail separate accounts are distributed through financial intermediaries and directly to private clients by teams at our affiliated managers. Our institutional services are marketed through relationships with consultants as well as directly to clients. We target key market segments, including foundations and endowments, corporate, public and private pension plans, and subadvisory relationships.

## **Our Broker-Dealer Services**

We operate a broker-dealer that is registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and is a member of the Financial Industry Regulatory Authority ("FINRA"). Our broker-dealer serves as the principal underwriter and distributor of our open-end mutual funds and ETFs under sales agreements with unaffiliated financial intermediaries, and also market advisory services to sponsors of retail separate accounts. Our broker-dealer is subject to the net capital rule of the Securities and Exchange Commission (the "SEC"), which is designed to enforce minimum standards regarding the general financial condition and liquidity of broker-dealers.

## **Our Competition**

We face significant competition from a wide variety of financial institutions, including other investment management companies, as well as from proprietary products offered by our distribution partners such as banks, broker-dealers and financial planning firms. Competition in our businesses is based on several factors, including investment performance, fees charged, access to distribution channels, and service to financial advisors and their clients. Our competitors, many of which are larger than us, often offer similar products and use similar distribution sources, and may also offer less expensive products, have greater access to key distribution channels and have greater resources than we do.

## **Our Regulatory Matters**

We are subject to regulation by the SEC, FINRA and other federal and state agencies and self-regulatory organizations. Each affiliated investment manager and unaffiliated subadviser is registered with the SEC under the Investment Advisers Act. Each open-end mutual fund, closed-end fund and ETF is registered with the SEC under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Our offshore funds are subject to regulation by the Central Bank of Ireland (the "CBI"), and the funds and each investment manager and sub-investment manager are also registered with the CBI.

The financial services industry is highly regulated, and failure to comply with related laws and regulations can result in the revocation of registrations, the imposition of censures or fines and the suspension or expulsion of a firm and/or its employees from the industry. All of our U.S.-domiciled open-end mutual funds are generally available-for-sale and are qualified in all 50 states, Washington, D.C., Puerto Rico, Guam and the U.S. Virgin Islands. Our offshore funds are sold to both retail investors who are not citizens or residents of the United States or non-U.S. institutional clients. Most aspects of our investment management business, including the business of the unaffiliated subadvisers, are subject to various U.S. federal and state laws and regulations.

Our officers, directors and employees may, from time to time, own securities that are also held by one or more of our funds. We have adopted a Code of Ethics pursuant to the provisions of the Investment Company Act and the Investment Advisers Act that require the disclosure of personal securities holdings and trading activity by all employees on a quarterly and annual basis. Employees with investment discretion or access to investment decisions are subject to additional restrictions with respect to the pre-clearance of the purchase or sale of securities over which they have investment discretion or beneficial interest. Our Code of Ethics also imposes restrictions with respect to personal transactions in securities that are held, recently sold, or contemplated for purchase by our mutual funds, and certain transactions are restricted so as to avoid the possibility of improper use of information relating to the management of client accounts.

## Human Capital

We believe our value as a company derives from the talents and diversity of our employees. We foster a dynamic, entrepreneurial, and collaborative environment where talented people excel and are recognized and rewarded for their contributions. We are committed to creating and maintaining an equitable, welcoming and inclusive environment that promotes respect for every employee.

As of December 31, 2020, we employed 581 employees and operated offices in seven states. We strive to attract and retain talented individuals by creating an environment of excellence and opportunity that serves as a foundation for all employees to reach their potential and make meaningful contributions to the organization.

- We engage with employees in all areas of the organization to raise the awareness of, and advance, our diversity and inclusion efforts and ensure the greatest alignment of resources with business priorities.
- We offer career enhancement opportunities to maximize each employee's potential and develop leaders throughout the organization.
- We provide an education assistance program with tuition reimbursement for employees who wish to continue their education to secure increased responsibility and growth within their careers.

We have competitive salaries and offer a comprehensive suite of benefits, including programs that support wellness, financial security, and professional development.

- We regularly assess and benchmark our compensation and benefit practices and conduct internal and external pay comparisons to assist us in ensuring that employees are compensated fairly, equitably, and competitively.
- We offer benefits that promote financial and personal security including comprehensive insurance coverage, matching 401(k) employee contributions, an employee stock purchase plan, and employee reimbursement of work-related expenses.
- Our wellness programs include health screenings and wellness earned premium rebates, as well as paid time off for vacation, illness, bereavement, parental and family care leave, and volunteer activities.

We depend upon our key personnel to manage our business, including our senior executives, portfolio managers, securities analysts, investment advisers, sales personnel and other professionals. The retention of our key investment personnel is material to the management of our business. The departure of our key investment personnel could cause us to lose certain client accounts, which could adversely affect our business.

## Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as well as proxy statements, are available free of charge on our website located at [www.virtus.com](http://www.virtus.com) as soon as reasonably practicable after they are filed with, or furnished to, the SEC. Reports, proxy statements and other information regarding issuers that file electronically with the SEC, including our filings, are also available to the public on the SEC's website at <http://www.sec.gov>.

A copy of our Corporate Governance Principles, our Code of Conduct and the charters of our Audit Committee, Compensation Committee, Governance Committee and Risk and Finance Committee are posted on our website at <http://ir.virtus.com> under "Corporate Governance" and are available in print to any person who requests copies by contacting Investor Relations by email to: [investor.relations@virtus.com](mailto:investor.relations@virtus.com) or by mail to Virtus Investment Partners, Inc., c/o Investor Relations, One Financial Plaza, Hartford, CT 06103. Information contained on the website is not incorporated by reference or otherwise considered part of this document.

## Item 1A. Risk Factors.

*This section describes some of the potential risks relating to our business. The risks described below are some of the more important factors that could affect our business. You should carefully consider the risks described below, together with all of the other information included in this Annual Report on Form 10-K, in evaluating the Company and our common stock. If*

*any of the risks described below actually occur, our business, revenues, profitability, results of operations, financial condition, cash flows, reputation and stock price could be materially adversely affected.*

## **RISKS RELATED TO OUR INDUSTRY, BUSINESS AND OPERATIONS**

*We earn substantially all of our revenues based on assets under management, which fluctuate based on many factors, including market conditions, investment performance and client withdrawals, and any reduction would reduce our revenues and profitability.*

The majority of our revenues are generated from asset-based fees from investment management products and services to individuals and institutions. Therefore, if assets under management decline, our fee revenues would decline, reducing profitability as certain of our expenses are fixed or have contractual terms. Assets under management could decline due to a variety of factors, including, but not limited to, the following:

- **General domestic and global economic and political conditions.** Capital, equity and credit markets can experience substantial volatility. Changes in interest rates, the availability and cost of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, commodity prices, currency exchange rates and controls, and national and international political circumstances (including wars, terrorist acts, pandemics, civil unrest and security operations) and other conditions may impact the capital, equity and credit markets which may impact our assets under management. Employment rates, economic weakness and budgetary challenges in parts of the world, the impact of the United Kingdom's withdrawal from the European Union, uncertainty regarding international trade policies, regional turmoil in the Middle East, concern over prospects in China and emerging markets, growing debt for certain countries, and uncertainty about the consequences of governments withdrawing monetary stimulus all indicate that economic and political conditions remain unpredictable.

If the security markets decline or experience volatility, our assets under management and our revenues could be negatively impacted. Changes in currency exchange rates, such as an increase in the value of the U.S. dollar relative to non-U.S. currencies, could result in a decrease in the U.S. dollar value of assets under management that are denominated in non-U.S. currencies. In addition, diminishing investor confidence in the markets and/or adverse market conditions could result in a decrease in investor risk tolerance. Such a decrease could prompt investors to reduce their rate of investment or to fully withdraw from markets, which could reduce our overall assets under management and have an adverse effect on our revenues, earnings and growth prospects.

The volatility in the markets in the past has highlighted the interconnection of the global markets and demonstrated how the deteriorating financial condition of one institution may materially adversely impact the performance of other institutions. Our assets under management have exposure to many different industries and counterparties and may be exposed to credit, operational or other risk due to the default by a counterparty or client or in the event of a market failure or disruption. In the event of extreme circumstances, including economic, political or business crises, such as a widespread systemic failure in the global financial system or failures of firms that have significant obligations as counterparties, we may suffer significant declines in assets under management and severe liquidity or valuation issues.

- **Price declines in specific securities, market segments or geographic areas where those assets are invested.** Funds and portfolios that we manage that are focused on certain geographic markets and industry sectors, are particularly vulnerable to political, social and economic events in those markets and sectors. If these markets or industries decline or experience volatility, this could have a negative impact on our assets under management and our revenues. For example, certain non-U.S. markets, particularly emerging markets, are not as developed or as efficient as the U.S. financial markets and, as a result, may be less liquid, less regulated and significantly more volatile than the U.S. financial markets. Liquidity in such markets may be adversely impacted by factors including political or economic events, government policies, expropriation, volume trading limits by foreign investors, and social or civil unrest, etc. These factors may negatively impact the market value of an investment or our ability to dispose of it.
- **Any real or perceived negative absolute or relative performance.** Sales and redemptions of our investment strategies can be affected by investment performance relative to other competing investment strategies or to established benchmarks. Our investment management strategies are rated, ranked or assessed by independent third-parties, distribution partners and industry periodicals and services. These assessments often influence the investment decisions of clients. If the performance or assessment of our investment strategies is seen as underperforming relative to peers, it could result in an increase in the withdrawal of assets by existing clients and the inability to attract additional investments from existing and new clients. Certain of our investment strategies have capacity constraints, as there is a limit to the number of securities

available for the strategy to operate effectively. In those instances, we may choose to limit access to new or existing investors.

- **Changes in interest rates.** Increases in interest rates from their historically low levels may adversely affect the net asset values of our assets under management. Furthermore, increases in interest rates may result in reduced prices in equity markets. Conversely, decreases in interest rates could lead to outflows in fixed income assets that we manage as investors seek higher yields.

*We may engage in significant strategic transactions that may not achieve the expected benefits or could expose us to additional or increased risks.*

We regularly review, and from time to time have discussions on and engage in, potential significant transactions, including acquisitions, consolidations, joint ventures, strategic partnerships, or similar transactions, some of which may be material. We cannot provide assurance that we will be successful in negotiation of the required agreements, closing transactions after signing such agreements, or achieving expected financial benefits, including such things as revenue or cost synergies.

Any strategic transaction may also involve a number of other risks, including additional demands on our staff, unanticipated problems regarding integration of operating facilities, technologies and new employees, and the existence of liabilities or contingencies not disclosed to, or otherwise unknown by, us prior to closing a transaction. In addition, any business we acquire may underperform relative to expectations or may lose customers or employees.

*Our business, results of operations and financial condition could be negatively affected by the ongoing effects of the COVID-19 pandemic and associated global economic disruption and uncertainty.*

Our results of operations are affected by certain economic factors, including the condition of the securities markets. The global financial markets, including the capital, equity and credit markets, have been challenged in reaction to the COVID-19 pandemic and its related economic impact. Although there are effective vaccines for COVID-19 that have been approved for use, distribution of the vaccines did not begin until late 2020, and a majority of the public will likely not have access to a vaccination until sometime in 2021. In addition, new strains of the virus appear to have increased transmissibility, which could complicate treatment and vaccination programs. Accordingly, the broader implications of the COVID-19 pandemic on our results of operations and overall financial performance remain uncertain and, to the extent the financial markets experience challenges, we may suffer declines in our assets under management, which will adversely affect our revenues and earnings, and the fair value of our investments. Although we believe we have sufficient liquidity and capital resources to effectively continue operations for the foreseeable future, deterioration of worldwide credit and financial markets may limit our ability to raise capital and financing may not be available to us in sufficient amounts, on acceptable terms, or at all. If we are unable to access sufficient capital on acceptable terms, our business could be adversely impacted.

In an effort to protect the health and safety of our employees, we implemented various measures to reduce the impact of COVID-19 across our organization, while also maintaining business continuity. Consistent with government guidelines and mandates, these initiatives included the adoption of social distancing policies, work-at-home arrangements, and suspending employee travel. Currently, the majority of our employees are working remotely from home in an effort to reduce the spread of the virus and maintain the health and safety of our employees. While our work from home efforts have been successful to date, operating remotely for an extended period could result in operational challenges, strain our technology resources and/or expose us to an increased number of cybersecurity threats. A decline in the health and safety of our employees, including key employees, or material disruptions to their ability to work remotely, including power or Internet outages or electronic systems failures, could negatively affect our ability to operate our business normally and have a material adverse impact on our results of operations or financial condition.

Additionally, many of the key service providers and vendors upon which we rely also have transitioned to remote work environments pursuant to business continuity plans. While, to date, the effects of COVID-19 have not had a material negative impact on the services they provide to us, or, we believe, their business operations or service levels, to the extent that the COVID-19 virus continues to spread and affect the employee base or operations of our service providers, disruptions in or the inability to provide services to us could negatively impact our business operations.

***Our investment advisory agreements are subject to renegotiation or termination on short notice, which could negatively impact our business.***

Our clients include our sponsored mutual fund investors, that are represented by boards of directors, managed account program sponsors, private clients and institutional clients. Our investment management agreements with these clients may be terminated on short notice and without penalty. As a result, there would be little impediment for these clients or sponsors to terminate our agreements. Our clients may renegotiate their investment contracts, or reduce the assets we manage for them, due to a number of reasons including, but not limited to: poor investment performance; loss of key investment personnel; a change in the client's or third-party distributors decision makers; and reputational, regulatory or compliance issues. The board of directors of our sponsored funds may deem it to be in the best interests of a fund's shareholders to make decisions adverse to us, such as reducing the compensation paid to us, requesting that we subsidize fund expenses over certain thresholds, or imposing restrictions on our management of the fund. Under the Investment Company Act, investment advisory agreements automatically terminate in the event of an assignment, which may occur if, among other events, the Company undergoes a change in control, such as any person acquiring 25% of the voting rights of our common stock. If an assignment were to occur, we cannot be certain that the funds' board of directors and shareholders would approve a new investment advisory agreement. In addition, investment advisory agreements for separate accounts we manage may not be assigned without the consent of the client. If an assignment occurs, we cannot be certain that the Company will be able to obtain the necessary approvals or client consents. The withdrawal, renegotiation or termination of any investment management contract relating to a material portion of assets under management would have an adverse impact on our results of operations and financial condition.

***Our business could be harmed by any damage to our reputation and lead to a reduction in our revenues and profitability.***

Maintaining a positive reputation with existing and potential clients, the investment community and other constituencies is critical to our success. Our reputation is vulnerable to many threats that can be difficult or impossible to control, and costly or impossible to remediate even if they are without merit or satisfactorily addressed. Our reputation may be impacted by many factors including, but not limited to, poor performance; litigation; conflicts of interests; regulatory inquiries, investigations or findings; operational failures (including cyber breaches); intentional or unintentional misrepresentation of our products or services by us or our third party service providers; material weaknesses in our internal controls; or employee misconduct or rumors. Any damage to our reputation could impede our ability to attract and retain clients and key personnel, adversely impact relationships with clients, third-party distributors and other business partners, and lead to a reduction in the amount of our assets under management, any of which could adversely affect our results of operations and financial condition.

***Our debt agreements contain covenants, required principal repayments and other provisions that could adversely affect our financial position or results of operations***

We incur indebtedness for a variety of business reasons, including in relation to financing acquisitions. The indebtedness we incur can take many forms including, but not limited to, term loans or revolving lines of credit that customarily contain covenants.

At December 31, 2020, the Company had \$205.7 million of total debt outstanding under its credit agreement, excluding debt of consolidated investment products ("CIP"), and had no borrowings outstanding under its \$100.0 million credit facility. Under our credit agreement, we are required to use a portion of our cash flow to service interest and make required annual principal payments, which will restrict our cash flow available to pursue business growth opportunities. The credit agreement also contains covenants that limit our ability to return capital to shareholders. In addition, our indebtedness may make it more difficult for us to withstand or respond to adverse or changing business, regulatory and economic conditions. We cannot provide assurances that at all times in the future we will satisfy all such covenants or obtain any required waiver or amendment, in which event all indebtedness could become immediately due. Any or all of the above factors could materially adversely affect our financial position or results of operations.

***Our business relies on the ability to attract and retain key employees, and the loss of such employees could negatively affect our financial performance.***

The success of our business is dependent to a large extent on our ability to attract and retain key employees, such as senior executives, portfolio managers, securities analysts and sales personnel. Competition in the job market for these professionals is generally intense, and compensation levels in the industry are highly competitive. Our industry is also characterized by the movement of investment professionals among different firms.

If we are unable to continue to attract and retain key employees, or if compensation costs required to attract and retain key employees increase, our performance, including our competitive position, could be materially adversely affected. Additionally, we utilize Company equity awards as part of our compensation plans and as a means for recruiting and retaining key employees. Declines in our stock price could result in deterioration of the value of equity awards granted, thus lessening the effectiveness of using stock-based awards to retain key employees.

In certain circumstances, the departure of key investment personnel could cause higher redemption rates in certain strategies or the loss of certain client accounts. Any inability to retain key employees, attract qualified employees or replace key employees in a timely manner could lead to a reduction in the amount of our assets under management, which could have a material adverse effect on our revenues and profitability. In addition, there could be additional costs to replace, retain or attract new talent that could result in a decrease in our profitability and have an adverse impact on our results of operations and financial condition.

***We operate in a highly competitive industry that may require us to reduce our fees, or increase amounts paid to financial intermediaries, which could result in a reduction of our revenues and profitability.***

We face significant competition from a wide variety of financial institutions, including other investment management companies, as well as from proprietary products offered by our distribution partners such as banks, broker-dealers and financial planning firms. Competition in our businesses is based on several factors, including investment performance, fees charged, access to distribution channels and service to financial advisers. Our competitors, many of which are larger than we are, often offer similar products, use the same distribution sources, offer less expensive products, maintain greater access to key distribution channels, and have greater resources, geographic footprints and name recognition than we do. Additionally, certain products and asset classes that we do not currently offer, such as passive or index-based products, are popular with investors. Existing clients may withdraw their assets in order to invest in these products, and we may be unable to attract additional investments from existing and new clients, which would lead to a decline in our assets under management and market share.

Our profits are highly dependent on the fees charged for our products and services. In recent years, there has been a trend in certain segments of our markets toward lower fees and lower-fee products, such as passive products. Competition could cause us to reduce the fees that we charge. In order to maintain appropriate fee levels in a competitive environment, we must provide clients with investment products and services they view as appropriate in relation to the fees charged. If our clients, including our fund boards, were to view our fees as being high relative to the market or the returns provided by our investment products, we may choose, or be required to, reduce our fee levels or we may experience significant redemptions in our assets under management, which could have an adverse impact on our results of operations and financial condition.

***We utilize unaffiliated firms to provide investment management services, and any matters that adversely impact them, or any change in our relationships with them, could lead to a reduction in assets under management, which would adversely affect our revenues and profitability.***

We utilize unaffiliated subadvisers as investment managers for certain of our retail products, and we have licensing arrangements with unaffiliated data providers. Because we typically have no ownership interests in these unaffiliated firms, we do not control their business activities. Problems stemming from the business activities of these unaffiliated firms may negatively impact or disrupt their operations or expose them to disciplinary action or reputational harm. Furthermore, any such matters at these unaffiliated firms may have an adverse impact on our business or reputation or expose us to regulatory scrutiny, including with respect to our oversight of such firms.

We periodically negotiate provisions and renewals of these relationships, and we cannot provide assurance that such terms will remain acceptable to us or the unaffiliated firms. These relationships can also be terminated upon short notice without penalty. In addition, the departure of key employees at unaffiliated subadvisers firms could cause higher redemption rates for certain assets under management and/or the loss of certain client accounts. An interruption or termination of unaffiliated firm relationships could affect our ability to market our products and result in a reduction in assets under management, which could have an adverse impact on our results of operations and financial condition.

***We distribute our products through intermediaries and changes in key distribution relationships could reduce our revenues, increase our costs and adversely affect our profitability.***

Our primary source of distribution for retail products is through intermediaries that include third-party financial institutions, such as: major wire-houses; national, regional and independent broker-dealers and financial advisors; banks and



financial planners; and registered investment advisers. Our success is highly dependent on access to these various distribution systems. These distributors are generally not contractually required to distribute our products and typically offer their clients various investment products and services, including proprietary products and services, in addition to, and in competition with, our products and services. While we compensate these intermediaries for selling our products and services pursuant to contractual agreements, we may not be able to retain access to these channels at all or at similar pricing. Increasing competition for these distribution channels could cause our distribution costs to rise, which could have a material adverse effect on our business, revenues and profitability. To the extent that existing or future intermediaries prefer to do business with our competitors, the sales of our products as well as our market share, revenues and profitability could decline.

***We and our third-party service providers rely on numerous technology systems, and any temporary business interruption, security breach or system failure could negatively impact our business and profitability.***

Our technology systems, and those of third-party service providers, are critical to our operations. The ability to consistently and reliably obtain accurate securities pricing information, process client portfolio and fund shareholder transactions, and provide reports and other customer service to fund shareholders and clients in other accounts managed by us is an essential part of our business. Any delays or inaccuracies in obtaining pricing information, processing such transactions or reports, other breaches and errors, and any inadequacies in other customer service could result in reimbursement obligations or other liabilities or alienate customers and potentially give rise to claims against us. Our customer service capability, as well as our ability to obtain prompt and accurate securities pricing information and to process transactions and reports, is highly dependent on third-party service providers' information systems. Any failure or interruption of those systems, whether resulting from technology or infrastructure breakdowns, defects or external causes such as fire, natural disaster, computer viruses, acts of terrorism or power disruptions, could result in financial loss, negatively impact our reputation and negatively affect our ability to do business. Although we, and our third-party service providers, have disaster recovery plans in place, we may nonetheless experience interruptions if a natural or man-made disaster or prolonged power outage were to occur, which could have an adverse impact on our results of operations and financial condition.

In addition, like other companies, our computer systems are regularly subject to, and expected to continue to be the target of, computer viruses or other malicious codes, unauthorized access, cyber-attacks or other computer-related penetrations. The sophistication of cyber threats continues to increase, and any controls we put in place and preventative actions we take to reduce the risk of cyber incidents and protect our information systems may be insufficient to detect or prevent unauthorized access, cyber-attacks or other security breaches to our computer systems or those of third parties with whom we do business. A breach of our technology systems, or of those of third parties with whom we do business, through cyber-attacks or failure to manage and secure our technology environment could result in interruptions or malfunctions in the operations of our business, loss of valuable information, liability for stolen assets or information, remediation costs to repair damage caused by a breach or to recover access to our systems, additional costs to mitigate against future incidents, and litigation costs resulting from an incident.

We and certain of our third-party vendors receive and store personal information as well as non-public business information. Although we and our third-party vendors take precautions, we may still be vulnerable to hacking or other unauthorized use. A breach of the systems or hardware could result in unauthorized access to our proprietary business or client data or release of this type of data, which could subject us to legal liability or regulatory action under data protection and privacy laws, which may result in fines or penalties, the termination of existing client contracts, costly mitigation activities and harm to our reputation. The occurrence of any of these risk could have an adverse impact on our results of operations and financial condition.

***We have significant Company assets invested in marketable securities, which exposes us to earnings volatility as the value of these investments fluctuate, as well as risk of capital loss.***

We use capital to incubate new investment strategies and make investments to introduce new products or enhance distribution access of existing products. At December 31, 2020, the Company had \$135.4 million of such investments, comprising \$36.2 million of marketable securities and \$99.2 million of net interests in CIP. The Company also had \$65.3 million of net investments in CLOs. These investments are in a variety of asset classes, including alternative, fixed income and equity strategies including first loss tranches of CLO equity. Many of these investments employ a long-term investment strategy and entail an optimal investment period spanning several years. Accordingly, during this investment period, the Company's capital utilized in these investments may not be available for other corporate purposes, or if required for alternative corporate purposes without significantly diminishing our invested capital or our investment return. We cannot provide assurance that these investments will perform as expected. Moreover, increases or decreases in the value of these investments



will increase the volatility of our earnings, and an other than temporary or permanent decline in the value of these investments would result in the loss of capital and have an adverse impact on our results of operations and financial condition.

***We may need to obtain additional capital in the future that may not be available to us in sufficient amounts or on acceptable terms, which could have an adverse impact on our business.***

Our ability to meet our future cash needs is dependent upon our ability to generate cash. Although we have generated sufficient cash in the past, we may not do so in the future. The Company also had \$100.0 million of unused capacity under our credit facility. Also at December 31, 2020, we had \$205.7 million in debt outstanding, excluding the notes payable of our CIP for which risk of loss to the Company is limited to our \$65.3 million investment in such products. See Note 19 of our consolidated financial statements for additional information on the notes payable of the CIP. Our ability to access capital markets efficiently depends on a number of factors, including the state of credit and equity markets, interest rates and credit spreads. We may need to raise capital to fund new business initiatives in the future, and financing may not be available to us in sufficient amounts, on acceptable terms, or at all. If we are unable to access sufficient capital on acceptable terms, our business could be adversely impacted.

## LEGAL AND REGULATORY RISKS

***We are subject to an extensive and complex regulatory environment, and changes in regulations or failure to comply with them could adversely affect our revenues and profitability.***

The investment management industry in which we operate is subject to extensive and frequently changing regulation. We are regulated by the SEC under the Exchange Act, the Investment Company Act and the Investment Advisers Act, and we are subject to regulation by the Commodities Futures Trading Commission under the Commodities Exchange Act. The Central Bank of Ireland regulates our global funds (UCITS) and has approved the Company entities that advise these funds. We are also regulated by FINRA, the Department of Labor under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), as well as other federal and state laws and regulations.

Although we spend extensive time and resources to ensure compliance with all applicable laws and regulations, if we fail to properly modify and update our compliance procedures in a timely manner in this changing and highly complex regulatory environment, we may be subject to various legal proceedings, including civil litigation, governmental investigations and enforcement actions that could result in fines, penalties, suspensions of individual employees, or limitations on particular business activities, any of which could have an adverse impact on our results of operations and financial condition.

***We manage assets under agreements that have investment guidelines or other contractual requirements and failure to comply could result in claims, losses or regulatory sanctions, which could negatively impact our revenues and profitability.***

The agreements under which we manage client assets often have established investment guidelines or other contractual requirements with which we are required to comply in providing our investment management services. Although we maintain various compliance procedures and other controls to prevent, detect and correct such errors, any failure or allegation of a failure to comply with these guidelines or other requirement could result in client claims, reputational damage, withdrawal of assets and potential regulatory sanctions, any of which could have an adverse impact on our results of operations and financial condition.

***We could be subject to civil litigation and government investigations or proceedings, which could adversely affect our business.***

Many aspects of our business involve substantial risks of liability, and there have been substantial incidences of litigation and regulatory investigations in the financial services industry in recent years, including customer claims as well as class action suits seeking substantial damages. From time to time, we and/or our funds may be named as defendants or co-defendants in lawsuits or be involved in disputes that involve the threat of lawsuits seeking substantial damages. We and/or our funds are also involved from time to time in governmental and self-regulatory organization investigations and proceedings. See Item 3. "Legal Proceedings" for further description of the Company's litigation matters.

Any lawsuits, investigations or proceedings could result in reputational damage, loss of clients and assets, settlements, awards, injunctions, fines, penalties, increased costs and expenses in resolving a claim, diversion of employee resources and resultant financial losses. Predicting the outcome of such matters is inherently difficult, particularly where claims are brought on behalf of various classes of claimants or by a large number of claimants, when claimants seek substantial or unspecified damages, or when investigations or legal proceedings are at an early stage. A substantial judgment, settlement, fine or penalty

could be material to our operating results or cash flows for a particular period, depending on our results for that period, or could cause us significant reputational harm, which could harm our business prospects.

We depend to a large extent on our business relationships and our reputation to attract and retain clients. As a result, allegations of improper conduct by private litigants, including investors in our funds, or regulators, whether the ultimate outcome is favorable or unfavorable to us, as well as negative publicity and press speculation about us, our investment activities or the asset management industry in general, whether or not valid, may harm our reputation, which may be more damaging to our business than to other types of businesses. We may incur substantial legal expenses in defending against proceedings commenced by a client, regulatory authority or other private litigant. Substantial legal liability levied on us could cause significant reputational harm and have an adverse impact on our results of operations and financial condition.

***We are subject to multiple tax jurisdictions and any changes in tax laws or unanticipated tax obligations could have an adverse impact on our financial condition, results of operations and cash flow.***

We are subject to income taxes as well as non-income-based taxes, and are subject to ongoing tax audits, in various jurisdictions in which we operate. Tax authorities may disagree with certain positions we have taken which may result in the assessment of additional taxes. We regularly assess the appropriateness of our tax positions and reporting. We cannot provide assurance, however, that we will accurately predict the outcomes of audits, and the actual outcomes of these audits could be unfavorable. Any changes to tax laws could impact our estimated effective tax rate and overall tax expense and could result in adjustments to our treatment of deferred taxes, including the realization or value thereof, which could have an adverse effect on our business, financial condition and results of operations. In addition, our ability to use net operating loss carryforwards and other tax attributes available to us will be dependent on our ability to generate taxable income.

## **RISKS RELATED TO OWNERSHIP OF OUR COMMON STOCK**

***We have a large amount of our common stock concentrated with a small number of shareholders, which could increase the volatility in our stock trading and affect our share price.***

A large percentage of our common stock is held by a limited number of shareholders. If our larger shareholders decide to liquidate their positions, it could cause significant fluctuation in the share price of our common stock. Public companies with a relatively concentrated level of institutional shareholders, such as we have, often have difficulty generating trading volume in their stock, which may increase the volatility in the price of our common stock.

***We may not pay quarterly dividends as intended or at all.***

The declaration, payment and determination of the amount of our quarterly dividends may change at any time. In making decisions regarding our quarterly dividends, we consider general economic and business conditions as well as our strategic plans and prospects, business and investment opportunities, financial condition and operating results, working capital requirements and anticipated cash needs, contractual and regulatory restrictions (including under the terms of our credit agreement) and other obligations, that may have implications on the payment of distributions by us to our shareholders or by our subsidiaries to us, and such other factors as we may deem relevant. Our ability to pay dividends in excess of our current quarterly dividends is subject to restrictions under the terms of our credit agreement. We cannot make any assurances that any dividends whether quarterly or otherwise will continue to be paid in the future.

***We have corporate governance provisions that may make an acquisition of us more difficult.***

Certain provisions of our certificate of incorporation and bylaws could discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions also could limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. Stockholders who wish to participate in these transactions may not have the opportunity to do so. In addition, the provisions of Section 203 of the Delaware General Corporation Law also restrict certain business combinations with interested stockholders.

## **GENERAL RISK FACTORS**

***Our insurance policies may not cover all losses and costs to which we may be exposed.***

We carry insurance in amounts and under terms that we believe are appropriate. Our insurance may not cover all liabilities and losses to which we may be exposed. Certain insurance coverage may not be available or may be prohibitively expensive in

future periods. As our insurance policies come up for renewal, we may need to assume higher deductibles or pay higher premiums, which could have an adverse impact on our results of operations and financial condition.

***We have goodwill and intangible assets on our balance sheet that could become impaired.***

Our goodwill and indefinite-lived intangible assets are subject to annual impairment reviews. We also have definite-lived intangible assets that are subject to impairment testing if indicators of impairment are identified. A variety of factors could cause the carrying values to become impaired, which would adversely affect our results of operations.

**SPECIAL NOTE ABOUT FORWARD-LOOKING STATEMENTS**

This Annual Report on Form 10-K contains statements that are, or may be considered to be, forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995, as amended, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements that are not historical facts, including statements about our beliefs or expectations, are "forward-looking statements." These statements may be identified by such forward-looking terminology as "expect," "estimate," "intent," "plan," "intend," "believe," "anticipate," "may," "will," "should," "could," "continue," "project," "opportunity," "predict," "would," "potential," "future," "forecast," "guarantee," "assume," "likely," "target" or similar statements or variations of such terms.

Our forward-looking statements are based on a series of expectations, assumptions and projections about the Company and the markets in which we operate, are not guarantees of future results or performance, and involve substantial risks and uncertainty, including assumptions and projections concerning our assets under management, net asset inflows and outflows, operating cash flows, business plans and ability to borrow, for all future periods. All forward-looking statements contained in this Annual Report on Form 10-K are as of the date of this Annual Report on Form 10-K only.

We can give no assurance that such expectations or forward-looking statements will prove to be correct. Actual results may differ materially. We do not undertake or plan to update or revise any such forward-looking statements to reflect actual results, changes in plans, assumptions, estimates or projections, or other circumstances occurring after the date of this Annual Report on Form 10-K, even if such results, changes or circumstances make it clear that any forward-looking information will not be realized. If there are any future public statements or disclosures by us that modify or impact any of the forward-looking statements contained in or accompanying this Annual Report on Form 10-K, such statements or disclosures will be deemed to modify or supersede such statements in this Annual Report on Form 10-K.

Our business and our forward-looking statements involve substantial known and unknown risks and uncertainties, including those discussed under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this Annual Report on Form 10-K, resulting from: (i) a reduction in our assets under management; (ii) inability to achieve expected acquisition-related benefits; and other risks and uncertainties; (iii) the on-going effects of the COVID-19 pandemic and associated global economic disruptions; (iv) withdrawal, renegotiation or termination of investment advisory agreements; (v) damage to our reputation; (vi) inability to satisfy financial covenants or make debt payments; (vii) inability to attract and retain key personnel; (viii) challenges from competition; (ix) adverse developments related to unaffiliated subadvisers; (x) negative implications of changes in key distribution relationships; (xi) interruptions in or failure to provide critical technological service by us or third parties; (xii) losses on our investments; (xiii) lack of sufficient capital on satisfactory terms; (xiv) adverse regulatory and legal developments; (xv) failure to comply with investment guidelines or other contractual requirements; (xvi) adverse civil litigation and government investigations or proceedings; (xvii) unfavorable changes in tax laws or limitations; (xviii) volatility in the trading of our common stock; (xix) inability to make quarterly common stock dividend payments; (xx) losses or costs not covered by insurance; (xxi) impairment of goodwill or intangible assets; and other risks and uncertainties. Any occurrence of, or any material adverse change in, one or more risk factors or risks and uncertainties referred to in this Annual Report on Form 10-K and our other periodic reports filed with the SEC could materially and adversely affect our operations, financial results, cash flows, prospects and liquidity.

Certain other factors that may impact our continuing operations, prospects, financial results and liquidity, or that may cause actual results to differ from such forward-looking statements, are discussed or included in the Company's periodic reports filed with the SEC and are available on our website at [www.virtus.com](http://www.virtus.com) under "Investor Relations." You are urged to carefully consider all such factors.

**Item 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

We lease our principal offices, which are located at One Financial Plaza, Hartford, CT 06103. In addition, we lease office space in California, Connecticut, Florida, Georgia, Illinois, New Jersey and New York.

**Item 3. Legal Proceedings.**

The information set forth in response to Item 103 of Regulation S-K under "Legal Proceedings" is incorporated by reference from Part II, Item 8. "Financial Statements and Supplementary Data," Note 11 "Commitments and Contingencies" of this Annual Report on Form 10-K.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.**

Our common stock is traded on the NASDAQ Global Market under the trading symbol "VRTS." As of February 12, 2021, we had 7,583,557 shares of common stock outstanding that were held by approximately 45,000 holders of record.

In making decisions regarding our quarterly dividend, we consider general economic and business conditions, our strategic plans and prospects, our businesses and investment opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax, regulatory and other restrictions that may have implications on the payment of distributions by us to our common shareholders or by our subsidiaries to us, and such other factors as we may deem relevant. We cannot provide any assurances that any distributions, whether quarterly or otherwise, will continue to be paid in the future.

On February 3, 2020, 1,150,000 shares of mandatory convertible preferred stock ("MCPS") converted to 912,870 shares of the Company's common stock. Each share of MCPS converted to 0.7938 shares of common stock at a conversion price of \$125.97 per share, subject to customary anti-dilution adjustments. The number of shares of common stock issued upon conversion was determined based on the volume-weighted average price per share of our common stock over the 20 consecutive trading day period beginning on, and including, the 22nd scheduled trading day immediately preceding the mandatory conversion date.

On February 24, 2021, our Board of Directors declared a quarterly cash dividend of \$0.82 per common share to be paid on May 14, 2021 to shareholders of record at the close of business on April 30, 2021.

**Issuer Purchases of Equity Securities**

As of December 31, 2020, an aggregate of 4,930,045 shares of our common stock had been authorized to be repurchased under the share repurchase program originally approved by our Board of Directors in 2010, and 722,642 shares remain available for repurchase. Under the terms of the program, we may repurchase shares of our common stock from time to time at our discretion through open market repurchases, privately negotiated transactions and/or other mechanisms, 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 the year ended December 31, 2020, we repurchased a total of 279,796 common shares for approximately \$32.5 million. The following table sets forth information regarding our share repurchases in each month during the quarter ended December 31, 2020:

<u>Period</u>	<u>Total number of shares purchased</u>	<u>Average price paid per share (1)</u>	<u>Total number of shares purchased as part of publicly announced plans or programs (2)</u>	<u>Maximum number of shares that may yet be purchased under the plans or programs (2)</u>
October 1—31, 2020	3,545	\$ 159.23	3,545	759,173
November 1—30, 2020	21,076	\$ 178.27	21,076	738,097
December 1—31, 2020	15,455	\$ 205.56	15,455	722,642
Total	40,076		40,076	

(1) Average price paid per share is calculated on a settlement basis and excludes commissions.

(2) The share repurchases above were completed pursuant to a program announced in the fourth quarter of 2010 and most recently increased in May 2020. This repurchase program is not subject to an expiration date.

There were no unregistered sales of equity securities during the fourth quarter of fiscal 2020. Shares of our common stock purchased by participants in our Employee Stock Purchase Plan were delivered to participant accounts via open market purchases at fair value by the third-party administrator under the plan. We do not reserve shares for this plan or discount the purchase price of the shares.

**Item 6. Selected Financial Data.**

The following table sets forth our selected consolidated financial and other data at the dates and for the periods indicated. The selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto appearing elsewhere in this Annual Report on Form 10-K.

<i>(in thousands, except per share data)</i>	Years Ended December 31,				
	2020 (1)	2019 (1)	2018 (1)	2017 (2)	2016 (2)
<b>Results of Operations</b>					
Revenues	\$ 603,896	\$ 563,246	\$ 552,235	\$ 425,607	\$ 322,554
Operating expenses	460,732	438,536	439,136	367,572	271,740
Operating income (loss)	143,164	124,710	113,099	58,035	50,814
Income tax expense (benefit)	43,935	35,177	32,961	40,490	21,044
Net income (loss)	119,963	105,508	76,080	39,939	48,763
Net income (loss) attributable to common stockholders	79,957	87,312	67,192	28,676	48,502
Earnings (loss) per share—basic	10.49	12.54	9.37	4.09	6.34
Earnings (loss) per share—diluted	10.02	11.74	8.86	3.96	6.20
Cash dividends declared per preferred share	—	7.25	7.25	7.25	—
Cash dividends declared per common share	2.98	2.44	2.00	1.80	1.80
	As of December 31,				
<i>(in thousands)</i>	2020 (1)	2019 (1)	2018 (2)	2017 (2)	2016 (2)
<b>Balance Sheet Data</b>					
Cash and cash equivalents	\$ 246,511	\$ 221,781	\$ 201,705	\$ 132,150	\$ 64,588
Investments	64,944	83,206	79,558	108,492	89,371
Investments of CIP	2,333,277	2,030,110	1,749,568	1,597,752	489,042
Goodwill and other intangible assets, net	570,630	600,757	629,178	472,107	45,215
Total assets	3,466,943	3,204,634	2,870,535	2,590,799	824,388
Accrued compensation and benefits	122,514	101,377	93,339	86,658	47,885
Debt	201,212	277,839	329,184	248,320	30,000
Notes payable of CIP	2,190,445	1,834,535	1,620,260	1,457,435	328,761
Total liabilities	2,630,490	2,454,532	2,169,187	1,981,397	465,449
Redeemable noncontrolling interests	115,513	63,845	57,481	4,178	37,266
Mandatory convertible preferred stock	—	110,843	110,843	110,843	—
Total equity	720,940	686,257	643,867	605,224	321,673
	As of December 31,				
<i>(in millions)</i>	2020	2019	2018	2017	2016
<b>Assets Under Management</b>					
Total assets under management	\$ 132,194	\$ 108,904	\$ 92,030	\$ 90,963	\$ 45,366
Total long-term assets under management	\$ 130,706	\$ 107,726	\$ 90,417	\$ 88,835	\$ 45,366

(1) Derived from audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

(2) Derived from audited consolidated financial statements not included in this Annual Report on Form 10-K.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

**Overview**

***Our Business***

We provide investment management and related services to individuals and institutions. We use a multi-manager, multi-style approach, offering investment strategies from affiliated managers, each having its own distinct investment style, autonomous investment process and individual brand. By offering a broad array of products, we believe we can appeal to a greater number of investors and have offerings across market cycles and through changes in investor preferences. Our earnings are primarily driven by asset-based fees charged for services relating to these various products, including investment management, fund administration, distribution and shareholder services.

We offer investment strategies for individual and institutional investors in different product structures and through multiple distribution channels. Our investment strategies are available in a diverse range of styles and disciplines, managed by a collection of differentiated investment managers. We have offerings in various asset classes (equity, fixed income and alternative), geographies (domestic, international and emerging), market capitalizations (large, mid and small), styles (growth, core and value) and investment approaches (fundamental, quantitative and thematic). Our retail products include open-end funds and exchange traded funds ("ETFs") as well as closed-end funds and retail separate accounts. Our institutional products are offered through separate accounts and pooled or commingled structures to a variety of institutional clients. We also provide subadvisory services to other investment advisers and serve as the collateral manager for structured products.

We distribute our open-end funds and ETFs principally through financial intermediaries. We have broad distribution access in the retail market, with distribution partners that include national and regional broker-dealers, independent broker-dealers and registered investment advisers, banks and insurance companies. In many of these firms, we have a number of products that are on preferred "recommended" lists and on fee-based advisory programs. Our sales efforts are supported by regional sales professionals, a national account relationship group, and separate teams for ETFs and the retirement and insurance channels. We leverage third-party distributors for offshore products and in certain international jurisdictions. Our retail separate accounts are distributed through financial intermediaries and directly to private clients by teams at an affiliated manager.

Our institutional services are marketed through relationships with consultants as well as directly to clients. We target key market segments, including foundations and endowments, corporate, public and private pension plans, and subadvisory relationships.

***Market Developments***

The financial markets have a significant impact on the value of our assets under management and on the level of our sales and net flows. The capital and financial markets could experience fluctuation, volatility and declines as they have in the past, which could impact investment returns and asset flows of our investment products as well as in investor choices and preferences among investment products. The changes in our assets under management may also be affected by the factors discussed in Item 1A. "Risk Factors" of this Annual Report on Form 10-K.

During 2020, the novel coronavirus global pandemic ("COVID-19") significantly impacted the global economy and financial markets, creating uncertainty, market volatility and dislocation. In an effort to contain COVID-19 in the U.S., or slow its spread, the federal government and nearly every state enacted varying degrees of social containment measures, restricting business and related activities, closing borders, and restricting travel. Governments around the world responded to the impact of COVID-19 with economic stimulus measures. These measures are intended to support businesses, employees and consumers until economic activities recover. Financial markets experienced significant declines during the first quarter of 2020 and volatility in subsequent quarters, although certain markets, including domestic equity securities, experienced recoveries that more than offset the first quarter decline. Despite the general recovery of the financial markets, particularly domestic equity securities, since the first quarter of 2020, the economy has been slower to recover. The timing and magnitude of the economic recovery, as well as the sustainability of the financial markets recovery, continues to be uncertain.

The U.S. and global equity markets increased in value in 2020, as evidenced by increases in major indices as noted in the following table:

<i>Index</i>	<b>December 31,</b>		<b>As of Change</b>	
	<b>2020</b>	<b>2019</b>	<b>%</b>	
MSCI World Index	2,690	2,358	14.1	%
Standard & Poor's 500 Index	3,756	3,231	16.2	%
Russell 2000 Index	1,975	1,668	18.4	%
MSCI Emerging Markets Index	1,291	1,115	15.8	%
Bloomberg Barclays U.S. Aggregate Bond Index	2,392	2,225	7.5	%
Standard & Poor's / LSTA Leveraged Loan Index	2,338	2,273	2.9	%

#### ***Impact of COVID-19 to our Business***

As a result of the challenging and volatile capital, equity and credit markets, our assets under management experienced a decrease during the first quarter of 2020, driven by market depreciation of \$16.6 billion and net outflows of \$1.3 billion. For the remainder of 2020, as financial markets recovered, our assets under management increased primarily driven by \$35.8 billion in market appreciation and \$6.4 billion in positive net flows.

#### ***Financial Highlights***

- Earnings per diluted share was \$10.02 in 2020 compared with \$11.74 per diluted share in 2019.
- Total sales were \$32.3 billion in 2020, an increase of \$12.2 billion, or 60.5%, from \$20.1 billion in 2019. Net flows were \$5.1 billion in 2020 compared with \$(0.8) billion in 2019.
- Assets under management were \$132.2 billion at December 31, 2020, an increase of \$23.3 billion, or 21.4%, from \$108.9 billion at December 31, 2019.

#### ***AllianzGI Strategic Partnership***

On February 1, 2021, we completed actions necessary to finalize our agreement from July 2020 with Allianz Global Investors U.S. LLC and Allianz Global Investors Distributors LLC (collectively, "AllianzGI") pursuant to which we became the investment adviser, distributor and/or administrator of certain AllianzGI's open-end, closed-end and retail separate account assets.

#### ***Agreement with Westchester Capital Management***

On February 1, 2021, we entered into an agreement to acquire all of the equity of Westchester Capital Management ("Westchester"). The transaction is expected to close in the second half of the 2021, subject to customary closing conditions and approvals by Westchester's Funds' Board and shareholders.

#### ***Assets Under Management***

At December 31, 2020, total assets under management were \$132.2 billion, representing an increase of \$23.3 billion, or 21.4%, from December 31, 2019. The increase in total assets under management from December 31, 2019 included \$19.2 billion of positive market performance and \$5.1 billion of positive net flows.

Average long-term assets under management, which represent the majority of our fee-earning asset levels, were \$108.2 billion for the twelve months ended December 31, 2020, an increase of \$7.7 billion, or 7.7%, from \$100.5 billion for the twelve months ended December 31, 2019. The year-over-year increase in long-term average assets under management was primarily due to market performance and positive net flows.



**Investment Performance - Open End Funds**

The following table presents our open-end funds' three-year average annual return and corresponding benchmark index average annual return as of December 31, 2020. Also presented with each fund is its three-year ranking within its Morningstar Peer Group.

Fund Type/Name	Assets (in millions)	Three Year		
		Average Return (1) %	Benchmark Index Return (2) %	Peer Group Percentile Ranking (3) %
<b>U.S. Retail Funds</b>				
<i>Equity</i>				
Virtus KAR Small-Cap Growth Fund	\$ 7,430	29.91	16.20	11
Virtus KAR Mid-Cap Growth Fund	3,354	36.53	20.50	4
Virtus Ceredex Mid-Cap Value Equity Fund	3,226	6.62	5.37	17
Virtus KAR Small-Cap Core Fund	1,813	18.61	10.25	54
Virtus Zevenbergen Innovative Growth Stock Fund	1,371	49.53	22.50	1
Virtus Ceredex Large-Cap Value Equity Fund	1,297	6.78	6.07	35
Virtus KAR Small-Cap Value Fund	1,144	10.40	3.72	86
Virtus KAR Mid-Cap Core Fund	964	16.53	11.61	68
Virtus KAR Capital Growth Fund	780	24.41	22.99	19
Virtus KAR Small-Mid Cap Core Fund	710	N/A	N/A	N/A
Virtus Ceredex Small-Cap Value Equity Fund	481	1.29	3.72	91
Virtus KAR Equity Income Fund	136	8.59	5.69	89
Virtus Silvant Large-Cap Growth Stock Fund	126	21.76	22.99	39
Virtus Silvant Small-Cap Growth Stock Fund	38	20.86	16.20	36
<i>Fixed Income</i>				
Virtus Newfleet Multi-Sector Short Term Bond Fund	6,133	3.44	3.79	31
Virtus Seix Floating Rate High Income Fund	1,725	2.37	3.99	74
Virtus Newfleet Low Duration Core Plus Bond Fund	553	3.40	3.69	34
Virtus Seix Total Return Bond Fund	427	5.86	5.34	31
Virtus Newfleet Multi-Sector Intermediate Bond Fund	416	4.59	5.34	52
Virtus Seix High Yield Fund	384	6.85	6.22	7
Virtus Seix Investment Grade Tax-Exempt Bond Fund	295	4.39	4.23	24
Virtus Seix High Income Fund	232	5.30	6.24	42
Virtus Newfleet Senior Floating Rate Fund	200	2.67	3.99	63
Virtus Seix Core Bond Fund	197	5.47	5.34	28
Virtus Newfleet Tax-Exempt Bond Fund	112	4.00	4.32	52
Virtus Newfleet Core Plus Bond Fund	111	5.51	5.34	45
Virtus Seix Corporate Bond Fund	111	8.49	7.06	1
Virtus Seix High Grade Municipal Bond Fund	81	5.12	4.64	27
Virtus Newfleet High Yield Fund	61	5.90	6.21	18

Fund Type/Name	Assets (in millions)	Three Year		
		Average Return (1)	Benchmark Index Return (2)	Peer Group Percentile Ranking (3)
		%	%	%
<b>International/Global</b>				
Virtus Vontobel Emerging Markets Opportunities Fund	6,454	5.47	6.17	48
Virtus KAR International Small-Cap Fund	2,519	13.94	4.59	22
Virtus Vontobel Foreign Opportunities Fund	1,120	8.90	4.88	67
Virtus Vontobel Global Opportunities Fund	410	13.07	10.06	24
Virtus KAR Emerging Markets Small-Cap Fund	296	15.83	2.69	3
Virtus SGA Global Growth Fund	150	19.23	10.06	9
Virtus SGA International Growth Fund	48	13.50	4.88	17
Virtus KAR Global Quality Dividend Fund	38	2.59	3.89	89
Virtus KAR International Small-Mid Cap Fund	34	N/A	N/A	N/A
<b>Alternatives</b>				
Virtus Duff & Phelps Real Estate Securities Fund	473	5.37	3.40	32
Virtus Duff & Phelps International Real Estate Securities Fund	273	5.95	1.69	18
Virtus KAR Long/Short Equity Fund	129	N/A	N/A	N/A
Virtus Duff & Phelps Global Infrastructure Fund	86	6.20	4.71	22
Virtus Aviva Multi-Strategy Target Return Fund	38	2.90	1.49	50
Virtus Duff & Phelps Global Real Estate Securities Fund	29	7.00	1.52	10
<b>Multi-Asset</b>				
Virtus Tactical Allocation Fund	966	16.19	13.66	1
<b>Global Funds</b>				
Virtus GF SGA Global Growth Fund	796	18.18	10.06	13
Virtus GF U.S. Small Cap Focus Fund	259	19.08	10.25	17
Virtus GF Multi-Sector Short Duration Bond Fund	57	3.31	4.37	7
Virtus GF Multi-Sector Income Fund	29	4.52	5.34	19
Virtus GF Select High Yield Fund	27	N/A	N/A	N/A
<b>Variable Insurance Funds</b>				
Virtus KAR Capital Growth Series	315	24.91	22.99	16
Virtus SGA International Growth Series	165	6.89	4.88	12
Virtus KAR Small-Cap Growth Series	137	30.41	16.20	9
Virtus Newfleet Multi-Sector Intermediate Bond Series	119	4.63	5.34	50
Virtus KAR Equity Income Series	99	8.81	5.69	88
Virtus KAR Small-Cap Value Series	89	10.77	3.72	93
Virtus Strategic Allocation Series	89	16.69	13.66	1
Virtus Duff & Phelps Real Estate Securities Series	76	5.45	3.40	30
<b>Other Funds</b>				
	293			
	\$ 49,521			

- (1) Represents the average annual total return performance of the largest share class as measured by net assets for which performance data is available. Performance shown does not include the effect of applicable sales charges, if any. Had any applicable sales charges been reflected, performance would be lower than shown above.
- (2) Represents the average annual total return of the benchmark index. Benchmark indices are unmanaged, their returns do not reflect any fees, expenses or sales charges, and they are not available for direct investment. The Benchmark Index for each fund can be found in the respective fund's fact sheet on our website at <https://www.virtus.com/our-products/individual-investors/mutual-funds>.
- (3) Represents the peer ranking of the fund's average annual total return according to Morningstar. The Morningstar Peer Group for each fund can be found in the respective fund's fact sheet on our website at <https://www.virtus.com/our-products/individual-investors/mutual-funds>. Fund returns are reported net of fees.

Past performance does not guarantee future results. Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost.

### Operating Results

In 2020, total revenues increased 7.2%, or \$40.7 million, to \$603.9 million from \$563.2 million in 2019 primarily due to higher revenues from an increase in average assets under management in our open-end funds, retail separate and institutional accounts. Operating income increased by 14.8%, or \$18.5 million, to \$143.2 million in 2020 from \$124.7 million in 2019, due to increased revenues.

### Assets Under Management by Product

The following table summarizes our assets under management by product:

<i>(in millions)</i>	As of December 31,		As of Change	
	2020	2019	2020 vs. 2019	%
Open-End Funds (1)	\$ 49,521	\$ 42,870	\$ 6,651	15.5 %
Closed-End Funds	5,914	6,748	(834)	(12.4)%
Exchange Traded Funds	837	1,156	(319)	(27.6)%
Retail Separate Accounts	29,751	20,414	9,337	45.7 %
Institutional Accounts	40,623	32,635	7,988	24.5 %
Structured Products	4,060	3,903	157	4.0 %
Total Long-Term	\$ 130,706	\$ 107,726	\$ 22,980	21.3 %
Liquidity (2)	1,488	1,178	310	26.3 %
Total Assets Under Management	\$ 132,194	\$ 108,904	\$ 23,290	21.4 %
Average Long-Term Assets Under Management (3)	\$ 108,172	\$ 100,472	\$ 7,700	7.7 %
Average Assets Under Management (3)	\$ 109,512	\$ 102,072	\$ 7,440	7.3 %

(1) Represents assets under management of U.S. retail funds, offshore funds and variable insurance funds.

(2) Represents assets under management in liquidity strategies, including certain open-end funds and institutional accounts.

(3) Averages are calculated as follows:

- Funds - average daily or weekly balances
- Retail Separate Accounts - prior-quarter ending balances
- Institutional Accounts and Structured Products - average of month-end balances

The following table summarizes asset flows by product:

<i>(in millions)</i>	Years Ended December 31,	
	2020	2019
<b>Open-End Funds (1)</b>		
Beginning balance	\$ 42,870	\$ 37,710
Inflows	15,954	10,835
Outflows	(16,067)	(13,029)
Net flows	(113)	(2,194)
Market performance	7,210	7,536
Other (2)	(446)	(182)
Ending balance	\$ 49,521	\$ 42,870
<b>Closed-End Funds</b>		
Beginning balance	\$ 6,748	\$ 5,956
Inflows	25	44
Outflows	—	—
Net flows	25	44
Market performance	(387)	1,116
Other (2)	(472)	(368)
Ending balance	\$ 5,914	\$ 6,748
<b>Exchange Traded Funds</b>		
Beginning balance	\$ 1,156	\$ 668
Inflows	438	784
Outflows	(448)	(279)
Net flows	(10)	505
Market performance	(254)	90
Other (2)	(55)	(107)
Ending balance	\$ 837	\$ 1,156
<b>Retail Separate Accounts</b>		
Beginning balance	\$ 20,414	\$ 14,998
Inflows	6,452	3,315
Outflows	(2,960)	(1,790)
Net flows	3,492	1,525
Market performance	5,868	4,045
Other (2)	(23)	(154)
Ending balance	\$ 29,751	\$ 20,414
<b>Institutional Accounts</b>		
Beginning balance	\$ 32,635	\$ 27,445
Inflows	8,967	4,777
Outflows	(7,513)	(5,720)
Net flows	1,454	(943)
Market performance	6,681	6,377
Other (2)	(147)	(244)
Ending balance	\$ 40,623	\$ 32,635
<b>Structured Products</b>		
Beginning balance	\$ 3,903	\$ 3,640
Inflows	491	389
Outflows	(265)	(98)
Net flows	226	291
Market performance	91	173
Other (2)	(160)	(201)
Ending balance	\$ 4,060	\$ 3,903

<b>Total Long-Term</b>			
Beginning balance	\$	107,726	\$ 90,417
Inflows		32,327	20,144
Outflows		(27,253)	(20,916)
Net flows		5,074	(772)
Market performance		19,209	19,337
Other (2)		(1,303)	(1,256)
Ending balance	\$	130,706	\$ 107,726
<b>Liquidity (3)</b>			
Beginning balance	\$	1,178	\$ 1,613
Other (2)		310	(435)
Ending balance	\$	1,488	\$ 1,178
<b>Total</b>			
Beginning balance	\$	108,904	\$ 92,030
Inflows		32,327	20,144
Outflows		(27,253)	(20,916)
Net flows		5,074	(772)
Market performance		19,209	19,337
Other (2)		(993)	(1,691)
Ending balance	\$	132,194	\$ 108,904

- (1) Represents assets under management of U.S. retail funds, offshore funds and variable insurance funds.
- (2) Represents open-end and closed-end fund distributions net of reinvestments, the net change in assets from liquidity strategies and the effect on net flows from non-sales related activities such as asset acquisitions/(dispositions), seed capital investments/(withdrawals), structured products reset transactions and the use of leverage.
- (3) Represents assets under management in liquidity strategies, including in certain open-end funds and institutional accounts.

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

<i>(in millions)</i>	December 31,		Change	
	2020	2019	2020 vs. 2019	%
<b>Asset Class</b>				
Equity	\$ 95,590	\$ 70,720	\$ 24,870	35.2 %
Fixed income	30,310	31,186	(876)	(2.8)%
Alternatives (1)	4,806	5,820	(1,014)	(17.4)%
Total Long-term	130,706	107,726	22,980	21.3 %
Liquidity (2)	1,488	1,178	310	26.3 %
Total	\$ 132,194	\$ 108,904	\$ 23,290	21.4 %

- (1) Consists of real estate securities, mid-stream energy securities and master limited partnerships, options strategies and other.
- (2) Represents assets under management in liquidity strategies, including in certain open-end funds and institutional accounts.

### Average Assets Under Management and Average Fees Earned

The following table summarizes the average management fees earned in basis points and average assets under management:

Products	Years Ended December 31,			
	Average Fee Earned (expressed in basis points)		Average Assets Under Management (in millions) (2)	
	2020	2019	2020	2019
Open-End Funds (1)	59.2	56.1	\$ 41,819	\$ 40,917
Closed-End Funds	62.2	64.7	5,920	6,524
Exchange Traded Funds	15.3	22.1	687	1,012
Retail Separate Accounts	49.5	47.9	21,214	17,311
Institutional Accounts	31.9	31.3	34,359	30,834
Structured Products	31.5	36.9	4,173	3,874
All Long-Term Products	47.4	46.6	108,172	100,472
Liquidity (3)	11.2	10.1	1,340	1,600
All Products	47.0	46.0	\$ 109,512	\$ 102,072

(1) Represents assets under management of U.S. retail funds, offshore funds and variable insurance funds.

(2) Averages are calculated as follows:

- Funds - average daily or weekly balances
- Retail Separate Accounts - prior-quarter ending balances
- Institutional Accounts and Structured Products - average of month-end balances

(3) Represents assets under management in liquidity strategies, including in certain open-end funds and institutional accounts.

Average fees earned represent investment management fees before the impact of consolidation of investment products ("CIP"), divided by average net assets. Fund fees are calculated based on average daily or weekly net assets. Retail separate account fees are calculated based on the end of the preceding or current quarter's asset values or on an average of month-end balances. Institutional account fees are calculated based on an average of month-end balances or current quarter's asset values. Structured product fees are calculated based on a combination of the underlying cash flows and the principal value of the product. Average fees earned will vary based on several factors, including the asset mix and expense reimbursements to funds.

The average fee rate earned on long-term products for 2020 increased by 0.8 basis points compared to the prior year, primarily due to changes in the underlying asset mix to higher fee earnings strategies in open-end funds and retail separate accounts during the current year, as well as higher performance-related fees.

**Results of Operations**
**Summary Financial Data**

<i>(in thousands)</i>	Years Ended December 31,		Change	
	2020	2019	2020 vs. 2019	%
Investment management fees	\$ 505,338	\$ 461,477	\$ 43,861	9.5 %
Other revenue	98,558	101,769	(3,211)	(3.2)%
Total revenues	603,896	563,246	40,650	7.2 %
Total operating expenses	460,732	438,536	22,196	5.1 %
Operating income (loss)	143,164	124,710	18,454	14.8 %
Other income (expense), net	7,050	8,253	(1,203)	(14.6)%
Interest income (expense), net	13,684	7,722	5,962	77.2 %
Income (loss) before income taxes	163,898	140,685	23,213	16.5 %
Income tax expense (benefit)	43,935	35,177	8,758	24.9 %
Net income (loss)	119,963	105,508	14,455	13.7 %
Noncontrolling interests	(40,006)	(9,859)	(30,147)	305.8 %
Net Income (Loss) Attributable to Stockholders	79,957	95,649	(15,692)	(16.4)%
Preferred stockholder dividends	—	(8,337)	8,337	(100.0)%
Net Income (Loss) Attributable to Common Stockholders	\$ 79,957	\$ 87,312	\$ (7,355)	(8.4)%
Earnings (loss) per share-diluted	\$ 10.02	\$ 11.74	\$ (1.72)	(14.7)%

**Revenues**

Revenues by source were as follows:

<i>(in thousands)</i>	Years Ended December 31,		Change	
	2020	2019	2020 vs. 2019	%
<b>Investment management fees</b>				
Open-end funds	\$ 247,519	\$ 229,637	\$ 17,882	7.8 %
Closed-end funds	36,833	42,199	(5,366)	(12.7)%
Retail separate accounts	104,932	82,999	21,933	26.4 %
Institutional accounts	109,531	96,429	13,102	13.6 %
Structured products	4,012	6,381	(2,369)	(37.1)%
Other products	2,511	3,832	(1,321)	(34.5)%
Total investment management fees	505,338	461,477	43,861	9.5 %
<b>Distribution and service fees</b>	38,425	40,898	(2,473)	(6.0)%
<b>Administration and shareholder service fees</b>	59,463	59,884	(421)	(0.7)%
<b>Other income and fees</b>	670	987	(317)	(32.1)%
Total revenues	\$ 603,896	\$ 563,246	\$ 40,650	7.2 %

A discussion of our results of operations for the year ended December 31, 2019 compared to the year ended December 31, 2018 may be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our [Form 10-K for the fiscal year ended December 31, 2019](#), which specific discussion is incorporated herein by reference.

**Investment Management Fees**

Investment management fees are earned based on a percentage of assets under management and are paid pursuant to the terms of the respective investment management contracts, which generally require monthly or quarterly payments. Investment management fees increased by \$43.9 million, or 9.5%, for the year ended December 31, 2020 due to a 7.3%, or \$7.4 billion, increase in average assets under management and an increase in the total average fee rate of 1.0 basis points.

*Distribution and Service Fees*

Distribution and service fees are sales- and asset-based fees earned from open-end funds for marketing and distribution services. Distribution and service fees decreased by \$2.5 million, or 6.0%, for the year ended December 31, 2020, primarily due to lower average assets for open-end funds in share classes that have distribution and service fees.

*Administration and Shareholder Service Fees*

Administration and shareholder service fees represent fees earned for fund administration and shareholder services from our open-end mutual funds, ETFs and certain of our closed-end funds. Fund administration and shareholder service fees decreased \$0.4 million, or 0.7%, for the year ended December 31, 2020, primarily due to the decrease in average assets under management for our closed-end funds.

*Other Income and Fees*

Other income and fees primarily represent contingent sales charges earned from investor redemptions of certain shares sold without a front-end sales charge. Other income and fees decreased for the year ended December 31, 2020 compared to December 31, 2019 due to lower redemption and referral fees.

**Operating Expenses**

Operating expenses by category were as follows:

<i>(in thousands)</i>	Years Ended December 31,		Change	
	2020	2019	2020 vs. 2019	%
<b>Operating expenses</b>				
Employment expenses	\$ 267,299	\$ 240,521	\$ 26,778	11.1 %
Distribution and other asset-based expenses	77,010	82,099	(5,089)	(6.2)%
Other operating expenses	69,896	74,363	(4,467)	(6.0)%
Other operating expenses of CIP	10,585	4,015	6,570	163.6 %
Restructuring and severance	1,155	2,302	(1,147)	(49.8)%
Depreciation expense	4,660	4,992	(332)	(6.7)%
Amortization expense	30,127	30,244	(117)	(0.4)%
Total operating expenses	<u>\$ 460,732</u>	<u>\$ 438,536</u>	<u>\$ 22,196</u>	5.1 %

*Employment Expenses*

Employment expenses consist of fixed and variable compensation and related employee benefit costs. Employment expenses of \$267.3 million increased \$26.8 million, or 11.1%, from the prior year ended December 31, 2019. The increase from the prior year was primarily due to increased profit- and sales-based compensation.

*Distribution and Other Asset-Based Expenses*

Distribution and other asset-based expenses consist primarily of payments to third-party client intermediaries for providing services to investors in sponsored investment products. These payments are primarily based on assets under management or on a percentage of sales. These expenses also include the amortization of deferred sales commissions related to up-front commissions on shares sold without a front-end sales charge to shareholders. The deferred sales commissions are amortized on a straight-line basis over the periods in which commissions are generally recovered from distribution fee revenues and contingent sales charges received from shareholders of the funds upon redemption of their shares. Distribution and other asset-based expenses decreased \$5.1 million, or 6.2%, from the prior year due primarily to a lower percentage of sales and assets under management in share classes that have distribution and other asset-based expenses.

*Other Operating Expenses*

Other operating expenses primarily consist of investment research and technology costs, professional fees, travel and distribution related costs, rent and occupancy expenses, and other business costs. Other operating expenses decreased \$4.5



million, or 6.0%, to \$69.9 million for the year ended December 31, 2020 from the prior year primarily due to decreased travel and related expenses primarily as a result of the impact of COVID-19 on the current operating environment.

*Other Operating Expenses of CIP*

Other operating expenses of CIP increased \$6.6 million, or 163.6%, to \$10.6 million for the year ended December 31, 2020 from the prior year primarily due to costs associated with the issuance of a new CLO as well as the refinancing of debt for two CLOs in the current year.

*Restructuring and Severance*

During the year ended December 31, 2020, we incurred \$1.2 million in restructuring and severance costs, a decrease of \$1.1 million, or 49.8%, from the prior year primarily due to lower staff reductions in the current year.

*Depreciation Expense*

Depreciation expense consists primarily of the straight-line depreciation of furniture, equipment and leasehold improvements. Depreciation expense decreased \$0.3 million, or 6.7%, to \$4.7 million for the year ended December 31, 2020 primarily due to a higher level of equipment being fully depreciated in the current year period.

*Amortization Expense*

Amortization expense consists of the amortization of definite-lived intangible assets over their estimated useful lives. Amortization expense remained consistent for the year ended December 31, 2020 compared to the prior year.

**Other Income (Expense), net**

Other Income (Expense), net by category were as follows:

<i>(in thousands)</i>	Years Ended December 31,		Change	
	2020	2019	2020 vs. 2019	%
<b>Other Income (Expense)</b>				
Realized and unrealized gain (loss) on investments, net	\$ 7,139	\$ 7,044	\$ 95	1.3 %
Realized and unrealized gain (loss) of CIP, net	(1,965)	(1,202)	(763)	63.5 %
Other income (expense), net	1,876	2,411	(535)	(22.2)%
<b>Total Other Income (Expense), net</b>	<b>\$ 7,050</b>	<b>\$ 8,253</b>	<b>\$ (1,203)</b>	<b>(14.6)%</b>

*Realized and Unrealized Gain (Loss) on Investments, net*

Realized and unrealized gain (loss) on investments, net remained consistent for the year ended December 31, 2020 compared to the prior year.

*Realized and Unrealized Gain (Loss) of CIP, net*

Realized and unrealized gain (loss) of CIP, net increased \$0.8 million from the prior year. The increase for the current year consisted primarily of net realized and unrealized losses of \$32.4 million due to declines in market values of leveraged loans, partially offset by unrealized gains of \$31.6 million related to the changes in value of the notes payable.

*Other Income (Expense), net*

Other income (expense), net decreased during the year ended December 31, 2020 by \$0.5 million, or 22.2%, as compared to the prior year primarily due to lower profits from equity method investments during the current year.

**Interest Income (Expense), net**

Interest Income (Expense), net by category were as follows:

<i>(in thousands)</i>	Years Ended December 31,		Change	
	2020	2019	2020 vs. 2019	%
<b>Interest Income (Expense)</b>				
Interest expense	\$ (11,894)	\$ (19,473)	\$ 7,579	(38.9)%
Interest and dividend income	1,367	3,844	(2,477)	(64.4)%
Interest and dividend income of investments of CIP	109,648	115,356	(5,708)	(4.9)%
Interest expense of CIP	(85,437)	(92,005)	6,568	(7.1)%
Total Interest Income, net	\$ 13,684	\$ 7,722	\$ 5,962	77.2 %

**Interest Expense**

Interest expense decreased \$7.6 million, or 38.9%, for the year ended December 31, 2020 compared to the prior year primarily due to a decrease in the average debt outstanding and a lower average interest rate compared to the prior year. Also contributing to the decrease was a \$0.7 million gain recognized on the early extinguishment of debt.

**Interest and Dividend Income**

Interest and dividend income is earned on cash and cash equivalents and our marketable securities. Interest and dividend income decreased \$2.5 million, or 64.4%, in 2020 compared to the prior year primarily due to lower interest rates earned on cash and cash equivalents and lower dividends received from our investments as compared to the prior year.

**Interest and Dividend Income of Investments of CIP**

Interest and dividend income of investments of CIP decreased \$5.7 million, or 4.9%, compared to the prior year primarily due to a decrease in interest rates partially offset by increased investments of CIP.

**Interest Expense of CIP**

Interest expense of CIP represents interest expense on the notes payable of CIP. Interest expense of CIP decreased by \$6.6 million, or 7.1%, compared to the prior year primarily due to lower variable interest rates partially offset by higher average debt balances of CIP during the current year.

**Income Tax Expense**

The provision for income taxes reflected U.S. federal, state and local taxes at an estimated effective tax rate of 26.8% and 25.0% for 2020 and 2019, respectively. The increase in the estimated effective tax rate for the current year was primarily due to a decrease in excess tax benefits associated with the Company's stock compensation deduction.

On March 27, 2020, the United States enacted the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which contains several income tax provisions. Certain of those tax provisions are expected to be effective retroactively for years ending before the date of enactment. The Company has evaluated the legislation and, at this time, does not anticipate the CARES Act to have a material impact on its consolidated financial statements.

**Effects of Inflation**

Inflationary pressures can result in increases to our costs, especially to the extent that large expense components such as compensation are impacted. To the degree that these expense increases are not recoverable or cannot be counterbalanced through pricing increases due to the competitive environment, our profitability could be negatively impacted. In addition, the value of the assets that we manage may be negatively impacted if inflationary expectations result in a rising interest rate environment. Declines in the values of these assets under management could lead to reduced revenues as management fees are generally earned as a percent of assets under management.

**Liquidity and Capital Resources***Certain Financial Data*

The following tables summarize certain financial data relating to our liquidity and capital resources:

<i>(in thousands)</i>	December 31,		Change	
	2020	2019	2020 vs. 2019	%
<b>Balance Sheet Data</b>				
Cash and cash equivalents	\$ 246,511	\$ 221,781	\$ 24,730	11.2 %
Investments	64,944	83,206	(18,262)	(21.9)%
Debt	201,212	277,839	(76,627)	(27.6)%
Redeemable noncontrolling interests	115,513	63,845	51,668	80.9 %
Total equity	720,940	686,257	34,683	5.1 %

<i>(in thousands)</i>	Years Ended December 31,		Change	
	2020	2019	2020 vs. 2019	%
<b>Cash Flow Data</b>				
<i>Provided by (used in)</i>				
Operating activities	\$ (226,103)	\$ (36,723)	\$ (189,380)	515.7 %
Investing activities	8,681	4,448	4,233	95.2 %
Financing activities	235,332	99,558	135,774	136.4 %

**Overview**

At December 31, 2020, we had \$246.5 million of cash and cash equivalents and \$64.9 million of investments, which included \$40.0 million of investment securities, compared to \$221.8 million of cash and cash equivalents and \$83.2 million of investments, which included \$61.0 million of investment securities, at December 31, 2019.

At December 31, 2020, we had \$205.7 million outstanding under our term loan maturing June 1, 2024 and no outstanding borrowings under our \$100.0 million credit facility.

**Uses of Capital**

Our main uses of capital related to operating activities comprise employee compensation and related benefit costs including payment of annual incentive compensation, interest on our indebtedness, income taxes and other operating expenses, which primarily consist of investment research, technology costs, professional fees, distribution and occupancy costs. Annual incentive compensation, which is one of the largest annual operating cash expenditures, is typically paid in the first quarter of the year. In the first quarter of 2020 and 2019, we paid approximately \$84.7 million and \$76.2 million, respectively, in incentive compensation earned during the years ended December 31, 2019 and 2018, respectively.

In addition to operating activities, other uses of cash could include: (i) investments in organic growth, including expanding our distribution efforts; (ii) seeding or launching new products, including funds or sponsoring CLO issuances; (iii) principal payments on debt outstanding through scheduled amortization, excess cash flow payment requirements or additional paydowns; (iv) dividend payments to common stockholders; (v) repurchases of our common stock; (vi) investments in our infrastructure; (vii) investments in inorganic growth opportunities which may require upfront payments and/or contingent consideration; (viii) integration costs, including restructuring and severance, related to acquisitions, if any; and (ix) purchases of affiliate noncontrolling interests.

**Capital and Reserve Requirements**

We operate a broker-dealer subsidiary registered with the SEC that is subject to certain rules regarding minimum net capital. The broker-dealer is required to maintain a ratio of "aggregate indebtedness" to "net capital," as defined, which may not exceed 15 to 1 and must also maintain a minimum amount of net capital. Failure to meet these requirements could result in adverse consequences to us, including additional reporting requirements, a lower required ratio of aggregate indebtedness to net

capital or interruption of our business. At December 31, 2020, the ratio of aggregate indebtedness to net capital of our broker-dealer was below the maximum allowed, and net capital was significantly greater than the required minimum.

**Balance Sheet**

Cash and cash equivalents consist of cash in banks and money market fund investments. Investments consist primarily of investments in our sponsored funds. CIP represent investment products for which we provide investment management services and where we have either a controlling financial interest or we are considered the primary beneficiary of an investment product that is considered a variable interest entity.

**Operating Cash Flow**

Net cash used in operating activities of \$226.1 million for 2020 increased by \$189.4 million from net cash used in operating activities of \$36.7 million in 2019 primarily due to increased net purchases of investments by CIP of \$201.8 million in the current year compared to the prior year.

**Investing Cash Flow**

Cash flows from investing activities consist primarily of capital expenditures and other investing activities related to our business operations. Net cash provided by investing activities of \$8.7 million for 2020 increased by \$4.2 million from net cash provided by investing activities of \$4.4 million in 2019. The primary investing activities during 2020 were related to the increase in cash of \$9.7 million from the consolidation of investment products partially offset by capital expenditures and other asset purchases of \$1.0 million. The primary investing activities during 2019 were related to the increase in cash of \$10.0 million from the consolidation of investment products partially offset by capital expenditures and other asset purchases of \$7.6 million.

**Financing Cash Flow**

Cash flows from financing activities consist primarily of the issuance of common stock, return of capital through repurchases of common shares, dividends, withholding obligations for the net share settlement of employee share transactions, issuance and repayment of debt and changes to noncontrolling interests. Net cash provided by financing activities increased \$135.8 million to \$235.3 million in 2020 compared to net cash provided by financing activities of \$99.6 million in the prior year, primarily due to an increase of \$166.6 million in net borrowings of CIP during 2020 compared to the prior year, partially offset by an increase of \$24.2 million on the repayment of debt during 2020 compared to the prior year.

**Credit Agreement**

The Company's credit agreement, as amended (the "Credit Agreement"), is comprised of (i) \$365.0 million of seven-year term debt (the "Term Loan") expiring in June 2024 and (ii) a \$100.0 million five-year revolving credit facility (the "Credit Facility") expiring in June 2022. At December 31, 2020, \$205.7 million was outstanding under the Term Loan, and there were no outstanding borrowings under the Credit Facility. In accordance with Accounting Standards Codification ("ASC") 835, *Interest*, the amounts outstanding under the Term Loan are presented in the Consolidated Balance Sheet net of related debt issuance costs, which were \$4.5 million as of December 31, 2020.

**Contractual Obligations**

The following table summarizes our contractual obligations as of December 31, 2020:

<i>(in millions)</i>	Payments Due				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Lease obligations	\$ 29.1	\$ 5.8	\$ 12.9	\$ 4.8	\$ 5.6
Term Loan (1)	227.9	10.3	217.6	—	—
Credit Facility, including commitment fee (1)	0.6	0.4	0.2	—	—
Minimum payments on service contracts (2)	12.6	7.2	5.4	—	—
<b>Total</b>	<b>\$ 270.2</b>	<b>\$ 23.7</b>	<b>\$ 236.1</b>	<b>\$ 4.8</b>	<b>\$ 5.6</b>

(1) At December 31, 2020, we had \$205.7 million outstanding under our Term Loan, which has a variable interest rate, and no amounts outstanding under our Credit Facility. Payments due are estimated based on the variable interest rate and commitment fee rate in

effect on December 31, 2020. Debt of CIP is excluded as we are not obligated for these amounts. See Part II, Item 8, "Financial Statements and Supplementary Data," Note 19 "Consolidation" for additional information.

- (2) Service contracts include contractual amounts that will be due to purchase goods and services to be used in our operations and may be canceled at earlier times than those indicated under certain conditions that may include termination fees.

Affiliate noncontrolling interests that are redeemable have been excluded from the above table as there is significant uncertainty as to the timing and amount of any noncontrolling interest purchase in the future. Accordingly, future payments to purchase noncontrolling interests have been excluded from the above table, unless a put or call option has been exercised and a mandatory firm commitment exists for us to purchase such noncontrolling interests.

The table above excludes approximately \$1.0 million of unrecognized tax benefits accounted for under ASC 70, *Income Taxes*, as we are unable to reasonably estimate the ultimate amount or timing of any settlement. See Part II, Item 8, "Financial Statements and Supplementary Data," Note 9 "Income Taxes" for additional information.

#### **Impact of New Accounting Standards**

For a discussion of accounting standards, see Part II, Item 8, "Financial Statements and Supplementary Data," Note 2 "Summary of Significant Accounting Policies."

#### **Off-Balance Sheet Arrangements**

We do not invest in any off-balance sheet vehicles that provide liquidity, capital resources, market or credit risk support nor do we engage in any leasing activities that expose us to any liability that is not reflected in our consolidated financial statements.

#### **Critical Accounting Policies and Estimates**

Our consolidated financial statements and the accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America, which requires the use of estimates. Actual results may vary from these estimates. Management believes the following critical accounting policies are important to understanding our results of operations and financial position.

##### ***Consolidation***

The consolidated financial statements include the accounts of the Company, its subsidiaries and investment products that are consolidated. Voting interest entities ("VOEs") are consolidated when we are considered to have a controlling financial interest, which is typically present when we own a majority of the voting interest in an entity or otherwise have the power to govern the financial and operating policies of the entity.

We evaluate any variable interest entities ("VIEs") in which we have a variable interest for consolidation. A VIE is an entity in which either (i) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (ii) where as a group, the holders of the equity investment at risk do not possess (x) the power through voting or similar rights to direct the activities that most significantly impact the entity's economic performance; (y) the obligation to absorb expected losses or the right to receive expected residual returns of the entity; or (z) 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 an 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.

CIP includes both VOEs, made up primarily of open-end funds in which we hold a controlling financial interest, and VIEs, which primarily consist of CLOs of which we are considered the primary beneficiary. The consolidation and deconsolidation of these investment products have no impact on net income (loss) attributable to stockholders. Our risk with respect to these investment products is limited to our beneficial interests in these products. We have no right to the benefits from, and do not bear the risks associated with, these investment products beyond our investments in, and fees generated from, these products.

### ***Noncontrolling Interests***

#### *Noncontrolling interests - CIP*

Noncontrolling interests - CIP represent third-party investments in our CIP and are classified as redeemable noncontrolling interests in our Consolidated Balance Sheets because investors in those products are able to request withdrawal at any time.

#### *Noncontrolling interests - affiliate*

Noncontrolling interests - affiliate represent minority interests held in a consolidated affiliate. Minority interests held in an affiliate are subject to holder put rights and our call rights at established multiples of earnings before interest, taxes, depreciation and amortization and, as such, are considered redeemable at other than fair value. These rights are exercisable at pre-established intervals (between four and seven years from their issuance) or upon certain conditions such as retirement. The put and call rights are not legally detachable or separately exercisable and are deemed to be embedded in the related noncontrolling interests. We, in purchasing affiliate equity, have the option to settle in cash or shares of common stock and are entitled to the cash flow associated with any purchased equity. Minority interests held in an affiliate are generally recorded in our Consolidated Balance Sheets at estimated redemption value within redeemable noncontrolling interests, and changes in estimated redemption value of these interests are recorded in our Consolidated Statements of Operations within noncontrolling interests.

### ***Fair Value Measurements and Fair Value of Financial Instruments***

The Financial Accounting Standards Board (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, *Fair Value Measurement* ("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 – 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.

The following is a discussion of the valuation methodologies used for our assets measured at fair value:

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

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

*Debt securities* represent investments in senior secured bank loans and are based on evaluated quotations received from independent pricing services and are categorized as Level 2.

*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.

*Investments of CIP* represent the underlying debt, equity and other securities held in CIP. Equity investments are valued at the official closing price on the exchange on which the securities are traded and are generally categorized within Level 1. Level 2 investments represent most debt securities, including bank loans and certain equity securities (including non-U.S. 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. Debt investments are valued based on quotations received from independent pricing services or from dealers who make markets in such securities. Bank loan investments, which are included as debt investments, are generally priced at the average mid-point of bid and ask quotations obtained from a third-party pricing service. Fair value may also be based upon valuations obtained from independent third-party brokers or dealers utilizing matrix pricing models that consider information regarding securities with similar characteristics. In certain instances, fair value has been determined utilizing discounted cash flow analyses or single broker non-binding quotes. Depending on the nature of the inputs, these assets are classified as Level 1, 2 or 3 within the fair value measurement hierarchy. Level 3 investments include debt and equity securities that are not widely traded, are illiquid or are priced by dealers based on pricing models used by market makers in the security.

*Derivative assets and liabilities of CIP* represent futures contracts, swaps contracts, option contracts and forward contracts held in CIP. These assets and liabilities are recorded within other assets of CIP and other liabilities of CIP on our Consolidated Balance Sheets. Depending on the nature of the inputs, these derivative assets and liabilities are classified as Level 1, 2 or 3 within the fair value measurement hierarchy.

*Notes payable of CIP* represent notes issued by CIP CLOs we consolidate and are measured using the measurement alternative in Accounting Standards Update 2014-13, *Consolidation (Topic 810)*. Accordingly, the fair value of CLO liabilities was measured as the fair value of CLO assets less the sum of (i) the fair value of the beneficial interests held by the Company and (ii) the carrying value of any beneficial interests that represent compensation for services. The fair value of the beneficial interests held by the Company is based on third-party pricing information without adjustment.

*Short sales of CIP* are transactions in which a security is sold that is not owned or is owned but there is no intention to deliver, in anticipation that the price of the security will decline and are classified as Level 1 based on the underlying equity security. These liabilities are recorded within other liabilities of CIP on our Consolidated Balance Sheets.

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

#### ***Goodwill***

As of December 31, 2020, the carrying value of goodwill was \$290.4 million. Goodwill represents the excess of the purchase price of acquisitions over the fair value of identified net assets and liabilities acquired. We have determined that we have only one reporting unit for purposes of assessing the carrying value of goodwill. Goodwill impairment testing is performed at least annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If we determine that the carrying value of the reporting unit is less than the fair value, a second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. We completed our annual goodwill impairment assessment as of October 31, 2020, and no impairment was identified. For purposes of this assessment, we considered various qualitative factors including, but not limited to, certain indicators of fair value (i.e., market capitalization and market multiples for asset management businesses), and determined that it was more likely than not that the fair value of our reporting unit was greater than its carrying value. Only a significant decline in the fair value of our reporting unit would indicate that an impairment may exist.

#### ***Indefinite-Lived Intangible Assets***

As of December 31, 2020, the carrying value of indefinite-lived intangible assets was \$43.5 million. Indefinite-lived intangible assets comprise certain trade names and fund investment advisory contracts. We perform indefinite-lived intangible asset impairment tests annually, or more frequently, should circumstances change, which could reduce the fair value of indefinite-lived intangible assets below their carrying value. We completed our annual impairment assessment of these assets as of October 31, 2020, and no impairments were identified. For purposes of this assessment, we considered various qualitative

factors for the investment advisory contracts related to the indefinite-lived intangible assets including, but not limited to, (i) the growth in assets under management, (ii) the positive operating margins, and (iii) the positive cash flows generated, and we determined that it was more likely than not that the fair value of indefinite-lived intangible assets was greater than their carrying value. Only a significant decline in the fair value of the indefinite-lived intangible assets would indicate that an impairment may exist.

#### ***Definite-Lived Intangible Assets***

As of December 31, 2020, the carrying value of definite-lived intangible assets was \$236.7 million. Definite-lived intangible assets comprise certain fund investment advisory contracts, trade names and non-competition agreements. We monitor the useful lives of definite-lived intangible assets and revise the useful lives, if necessary, based on the circumstances. Significant judgment is required in estimating the period that these assets will contribute to our cash flows and the pattern over which these assets will be consumed. A change in the remaining useful life of any of these assets could have a significant impact on amortization expense. All amortization expense is calculated on a straight-line basis. Impairment testing is performed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If we were to determine that the carrying value of the definite-lived intangible assets was less than the sum of the undiscounted cash flows expected to result from the asset, we would quantify the impairment using a discounted cash flow model.

#### ***Revenue Recognition***

Our revenues are recognized when a performance obligation is satisfied, which occurs when control of the services is transferred to customers. Investment management fees, distribution and service fees, and administration and shareholder service fees are generally calculated as a percentage of average net assets of the investment portfolios managed. The net asset values from which investment management, distribution and service, and administration and shareholder service fees are calculated are variable in nature and subject to factors outside of our control such as additional investments, withdrawals and market performance. Because of this, these fees are considered constrained until the end of the contractual measurement period (monthly or quarterly) which is when asset values are generally determinable.

#### ***Investment Management Fees***

We provide investment management services pursuant to investment management agreements through our affiliated investment advisers (each an "Adviser"). Investment management services represent a series of distinct daily services that are performed over time. Fees earned on funds are based on each fund's average daily or weekly net assets that are generally received and calculated on a monthly basis. We record management fees net of investment management fees paid to unaffiliated subadvisers since we consider ourselves to be an agent of the fund as it relates to the day-to-day investment management services performed by unaffiliated subadvisers, with our performance obligation being to arrange for the provision of that service and not control the specified service before that service is performed. Amounts paid to unaffiliated subadvisers for the years ended December 31, 2020, 2019 and 2018 were \$38.6 million, \$40.5 million and \$46.7 million, respectively.

Retail separate account fees are generally based on the end of the preceding or current quarter's asset values. Institutional account fees are generally based on an average of month-end balances. In certain instances, institutional fees may include performance related fees that are based on relative investment returns. Fees for structured finance products, for which we act as the collateral manager, consist of senior, subordinated and, in certain instances, incentive management fees. Senior and subordinated management fees are calculated at a contractual fee rate applied against the end of the preceding quarter par value of the total collateral being managed with subordinated fees being recognized only after certain portfolio criteria are met. Incentive fees on certain of our CLOs are typically a percentage of the excess cash flows available to holders of the subordinated notes, above a threshold level internal rate of return.

We rely on data provided to us by service providers for the pricing of our assets under management. Our service providers have formal valuation policies and procedures over the valuation of investments. As of December 31, 2020, our total assets under management by fair value hierarchy level, as defined by ASC 820 were approximately 76.8% Level 1, 23.1% Level 2 and 0.1% Level 3.

#### ***Distribution and Service Fees***

Distribution and service fees are asset-based fees earned from open-end funds for distribution services. Depending on the fund type or share class, these fees primarily consist of an asset-based fee that is paid by the fund over a period of years to cover allowable sales and marketing expenses for the fund or front-end sales charges that are based on a percentage of the offering price. Asset-based distribution and service fees are primarily based on percentages of the average daily net asset value and are



paid monthly pursuant to the terms of the respective distribution and service fee contracts.

Distribution and service fees represent two performance obligations comprised of distribution and related shareholder servicing activities. Distribution services are generally satisfied upon the sale of a fund share. Shareholder servicing activities are generally services satisfied over time.

We distribute our open-end funds through third-party financial intermediaries that comprise national and regional broker-dealers. These third-party financial intermediaries provide distribution and shareholder service activities on our behalf. We pass related distribution and service fees to these third-party financial intermediaries for these services and consider ourselves the principal in these arrangements since we have control of the services prior to the services being transferred to the customer. These payments are classified within distribution and other asset-based expenses.

#### *Administration & Shareholder Service Fees*

We provide administrative fund services to our open-end mutual funds, ETFs and certain of our closed-end funds and shareholder services to our open-end funds. Administration and shareholder services are performed over time. We earn fees for these services, which are calculated and paid monthly, based on each fund's average daily or weekly net assets. Administrative fund services include: record keeping, preparing and filing documents required to comply with securities laws, legal administration and compliance services, customer service, supervision of the activities of the funds' service providers, tax services and treasury services. We also provide office space, equipment and personnel that may be necessary for managing and administering the business affairs of the funds. Shareholder services include maintaining shareholder accounts, processing shareholder transactions, preparing filings and performing necessary reporting.

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

#### *Accounting for Income Taxes*

We account 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 assets and liabilities for temporary differences between the tax basis of assets and liabilities and the reported amounts in the Consolidated Financial Statements. We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained, based on the technical merits of the position. The tax benefits recognized are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. We record interest and penalties related to income taxes as a component of income tax expense.

Significant judgment is required in determining the provision for income taxes and, in particular, any valuation allowance that is recorded against our deferred tax assets. The 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. Our methodology also includes estimates of future taxable income from operations, as well as the expiration dates and amounts of carryforwards 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 we believe 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.

#### *Loss Contingencies*

The likelihood that a loss contingency exists is evaluated using the criteria of ASC 450, *Contingencies*, and an accrued liability is recorded if the likelihood of a loss is considered both probable and reasonably estimable at the date of the consolidated financial statements.

We believe that we have considered relevant circumstances that we may be currently subject to, and the consolidated financial statements accurately reflect our reasonable estimate of the results of our operations, financial condition and cash flows for the years presented.

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk.****Market Risk**

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

We are also subject to market risk due to a decline in the market value of our investments, which consist of marketable securities and our net interests in CIP. The following table summarizes the impact of a 10% increase or decrease in the fair values of these financial instruments:

<i>(in thousands)</i>	December 31, 2020	
	Fair Value	10% Change
Investment securities - fair value (1)	\$ 39,990	\$ 3,999
Our net interest in CIP (2)	165,911	16,591
<b>Total Investments subject to Market Risk</b>	<b>\$ 205,901</b>	<b>\$ 20,590</b>

- (1) If a 10% increase or decrease in fair values were to occur, it would result in a corresponding increase or decrease in our pre-tax earnings.
- (2) These represent our direct investments in investment products that are consolidated. Upon consolidation, these direct investments are eliminated, and the assets and liabilities of CIP are consolidated in the Consolidated Balance Sheet, together with a noncontrolling interest balance representing the portion of the CIP owned by third parties. If a 10% increase or decrease in the fair values of our direct investments in CIP were to occur, it would result in a corresponding increase or decrease in our pre-tax earnings.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At December 31, 2020, we were exposed to interest rate risk as a result of approximately \$150.8 million of investments in fixed and floating rate income products, which include our net interests in CIP. We considered a hypothetical 100 basis point change in interest rates and determined that the fair value of our fixed income investments could change by an estimated \$3.2 million.

At December 31, 2020, we had \$205.7 million outstanding under our Term Loan. The applicable margin on amounts outstanding under the Credit Agreement is 2.50%, in the case of LIBOR-based loans, and 1.50%, in the case of an alternate base rate loan. In each case the applicable margin is subject to a 25 basis point reduction if our secured net leverage ratio (as defined in the Credit Agreement) as of the last day of the preceding fiscal quarter is not greater than 1.00 to 1.00, as reflected in certain financial reports required under the Credit Agreement. Given our borrowings are floating rate, we considered a hypothetical 100 basis point change in the base rate of our outstanding borrowings and determined that annual interest expense would change by an estimated \$2.1 million, either an increase or decrease, depending on the direction of the change in the base rate.

**Item 8. Financial Statements and Supplementary Data.**

The audited consolidated financial statements, including the Report of Independent Registered Public Accounting Firm and the required supplementary quarterly information, required by this item are presented under Item 15 "Exhibits and Financial Statement Schedules" beginning on page F-1.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures.**

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

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

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2020, the end of the period covered by this Annual Report on Form 10-K.

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

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) or 15d-15(f) under the Exchange Act) that occurred during the fourth quarter of fiscal 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

***Management's Report on Internal Control over Financial Reporting***

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) or 15d-15(f) of the Exchange Act. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policy or procedures may deteriorate. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we have conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2020 based upon the *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management, including our Chief Executive Officer and Chief Financial Officer, has concluded that our internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by Deloitte & Touche LLP, our independent registered public accounting firm, as stated in their report, which is included in Item 15 "Exhibits and Financial Statement Schedules" of this Annual Report on Form 10-K.

**Item 9B. Other Information.**

None.

**PART III****Item 10. Directors, Executive Officers and Corporate Governance.**

Information required by this Item 10 is incorporated herein by reference to our definitive proxy statement for our 2021 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

**Item 11. Executive Compensation.**

Information required by this Item 11 is incorporated herein by reference to our definitive proxy statement for our 2021 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

Information required by Item 403 of Regulation S-K is incorporated herein by reference to our definitive proxy statement for our 2021 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

The following table sets forth information as of December 31, 2020 with respect to compensation plans under which shares of our common stock may be issued:

**EQUITY COMPENSATION PLAN INFORMATION**

	(a)	(b)	(c)
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights (1)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders (2)	534,378	\$ 55.18	343,165
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>534,378</b>	<b>\$ 55.18</b>	<b>343,165</b>

(1) The weighted-average exercise price set forth in this column is calculated excluding outstanding restricted stock unit awards ("RSUs") since recipients of such awards are not required to pay an exercise price to receive the shares subject to these awards.

(2) Represents 1,193 shares of common stock issuable upon the exercise of stock options and 533,185 shares of our common stock issuable upon the vesting of RSUs outstanding under the Company's Omnibus Incentive and Equity Plan (the "Omnibus Plan"). Of the 2,820,000 maximum number of shares of our common stock authorized for issuance under the Omnibus Plan, 116,808 shares of common stock have been issued on a cumulative basis in the form of direct grants to directors.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

Information required by this Item 13 is incorporated herein by reference to our definitive proxy statement for our 2021 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

**Item 14. Principal Accounting Fees and Services.**

Information required by this Item 14 is incorporated herein by reference to our definitive proxy statement for our 2021 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A under the Exchange Act.

**PART IV**

**Item 15. Exhibits and Financial Statement Schedules.**

(a)(1) *Financial Statements:* The following Report of Independent Registered Public Accounting Firm and Consolidated Financial Statements of Virtus are included in this Annual Report:

[Report of Independent Registered Public Accounting Firm](#)

[Consolidated Balance Sheets as of December 31, 2020 and 2019](#)

[Consolidated Statements of Operations for the Years Ended December 31, 2020, 2019 and 2018](#)

[Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2020, 2019 and 2018](#)

[Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2020, 2019 and 2018](#)

[Consolidated Statements of Cash Flows for the Years Ended December 31, 2020, 2019 and 2018](#)

[Notes to Consolidated Financial Statements](#)

(a)(2) Financial Statement Schedules:

All financial statement schedules have been omitted because the required information is either presented in the consolidated financial statements or the notes thereto or is not applicable or required.

(a)(3)

**Exhibits:**

The following exhibits are filed herewith or incorporated herein by reference:

<b>Exhibit Number</b>	<b>Exhibit Description</b>
(2)	<i>Plan of Acquisition, Reorganization, Arrangement, Liquidation or Succession</i>
2.1	<a href="#">Separation Agreement, Plan of Reorganization and Distribution by and between The Phoenix Companies, Inc. and the Registrant, dated as of December 18, 2008 (incorporated by reference to Exhibit 2.1 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).</a>
2.2	<a href="#">Agreement and Plan of Merger dated as of December 16, 2016 among the Registrant, 100 Pearl Street 2, LLC, Lightyear Fund III, AIV-2, L.P., and RidgeWorth Holdings LLC (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K, filed December 22, 2016).</a>
2.3	<a href="#">Securities Purchase Agreement among the Registrant, Sustainable Growth Advisers, LP ("SGA"), SGIA, LLC, Estancia Capital Partners, L.P. and each of the management partners of SGA named therein, dated as of February 1, 2018 (incorporated by reference to Exhibit 2.3 of the Registrant's Annual Report on Form 10-K, filed February 27, 2018).</a>
2.4	<a href="#">Membership Interest Purchase Agreement by and among the Registrant, Westchester Capital Management, LLC, Westchester Capital Partners, LLC, LPC Westchester, LP, MTSWCM Holdings, LLC, RDBWCM Holdings, LLC, and the Individual Equityholders (as defined therein), dated February 1, 2021.</a>
(3)	<i>Articles of Incorporation and Bylaws</i>
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the Registrant, dated December 18, 2008 (incorporated by reference to Exhibit 3.1 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).</a>
3.2	<a href="#">Amended and Restated Bylaws of the Registrant, as amended on February 14, 2018 (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed February 16, 2018).</a>
3.3	<a href="#">Certificate of Designations of Series A Non-Voting Convertible Preferred Stock and Series B Voting Convertible Preferred Stock of the Registrant, dated October 31, 2008 (incorporated by reference to Exhibit 4.2 of the Registrant's Amendment No. 2 to Form 10, filed November 14, 2008).</a>
3.4	<a href="#">Certificate of Amendment of the Certificate of Designations of Series A Non-Voting Convertible Preferred Stock and Series B Voting Convertible Preferred Stock of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Quarterly Report on Form 10-Q, filed August 13, 2009).</a>
3.5	<a href="#">Certificate of Designations of Series C Junior Participating Preferred Stock of the Registrant, dated December 29, 2008 (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed January 2, 2009).</a>
3.6	<a href="#">Certificate of Designations of 7.25% Series D Mandatory Convertible Preferred Stock of the Registrant (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K, filed February 1, 2017).</a>
(4)	<i>Instruments Defining the Rights of Security Holders including Indentures</i>
4.1	<a href="#">Description of the Registrant's Common Stock (Incorporated by reference to Exhibit 4.3 of the Registrant's Annual Report on Form 10-K, filed February 27, 2020)</a>
(10)	<i>Material Contracts</i>
10.1	<a href="#">Transition Services Agreement by and between The Phoenix Companies, Inc. and the Registrant, dated as of December 18, 2008 (incorporated by reference to Exhibit 10.1 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).</a>
10.2	<a href="#">Tax Separation Agreement by and between The Phoenix Companies, Inc. and the Registrant, dated December 18, 2008 (incorporated by reference to Exhibit 10.2 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).</a>
10.3	<a href="#">Amendment to Tax Separation Agreement, dated April 8, 2009, by and between The Phoenix Companies, Inc. and the Registrant, dated as of December 18, 2008 (incorporated by reference to Exhibit 10.15 of the Registrant's Annual Report on Form 10-K, filed April 10, 2009).</a>
10.4	<a href="#">Employee Matters Agreement by and between The Phoenix Companies, Inc. and the Registrant, dated December 18, 2008 (incorporated by reference to Exhibit 10.3 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).</a>

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10.5*	<a href="#">Change in Control Agreement between George R. Aylward and the Registrant, effective as of December 31, 2008 (incorporated by reference to Exhibit 10.4 of the Registrant's Amendment No. 4 to Form 10, filed December 19, 2008).</a>
10.6*	<a href="#">Amended and Restated Virtus Investment Partners, Inc. Omnibus Incentive and Equity Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Form 8-K, filed May 16, 2019).</a>
10.7*	<a href="#">Virtus Investment Partners, Inc. Non-Qualified Excess Investment Plan, effective as of November 1, 2008 (incorporated by reference to Exhibit 10.6 of the Registrant's Amendment No. 2 to Form 10, filed November 14, 2008).</a>
10.8*	<a href="#">First Amendment to the Virtus Investment Partners, Inc. Non-Qualified Excess Investment Plan, effective as of February 1, 2010 (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q, filed May 4, 2010).</a>
10.9*	<a href="#">Virtus Investment Partners, Inc. Amended and Restated Executive Severance Allowance Plan, effective as of February 2, 2009 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed February 4, 2009).</a>
10.10*	<a href="#">Form of Non-Qualified Stock Option Agreement under the Virtus Investment Partners, Inc. Omnibus Incentive and Equity Plan (incorporated by reference to Exhibit 10.4 of the Registrant's Quarterly Report on Form 10-Q, filed May 13, 2009).</a>
10.11*	<a href="#">Form of Restricted Stock Units Agreement under the Virtus Investment Partners, Inc. Omnibus Incentive and Equity Plan (incorporated by reference to Exhibit 10.5 of the Registrant's Quarterly Report on Form 10-Q, filed May 13, 2009).</a>
10.12*	<a href="#">Form of Performance Share Units Agreement under the Virtus Investment Partners, Inc. Omnibus Incentive and Equity Plan (incorporated by reference to Exhibit 10.30 of the Registrant's Quarterly Report on Form 10-Q, filed August 5, 2011).</a>
10.13*	<a href="#">Form of Indemnity Agreement (incorporated by reference to Exhibit 10.4 to the Registrant's Quarterly Report on Form 10-Q, filed November 4, 2009).</a>
10.14*	<a href="#">Offer Letter from the Registrant to Barry M. Mandinach dated April 4, 2014 (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q, filed May 7, 2014).</a>
10.15*	<a href="#">Offer Letter from the Registrant to Wendy J. Hills dated July 26, 2019.</a>
10.16	<a href="#">Stock Purchase Agreement, dated October 27, 2016, between Bank of Montreal Holding Inc. and Virtus Investment Partners, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed October 27, 2016).</a>
10.17	<a href="#">Commitment Letter, dated as of December 16, 2016, among Barclays Bank PLC, Morgan Stanley Senior Funding, Inc. and Virtus Investment Partners, Inc. (incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed December 22, 2016).</a>
10.18	<a href="#">Credit Agreement, dated as of June 1, 2017, by and among the Registrant, Morgan Stanley Senior Funding, Inc. as administrative agent, and the lenders party thereto (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed June 1, 2017).</a>
10.19	<a href="#">Amendment No. 1 to Credit Agreement with the Registrant, Morgan Stanley Senior Funding, Inc. as administrative agent, and the lenders party thereto (including, without limitation, the Amendment No. 1 Additional Term Lenders (as defined in the Amendment) to the Credit Agreement dated as of June 1, 2017 (incorporated by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K, filed February 22, 2018).</a>
10.20*	<a href="#">Form of Virtus Investment Partners, Inc. Performance Share Units Agreement (Special Integration Award) under the Virtus Investment Partners, Inc. Omnibus Incentive and Equity Plan (incorporated by reference to Exhibit 10.1 of the Registrant's Quarterly Report on Form 10-Q, filed May 8, 2017).</a>
(21)	<i>Subsidiaries of the Registrant</i>
21.1	<a href="#">Virtus Investment Partners, Inc. Subsidiaries List.</a>

(23)	<i>Consents of Experts and Counsel</i>
<a href="#">23.1</a>	Consent of Independent Registered Public Accounting Firm.
<a href="#">31.1</a>	Certifications of Registrant's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<a href="#">31.2</a>	Certifications of Registrant's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
<a href="#">32.1</a>	Certifications of Registrant's Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following information formatted in iXBRL (Inline Extensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2020 and December 31, 2019, (ii) Consolidated Statements of Operations for the years ended December 31, 2020, 2019 and 2018, (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018, (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018, (v) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018 and (vi) Notes to Consolidated Financial Statements.
104	Cover page Interactive Data File (embedded within the Inline XBRL document and included in Exhibit 101)

\* Management contract, compensatory plan or arrangement.

The agreements and other documents filed as exhibits to this report are not intended to provide factual information or other disclosure other than the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by the Company in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs at the date they were made or at any other time.

**Item 16. Form 10-K Summary.**

None.





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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Virtus Investment Partners, Inc.

### Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Virtus Investment Partners, Inc. and subsidiaries (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, comprehensive income, changes in stockholders' equity and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

### Basis for Opinions

The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the financial statements included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

**Consolidation — Consolidation of Investment Products - Refer to Notes 2 and 19 to the financial statements**

*Critical Audit Matter Description*

The Company is required to consolidate investment products to which it provides investment management services when it (1) has a majority voting interest in an investment product that is a voting interest entity (VOE) or otherwise has the power to govern the financial and operating policies of the entity; or (2) it is considered the primary beneficiary of an investment product that is a variable interest entity (VIE). The Company is required to evaluate whether an investment product is a VOE or a VIE upon its initial involvement with the investment product, or the occurrence of a reconsideration event. This assessment involves management's judgment and is determined based on a variety of factors including the capital structure of the investment product, the investment product's activities, the equity investment at risk, and the proportionate voting and economic interests of the investors in the investment product including the Company.

For each investment product that is considered a VIE, the Company performs a primary beneficiary analysis to determine if it holds a controlling financial interest in the investment product. A controlling financial interest is defined as (a) the power to direct the activities of a VIE that most significantly impact the VIE's economic performance and (b) the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. The evaluation of these two criteria involves judgments to analyze the governing documents of the investment product. The level of judgment required may vary in significance based on the complexity of the voting rights and structure economic interests of the investment product and the facts and circumstances of the Company's investment.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to testing the consolidation assessment of VIEs included the following:

- We tested the design and operating effectiveness of controls over management's review of the consolidation analysis of new or modified investment products during the year.
- We read the governing documents (including the collateral management agreement, preference share subscription agreement and credit agreement, if applicable) of each investment product to confirm that:
  - Key facts included in management's consolidation analysis are consistent with the governing documents and the Company's interests in the investment products;
  - Relevant terms impacting the consolidation analysis under GAAP were considered including the evaluation of whether the investment product is a VOE or VIE;
  - The Company's assessment effectively identifies the primary beneficiary of those investment products considered to be VIEs through an analysis of the power to direct activities of the VIE and the obligation to absorb losses or the right to receive benefits from the VIE.

/s/ DELOITTE & TOUCHE LLP

Hartford, Connecticut  
February 26, 2021

We have served as the Company's auditor since 2018.

**Virtus Investment Partners, Inc.**  
**Consolidated Balance Sheets**

(in thousands, except share data)

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<b>Assets:</b>		
Cash and cash equivalents	\$ 246,511	\$ 221,781
Investments	64,944	83,206
Accounts receivable, net	84,499	74,132
<b>Assets of consolidated investment products ("CIP")</b>		
Cash and cash equivalents of CIP	86,980	99,691
Cash pledged or on deposit of CIP	6,358	467
Investments of CIP	2,333,277	2,030,110
Other assets of CIP	13,430	23,612
Furniture, equipment and leasehold improvements, net	14,488	18,150
Intangible assets, net	280,264	310,391
Goodwill	290,366	290,366
Deferred taxes, net	9,538	15,879
Other assets	36,288	36,849
<b>Total assets</b>	<u><u>\$ 3,466,943</u></u>	<u><u>\$ 3,204,634</u></u>
<b>Liabilities and Equity</b>		
<b>Liabilities:</b>		
Accrued compensation and benefits	\$ 122,514	\$ 101,377
Accounts payable and accrued liabilities	25,357	23,308
Dividends payable	9,013	8,915
Debt	201,212	277,839
Other liabilities	36,120	40,507
<b>Liabilities of CIP</b>		
Notes payable of CIP	2,190,445	1,834,535
Securities purchased payable and other liabilities of CIP	45,829	168,051
<b>Total liabilities</b>	<u><u>2,630,490</u></u>	<u><u>2,454,532</u></u>
<b>Commitments and Contingencies (Note 11)</b>		
Redeemable noncontrolling interests	115,513	63,845
<b>Equity:</b>		
<b>Equity attributable to stockholders:</b>		
Series D mandatory convertible preferred stock, \$0.01 par value, 0 and 1,150,000 shares authorized, issued and outstanding at December 31, 2020 and December 31, 2019	—	110,843
Common stock, \$0.01 par value, 1,000,000,000 shares authorized; 11,790,869 shares issued and 7,583,466 shares outstanding at December 31, 2020 and 10,736,887 shares issued and 6,809,280 shares outstanding at December 31, 2019	118	107
Additional paid-in capital	1,298,002	1,199,205
Retained earnings (accumulated deficit)	(135,259)	(215,216)
Accumulated other comprehensive income (loss)	29	9
Treasury stock, at cost, 4,207,403 and 3,927,607 shares at December 31, 2020 and December 31, 2019, respectively	(451,749)	(419,249)
<b>Total equity attributable to stockholders</b>	<u><u>711,141</u></u>	<u><u>675,699</u></u>
Noncontrolling interests	9,799	10,558
<b>Total equity</b>	<u><u>720,940</u></u>	<u><u>686,257</u></u>
<b>Total liabilities and equity</b>	<u><u>\$ 3,466,943</u></u>	<u><u>\$ 3,204,634</u></u>

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

**Virtus Investment Partners, Inc.**  
**Consolidated Statements of Operations**

<i>(in thousands, except per share data)</i>	Years Ended December 31,		
	2020	2019	2018
<b>Revenues</b>			
Investment management fees	\$ 505,338	\$ 461,477	\$ 437,021
Distribution and service fees	38,425	40,898	50,715
Administration and shareholder service fees	59,463	59,884	63,614
Other income and fees	670	987	885
Total revenues	603,896	563,246	552,235
<b>Operating Expenses</b>			
Employment expenses	267,299	240,521	238,501
Distribution and other asset-based expenses	77,010	82,099	92,441
Other operating expenses	69,896	74,363	74,853
Other operating expenses of consolidated investment products ("CIP")	10,585	4,015	3,515
Restructuring and severance	1,155	2,302	87
Depreciation expense	4,660	4,992	4,597
Amortization expense	30,127	30,244	25,142
Total operating expenses	460,732	438,536	439,136
<b>Operating Income (Loss)</b>	143,164	124,710	113,099
<b>Other Income (Expense)</b>			
Realized and unrealized gain (loss) on investments, net	7,139	7,044	(5,217)
Realized and unrealized gain (loss) of CIP, net	(1,965)	(1,202)	(21,252)
Other income (expense), net	1,876	2,411	3,289
Total other income (expense), net	7,050	8,253	(23,180)
<b>Interest Income (Expense)</b>			
Interest expense	(11,894)	(19,473)	(19,445)
Interest and dividend income	1,367	3,844	4,999
Interest and dividend income of investments of CIP	109,648	115,356	98,356
Interest expense of CIP	(85,437)	(92,005)	(64,788)
Total interest income (expense), net	13,684	7,722	19,122
<b>Income (Loss) Before Income Taxes</b>	163,898	140,685	109,041
Income tax expense (benefit)	43,935	35,177	32,961
<b>Net Income (Loss)</b>	119,963	105,508	76,080
Noncontrolling interests	(40,006)	(9,859)	(551)
<b>Net Income (Loss) Attributable to Stockholders</b>	79,957	95,649	75,529
Preferred stockholder dividends	—	(8,337)	(8,337)
Net Income (Loss) Attributable to Common Stockholders	\$ 79,957	\$ 87,312	\$ 67,192
<b>Earnings (Loss) per Share-Basic</b>	\$ 10.49	\$ 12.54	\$ 9.37
<b>Earnings (Loss) per Share-Diluted</b>	\$ 10.02	\$ 11.74	\$ 8.86
<b>Weighted Average Shares Outstanding-Basic</b>	7,620	6,963	7,174
<b>Weighted Average Shares Outstanding-Diluted</b>	7,976	8,149	8,527

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

**Virtus Investment Partners, Inc.**  
**Consolidated Statements of Comprehensive Income**

<i>(in thousands)</i>	Years Ended December 31,		
	2020	2019	2018
Net Income (Loss)	\$ 119,963	\$ 105,508	\$ 76,080
<b>Other comprehensive income (loss), net of tax:</b>			
Foreign currency translation adjustment, net of tax of \$(7), \$(5) and \$6 for the years ended December 31, 2020, 2019 and 2018	20	14	(17)
Unrealized gain (loss) on available-for-sale securities, net of tax of \$111 for the year ended December 31, 2018	—	—	(292)
Other comprehensive income (loss)	20	14	(309)
Comprehensive income (loss)	119,983	105,522	75,771
Comprehensive (income) loss attributable to noncontrolling interests	(40,006)	(9,859)	(551)
Comprehensive income (loss) attributable to stockholders	\$ 79,977	\$ 95,663	\$ 75,220

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

**Virtus Investment Partners, Inc.**  
**Consolidated Statements of Changes in Stockholders' Equity**

<i>(in thousands, except share data)</i>	Permanent Equity										Temporary Equity		
	Common Stock		Preferred Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Attributed To Shareholders	Non-controlling Interests	Total Equity	Redeemable Non-controlling Interests
	Shares	Par Value	Shares	Amount				Shares	Amount				
<b>Balances at December 31, 2017</b>	7,159,645	\$ 105	1,150,000	\$ 110,843	\$ 1,216,173	\$ (386,216)	\$ (600)	3,296,289	\$ (351,748)	\$ 588,557	\$ 16,667	\$ 605,224	\$ 4,178
Adjustment for adoption of ASU 2016-01	—	—	—	—	—	(178)	178	—	—	—	—	—	—
Acquisition of business	—	—	—	—	—	—	—	—	—	—	—	—	55,500
Net income (loss)	—	—	—	—	—	75,529	—	—	—	75,529	36	75,565	515
Net unrealized gain (loss) on securities available-for-sale	—	—	—	—	—	—	(292)	—	—	(292)	—	(292)	—
Foreign currency translation adjustment	—	—	—	—	—	—	(17)	—	—	(17)	—	(17)	—
Net subscriptions (redemptions) and other	—	—	—	—	—	—	—	—	—	—	(2,745)	(2,745)	(2,712)
Cash dividends declared (\$7.25 per preferred share)	—	—	—	—	(8,337)	—	—	—	—	(8,337)	—	(8,337)	—
Cash dividends declared (\$2.00 per common share)	—	—	—	—	(15,267)	—	—	—	—	(15,267)	—	(15,267)	—
Repurchase of common shares	(258,953)	—	—	—	—	—	—	258,953	(27,501)	(27,501)	—	(27,501)	—
Issuance of common shares related to employee stock transactions	96,690	1	—	—	1,543	—	—	—	—	1,544	—	1,544	—
Taxes paid on stock-based compensation	—	—	—	—	(6,591)	—	—	—	—	(6,591)	—	(6,591)	—
Stock-based compensation	—	—	—	—	22,284	—	—	—	—	22,284	—	22,284	—
<b>Balances at December 31, 2018</b>	<u>6,997,382</u>	<u>\$ 106</u>	<u>1,150,000</u>	<u>\$ 110,843</u>	<u>\$ 1,209,805</u>	<u>\$ (310,865)</u>	<u>\$ (731)</u>	<u>3,555,242</u>	<u>\$ (379,249)</u>	<u>\$ 629,909</u>	<u>\$ 13,958</u>	<u>\$ 643,867</u>	<u>\$ 57,481</u>
Net income (loss)	—	—	—	—	—	95,649	—	—	—	95,649	(1,027)	94,622	10,886
Foreign currency translation adjustment	—	—	—	—	—	—	14	—	—	14	—	14	—
Net subscriptions (redemptions) and other	—	—	—	—	838	—	—	—	—	838	(2,373)	(1,535)	(4,522)
Reclassification from other comprehensive (income) loss	—	—	—	—	—	—	726	—	—	726	—	726	—
Cash dividends declared (\$7.25 per preferred share)	—	—	—	—	(8,337)	—	—	—	—	(8,337)	—	(8,337)	—
Cash dividends declared (\$2.44 per common share)	—	—	—	—	(18,130)	—	—	—	—	(18,130)	—	(18,130)	—
Repurchase of common shares	(372,365)	—	—	—	—	—	—	372,365	(40,000)	(40,000)	—	(40,000)	—
Issuance of common shares related to employee stock transactions	184,263	1	—	—	1,552	—	—	—	—	1,553	—	1,553	—
Taxes paid on stock-based compensation	—	—	—	—	(7,696)	—	—	—	—	(7,696)	—	(7,696)	—
Stock-based compensation	—	—	—	—	21,173	—	—	—	—	21,173	—	21,173	—
<b>Balances at December 31, 2019</b>	<u>6,809,280</u>	<u>\$ 107</u>	<u>1,150,000</u>	<u>\$ 110,843</u>	<u>\$ 1,199,205</u>	<u>\$ (215,216)</u>	<u>\$ 9</u>	<u>3,927,607</u>	<u>\$ (419,249)</u>	<u>\$ 675,699</u>	<u>\$ 10,558</u>	<u>\$ 686,257</u>	<u>\$ 63,845</u>



<i>(in thousands, except share data)</i>	Permanent Equity										Temporary Equity		
	Common Stock		Preferred Stock		Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Stock		Total Attributed To Shareholders	Non-controlling Interests	Total Equity	Redeemable Non-controlling Interests
	Shares	Par Value	Shares	Amount				Shares	Amount				
Net income (loss)	—	\$ —	—	\$ —	\$ —	\$ 79,957	\$ —	—	\$ —	\$ 79,957	\$ 1,298	\$ 81,255	\$ 38,708
Foreign currency translation adjustment	—	—	—	—	—	—	20	—	—	20	—	20	—
Net subscriptions (redemptions) and other	—	—	—	—	(167)	—	—	—	—	(167)	(2,057)	(2,224)	12,960
Conversion of preferred stock	912,806	9	(1,150,000)	(110,843)	110,834	—	—	—	—	—	—	—	—
Cash dividends declared (\$2.98 per common share)	—	—	—	—	(24,998)	—	—	—	—	(24,998)	—	(24,998)	—
Repurchase of common shares	(279,796)	—	—	—	—	—	—	279,796	(32,500)	(32,500)	—	(32,500)	—
Issuance of common shares related to employee stock transactions	141,176	2	—	—	184	—	—	—	—	186	—	186	—
Taxes paid on stock-based compensation	—	—	—	—	(6,608)	—	—	—	—	(6,608)	—	(6,608)	—
Stock-based compensation	—	—	—	—	19,552	—	—	—	—	19,552	—	19,552	—
<b>Balances at December 31, 2020</b>	<u>7,583,466</u>	<u>\$ 118</u>	<u>—</u>	<u>\$ —</u>	<u>\$1,298,002</u>	<u>\$ (135,259)</u>	<u>\$ 29</u>	<u>4,207,403</u>	<u>\$ (451,749)</u>	<u>\$ 711,141</u>	<u>\$ 9,799</u>	<u>\$720,940</u>	<u>\$115,513</u>

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

**Virtus Investment Partners, Inc.**  
**Consolidated Statements of Cash Flow**

<i>(in thousands)</i>	Years Ended December 31,		
	2020	2019	2018
<b>Cash Flows from Operating Activities:</b>			
Net income (loss)	\$ 119,963	\$ 105,508	\$ 76,080
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation expense, intangible asset and other amortization	38,853	39,643	33,426
Stock-based compensation	21,481	22,230	23,100
Amortization of deferred commissions	2,052	2,940	3,847
Payments of deferred commissions	(2,089)	(2,097)	(4,218)
Equity in earnings of equity method investments	(1,964)	(2,600)	(3,703)
Realized and unrealized (gains) losses on investments, net	(7,128)	(6,855)	5,736
Distributions from equity method investments	1,192	828	4,178
Sales (purchases) of investments, net	12,296	9,057	4,995
(Gain) loss on extinguishment of debt	(705)	—	—
Deferred taxes, net	6,332	5,982	10,429
Changes in operating assets and liabilities:			
Accounts receivable, net and other assets	(9,698)	(1,382)	24,833
Accrued compensation and benefits, accounts payable, accrued liabilities and other liabilities	13,743	(2,991)	(24,714)
Operating activities of consolidated investment products ("CIP"):			
Realized and unrealized (gains) losses on investments of CIP, net	(5,889)	(106)	18,706
Purchases of investments by CIP	(1,304,723)	(1,029,746)	(1,106,991)
Sales of investments by CIP	883,888	810,749	874,279
Net proceeds (purchases) of short term investments by CIP	(1,092)	4,402	(552)
(Purchases) sales of securities sold short by CIP, net	158	1,241	209
Change in other assets of CIP	388	998	(628)
Change in liabilities of CIP	(4,330)	971	(1,567)
Amortization of discount on notes payable of CIP	11,169	4,505	—
Net cash provided by (used in) operating activities	(226,103)	(36,723)	(62,555)
<b>Cash Flows from Investing Activities:</b>			
Capital expenditures and other asset purchases	(1,043)	(7,555)	(11,717)
Change in cash and cash equivalents of CIP due to consolidation (deconsolidation), net	9,724	9,980	(113)
Acquisition of business, net of cash acquired	—	—	(126,995)
Sale of available-for-sale securities	—	2,023	37,785
Purchases of available-for-sale securities	—	—	(20,188)
Net cash provided by (used in) investing activities	8,681	4,448	(121,228)
<b>Cash Flows from Financing Activities:</b>			
Issuance of debt	—	—	105,000
Payment of long term debt	(79,086)	(54,851)	(23,776)
Payment of deferred financing costs	—	—	(3,810)
Repurchase of common shares	(32,500)	(40,000)	(27,501)
Preferred stock dividends paid	(2,084)	(8,338)	(8,338)
Common stock dividends paid	(22,800)	(16,977)	(14,038)
Proceeds from exercise of stock options	163	726	819
Taxes paid related to net share settlement of restricted stock units	(6,608)	(7,696)	(6,591)
Net subscriptions received from (redemptions/distributions paid to) noncontrolling interests	(7,263)	7,786	(5,512)

	<b>Years Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
<b>Financing activities of CIP</b>			
Borrowings by CIP	779,982	414,605	857,404
Payments on borrowings by CIP	(394,472)	(195,697)	(669,500)
Net cash provided by (used in) financing activities	235,332	99,558	204,157
Net increase (decrease) in cash and cash equivalents	17,910	67,283	20,374
Cash, cash equivalents and restricted cash, beginning of year	321,939	254,656	234,282
Cash, cash equivalents and restricted cash, end of year	<u>\$ 339,849</u>	<u>\$ 321,939</u>	<u>\$ 254,656</u>
<b>Supplemental Disclosure of Cash Flow Information</b>			
Interest paid	\$ 8,857	\$ 18,072	\$ 11,846
Income taxes paid, net	35,388	29,062	23,800
<b>Supplemental Disclosure of Non-Cash Investing and Financing Activities</b>			
Capital expenditures	\$ 55	\$ (1,791)	\$ 2,165
Conversion of preferred stock to common stock	115,000	—	—
Preferred stock dividends payable	—	2,084	2,084
Common stock dividends payable	6,218	4,562	3,849
Increase (Decrease) to noncontrolling interests due to consolidation (deconsolidation) of CIP, net	17,137	(13,926)	56

<i>(in thousands)</i>	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Reconciliation of cash, cash equivalents and restricted cash</b>		
Cash and cash equivalents	\$ 246,511	\$ 221,781
Cash of consolidated investment products	86,980	99,691
Cash pledged or on deposit of consolidated investment products	6,358	467
Cash, cash equivalents and restricted cash at end of year	<u>\$ 339,849</u>	<u>\$ 321,939</u>

The accompanying notes are an integral part of these 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. The Company's retail investment management services are provided to individuals through products consisting of U.S. 1940 Act mutual funds and Undertaking for Collective Investment in Transferable Securities ("UCITS" or "offshore funds" and collectively, with U.S. 1940 Act mutual funds, "open-end funds"), exchange traded funds ("ETFs"), closed-end funds (collectively, with open-end funds and ETFs, "funds") and retail separate accounts. Institutional investment management services are offered through separate accounts and pooled or commingled structures to a variety of institutional clients. The Company also provides subadvisory services to other investment advisers and serves as the collateral manager for structured products.

## 2. Summary of Significant Accounting Policies

### *Principles of Consolidation and Basis of Presentation*

The accompanying consolidated financial statements have been prepared in accordance 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 investment products that are consolidated. Voting interest entities ("VOEs") are consolidated when the Company is considered to have a controlling financial interest, which is typically present when the Company owns a majority of the voting interest in an entity or otherwise has the power to govern the financial and operating policies of the entity.

The Company evaluates any variable interest entity ("VIEs") in which the Company has a variable interest for consolidation. A VIE is an entity in which either (i) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (ii) where as a group, the holders of the equity investment at risk do not possess: (x) the power through voting or similar rights to direct the activities that most significantly impact the entity's economic performance; (y) the obligation to absorb expected losses or the right to receive expected residual returns of the entity; or (z) 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 an 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. See Note 19 for additional information related to the consolidation of investment products. Intercompany accounts and transactions have been eliminated.

### *Noncontrolling Interests*

#### *Noncontrolling interests - CIP*

Noncontrolling interests - CIP represent third-party investments in the Company's CIP and are classified as redeemable noncontrolling interests in the Consolidated Balance Sheets because investors in those products are able request withdrawal at any time.

#### *Noncontrolling interests - affiliate*

Noncontrolling interests - affiliate represent minority interests held in a consolidated affiliate. These interests are subject to holder put rights and Company call rights at established multiples of earnings before interest, taxes, depreciation and amortization and, as such, are considered redeemable at other than fair value. The rights are exercisable at pre-established intervals (between four and seven years from their issuance) or upon certain conditions such as retirement. The put and call rights are not legally detachable or separately exercisable and are deemed to be embedded in the related noncontrolling interests. The Company, in purchasing affiliate equity, has the option to settle in cash or shares of the Company's common stock and is entitled to the cash flow associated with any purchased equity. Minority interests in an affiliate are recorded at estimated redemption value within redeemable noncontrolling interests in the Consolidated Balance Sheets and any changes in the estimated redemption value are recorded in the Consolidated Statements of Operations within noncontrolling interests.

***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. 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 to the segment and assess its performance. The Company operates in one business segment, namely as an asset manager providing investment management and related 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 professionals manage both retail and institutional products, 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 on a consolidated level. Investment managers within the Company are generally not aligned with specific product lines.

***Cash and Cash Equivalents***

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

***Restricted Cash***

The Company considers cash and cash equivalents of CIP and cash pledged or on deposit of CIP to be restricted as it is not available to the Company for its general operations.

***Investments******Investment securities - fair value***

Investment securities - fair value consist primarily of investments in the Company's sponsored funds, equity securities and trading debt securities and are carried at fair value in accordance with ASC 320, *Investments-Debt and Equity Securities* ("ASC 320"), and Topic 321, *Investments-Equity Securities* ("ASC 321"). These 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. These securities transactions are recorded on a trade date basis. Any unrealized appreciation or depreciation on investment securities is reported in the Consolidated Statement of Operations within realized and unrealized gain (loss) on investments.

***Equity Method Investments***

Equity method investments consist of Company investments in noncontrolled entities, where the Company does not hold a controlling financial interest but has the ability to significantly influence operating and financial matters. Equity method investments are 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 Consolidated Statements of Operations. Distributions received reduce the Company's investment. The investment is evaluated for impairment if 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. Assets held in trust, which are considered investment securities, are included in investments at

fair value in accordance with ASC 820, *Fair Value Measurement* ("ASC 820"); the associated obligations to participants, which approximate the fair value of the associated assets, are included in other liabilities in the Consolidated Balance Sheets. See Note 5 for additional information related to the Excess Incentive Plan.

#### ***Deferred Commissions***

Deferred commissions, which are included in other assets in the Consolidated Balance Sheets, are commissions paid to broker-dealers on sales of certain mutual fund share classes. 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 the contingent deferred sales charge period, depending on the fund share class. The deferred costs resulting from the sale of shares are amortized on a straight-line basis over the period during which redemptions by the purchasing shareholder are subject to a contingent deferred sales charge, depending on the fund share class, or until the underlying shares are redeemed. Deferred commissions are periodically assessed for impairment. If impairment is indicated, impairment adjustments are recognized in operating income as a component of amortization of deferred commissions.

#### ***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.

#### ***Leases***

The Company leases office space and equipment under various leasing arrangements. In accordance with Accounting Standards Update ("ASU") 2016-02, *Leases*, the Company's leases are evaluated and classified as either financing leases or operating leases, as appropriate. The Company recognizes a lease liability and a corresponding right of use ("ROU") asset on the commencement date of any lease arrangement. The lease liability is initially measured at the present value of the future lease payments over the lease term using the rate implicit in the arrangement or, if not readily determinable, the Company's incremental borrowing rate. The Company determines its incremental borrowing rate through market sources, including relevant industry rates. A ROU asset is measured initially as the value of the lease liability plus initial direct costs and prepaid lease payments, and less lease incentives received. Lease expense is recognized on a straight-line basis over the lease term and is recorded within other operating expenses in the Consolidated Statement of Operations.

#### ***Goodwill and Intangible Assets***

Goodwill represents the excess of the purchase price of acquisitions and mergers over the identified assets and liabilities acquired. In accordance with ASC 350, *Goodwill and Other Intangible Assets*, goodwill is not amortized. A single reporting unit has been identified for the purpose of assessing potential 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's (the "FASB") ASU 2011-08, *Testing Goodwill for Impairment*, which provides 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, it is determined that 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 2020 and 2019 annual goodwill impairment analysis did not result in any impairment charges.

Definite-lived intangible assets are comprised of certain fund investment advisory contracts, trade names and non-competition agreements. These assets are amortized on a straight-line basis over the estimated useful lives of such assets, which range from zero to five years. Definite-lived intangible assets are evaluated for impairment on an ongoing basis whenever events or circumstances indicate that the carrying value of the definite-lived intangible asset may not be 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 an impairment is recorded, if the carrying value exceeds the expected future undiscounted cash flows.

Indefinite-lived intangible assets are comprised of certain trade names and fund investment advisory contracts. These

assets are tested for impairment annually or when events or changes in circumstances indicate the assets might be impaired. The Company follows ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*, which provides the 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 2020 and 2019 annual indefinite-lived intangible assets impairment analysis 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***

The Company's revenues are recognized when a performance obligation is satisfied, which occurs when control of the services is transferred to customers. Investment management fees, distribution and service fees, and administration and shareholder service fees are generally calculated as a percentage of average net assets of the investment portfolios managed. The net asset values from which investment management, distribution and service, and administration and shareholder service fees are calculated are variable in nature and subject to factors outside of the Company's control such as additional investments, withdrawals and market performance. Because of this, these fees are considered constrained until the end of the contractual measurement period (monthly or quarterly), which is when asset values are generally determinable.

#### ***Investment Management Fees***

The Company provides investment management services pursuant to investment management agreements through its affiliated investment advisers (each an "Adviser"). Investment management services represent a series of distinct daily services that are performed over time. Fees earned on funds are based on each fund's average daily or weekly net assets that are generally calculated and received on a monthly basis. The Company records investment management fees net of fees paid to unaffiliated subadvisers, as the Company considers itself an agent of the fund as it relates to the day-to-day investment management services performed by unaffiliated subadvisers, with the Company's performance obligation being to arrange for the provision of that service and not control the specified service before that service is performed. Amounts paid to unaffiliated subadvisers for the years ended December 31, 2020, 2019 and 2018 were \$38.6 million, \$40.5 million and \$46.7 million, respectively.

Retail separate account fees are generally based on the end of the preceding or current quarter's asset values. Institutional account fees are generally based on an average of daily or month-end balances or the current quarter's asset values. Fees for structured finance products, for which the Company acts as the collateral manager, consist of senior, subordinated and, in certain instances, incentive management fees. Senior and subordinated management fees are calculated at a contractual fee rate applied against the end of the preceding quarter par value of the total collateral being managed with subordinated fees being recognized only after certain portfolio criteria are met. Incentive fees on certain of the Company's collateralized loan obligations ("CLOs") are typically a percentage of the excess cash flows available to holders of the subordinated notes, above a threshold level internal rate of return.

#### ***Distribution and Service Fees***

Distribution and service fees are sales- and asset-based fees earned from open-end funds, for marketing and distribution services. Depending on the fund type or share class, these fees primarily consist of an asset-based fee that is paid by the fund over a period of years to cover allowable sales and marketing expenses, or front-end sales charges that are based on a percentage of the offering price. Asset-based distribution and service fees are primarily earned as percentages of the average daily net assets value and are paid monthly pursuant to the terms of the respective distribution and service fee contracts.

Distribution and service fees represent two performance obligations comprised of distribution and related shareholder servicing activities. Distribution services are generally satisfied upon the sale of a fund share. Shareholder servicing activities are generally services satisfied over time.

The Company distributes its open-end funds through unaffiliated financial intermediaries that comprise national and regional broker-dealers. These unaffiliated financial intermediaries provide distribution and shareholder service activities on

behalf of the Company. The Company passes related distribution and service fees to these unaffiliated financial intermediaries for these services and considers itself the principal in these arrangements since it has control of the services prior to the services being transferred to the customer. These payments are classified within distribution and other asset-based expenses.

#### *Administration & Shareholder Service Fees*

The Company provides administrative fund services to its open-end mutual funds, ETFs and certain of its closed-end funds and shareholder services to its open-end funds. Administration and shareholder services are performed over time. The Company earns fees for these services, that are calculated and paid monthly, based on each fund's average daily or weekly net assets. Administrative fund services include: record keeping, preparing and filing documents required to comply with securities laws, legal administration and compliance services, customer service, supervision of the activities of the funds' service providers, tax services and treasury services. The Company also provides office space, equipment and personnel that may be necessary for managing and administering the business affairs of the funds. Shareholder services include maintaining shareholder accounts, processing shareholder transactions, preparing filings and performing necessary reporting.

#### *Other Income & Fees*

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 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 metrics are achieved. The fair value of each RSU award 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." Compensation expense for RSU awards is recognized ratably over the vesting period on a straight-line basis. The value of RSUs that contain a performance metric ("PSUs") is determined based on (i) the fair market value price on the date of grant, for awards that contain a performance metric that represents a "performance condition" in accordance with ASC 718 or (ii) the Monte Carlo simulation valuation model for awards that contain a "market condition" performance metric under ASC 718. Compensation expense for PSU awards that contain a market condition is fixed at the date of grant and is not adjusted in future periods based upon the achievement of the market condition. Compensation expense for PSU awards with a performance condition is recorded each period based upon a probability assessment of the expected outcome of the performance metric with a final adjustment upon measurement at the end of the performance period.

#### *Income Taxes*

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"), which requires recognition of the amount of taxes payable or refundable for the current year as well as deferred tax assets and liabilities for temporary differences between the tax basis of assets and liabilities and the reported amounts in the Consolidated Financial Statements.

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. Unanticipated changes in future operating results 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) and foreign currency translation adjustments (net of tax).

### ***Earnings (Loss) per Share***

Earnings (loss) per share ("EPS") is calculated in accordance with ASC 260, *Earnings per Share*. Basic EPS is computed by dividing net income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding for the period, excluding dilution for potential common stock issuances. 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, including (i) shares issuable upon the vesting of RSUs and stock option exercises using the treasury stock method and (ii) shares issuable upon the conversion of the Company's mandatory convertible preferred stock ("MCPS"), as determined under the if-converted method. For purposes of calculating diluted EPS, preferred stock dividends have been subtracted from net income (loss) in periods in which utilizing the if-converted method would be anti-dilutive.

### ***Fair Value Measurements and Fair Value of Financial Instruments***

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. 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. 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***

#### ***New Accounting Standards Implemented***

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40)* ("ASU 2018-15"). This standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software, including an internal-use software license. The Company adopted this standard on January 1, 2020. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820)*. This standard modifies the disclosure requirements on fair value measurements. The Company adopted this standard on January 1, 2020. The adoption of

this standard did not have a material impact on the Company's consolidated financial statements.

#### *New Accounting Standards Not Yet Implemented*

In January 2020, the FASB issued ASU 2020-01, *Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*. This standard clarifies the interaction of the accounting for equity securities under Topic 321, the accounting for equity method investments in Topic 323 and the accounting for certain forward contracts and purchased options in Topic 815. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, with the amendments to be applied on a prospective basis. The Company has evaluated the impact of adopting this standard and, at this time, does not anticipate it will have a material impact on its consolidated financial statements.

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. This standard simplifies the accounting for income taxes by removing certain exceptions to the general principles of Topic 740, *Income Taxes*, and also improves consistent application by clarifying and amending existing guidance. This standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, with the amendments to be applied on a retrospective, modified retrospective or prospective basis, depending on the specific amendment. The Company has evaluated the impact of adopting this standard and, at this time, does not anticipate it will have a material impact on its consolidated financial statements.

### 3. Revenues

#### Revenue Disaggregated by Source

The following table summarizes revenue by source:

<i>(in thousands)</i>	Years Ended December 31,		
	2020	2019	2018
<b>Investment management fees</b>			
Open-end funds	\$ 247,519	\$ 229,637	\$ 231,175
Closed-end funds	36,833	42,199	41,455
Retail separate accounts	104,932	82,999	73,532
Institutional accounts	109,531	96,429	77,711
Structured products	4,012	6,381	9,622
Other products	2,511	3,832	3,526
<b>Total investment management fees</b>	<b>505,338</b>	<b>461,477</b>	<b>437,021</b>
<b>Distribution and service fees</b>	<b>38,425</b>	<b>40,898</b>	<b>50,715</b>
<b>Administration and shareholder service fees</b>	<b>59,463</b>	<b>59,884</b>	<b>63,614</b>
<b>Other income and fees</b>	<b>670</b>	<b>987</b>	<b>885</b>
Total revenues	\$ 603,896	\$ 563,246	\$ 552,235

**4. Goodwill and Other Intangible Assets**

Below is a summary of intangible assets, net:

<i>(in thousands)</i>	December 31,	
	2020	2019
<b>Definite-lived intangible assets, net:</b>		
Investment contracts and other	\$ 489,570	\$ 489,570
Accumulated amortization	(252,822)	(222,695)
Definite-lived intangible assets, net	236,748	266,875
<b>Indefinite-lived intangible assets</b>	<b>43,516</b>	<b>43,516</b>
Total intangible assets, net	<u>\$ 280,264</u>	<u>\$ 310,391</u>

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

<i>(in thousands)</i>	Years Ended December 31,		
	2020	2019	2018
<b>Intangible assets, net</b>			
Balance, beginning of period	\$ 310,391	\$ 338,812	\$ 301,954
Acquisitions	—	1,823	62,000
Amortization expense	(30,127)	(30,244)	(25,142)
<b>Balance, end of period</b>	<u>\$ 280,264</u>	<u>\$ 310,391</u>	<u>\$ 338,812</u>
<b>Goodwill</b>			
Balance, beginning of period	\$ 290,366	\$ 290,366	\$ 170,153
Acquisitions	—	—	120,213
<b>Balance, end of period</b>	<u>\$ 290,366</u>	<u>\$ 290,366</u>	<u>\$ 290,366</u>

Definite-lived intangible asset amortization for the next five years and thereafter is estimated as follows (in thousands):

Fiscal Year	Amount
2021	\$ 30,116
2022	29,992
2023	29,330
2024	23,689
2025	18,921
2026 and Thereafter	104,700
	<u>\$ 236,748</u>

At December 31, 2020, the weighted average estimated remaining amortization period for definite-lived intangible assets was 9.9 years.

## 5. Investments

Investments consist primarily of investments in the Company's sponsored products. The Company's investments, excluding the assets of CIP discussed in Note 19, at December 31, 2020 and 2019 were as follows:

<i>(in thousands)</i>	December 31,	
	2020	2019
Investment securities - fair value	\$ 39,990	\$ 60,990
Equity method investments (1)	12,676	12,030
Nonqualified retirement plan assets	10,612	8,724
Other investments	1,666	1,462
<b>Total investments</b>	<b>\$ 64,944</b>	<b>\$ 83,206</b>

(1) The Company's equity method investments are valued on a three-month lag based upon the availability of financial information.

### *Investment Securities - fair value*

Investment securities - fair value consist of investments in the Company's sponsored funds, separately managed accounts and trading debt securities. The composition of the Company's investment securities - fair value were as follows:

#### **December 31, 2020**

<i>(in thousands)</i>	Cost	Fair Value
<b>Investment Securities - fair value:</b>		
Sponsored funds	\$ 22,378	\$ 25,909
Equity securities	9,614	14,078
Debt securities	7	3
<b>Total investment securities - fair value</b>	<b>\$ 31,999</b>	<b>\$ 39,990</b>

#### **December 31, 2019**

<i>(in thousands)</i>	Cost	Fair Value
<b>Investment Securities - fair value:</b>		
Sponsored funds	\$ 44,588	\$ 47,654
Equity securities	11,250	13,320
Debt securities	44	16
<b>Total investment securities - fair value</b>	<b>\$ 55,882</b>	<b>\$ 60,990</b>

For the years ended December 31, 2020, 2019 and 2018, the Company recognized a net realized gain of \$4.7 million, \$0.8 million and \$1.8 million, respectively, on the sale of its investment securities - fair value.

### *Equity Method Investments*

The Company's equity method investments primarily consist of investments in limited partnerships. For the years ended December 31, 2020, 2019 and 2018, distributions from equity method investments were \$1.2 million, \$0.8 million and \$4.2 million, respectively. The remaining capital commitment for one of the Company's equity method investments at December 31, 2020 is \$0.4 million.

### *Nonqualified Retirement Plan Assets*

The Company's 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. Each participant is responsible for designating investment options for their contributions, and the ultimate distribution paid to each participant reflects any gains or losses on the assets realized while in the trust. Assets

held in trust are included in investments and are carried at fair value utilizing Level 1 valuation techniques in accordance with ASC 320; the associated obligations to participants are included in other liabilities in the Consolidated Balance Sheets.

### Other Investments

Other investments represent interests in entities not accounted for under the equity method such as those accounted for under the cost method.

## 6. Fair Value Measurements

The Company's assets and liabilities measured at fair value on a recurring basis, excluding the assets and liabilities of CIP discussed in Note 19, as of December 31, 2020 and December 31, 2019, by fair value hierarchy level were as follows:

<b>December 31, 2020</b> <i>(in thousands)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash equivalents	\$ 207,101	\$ —	\$ —	\$ 207,101
<b>Investment securities - fair value</b>				
Sponsored funds	25,909	—	—	25,909
Equity securities	14,078	—	—	14,078
Debt securities	—	3	—	3
Nonqualified retirement plan assets	10,612	—	—	10,612
<b>Total assets measured at fair value</b>	<b>\$ 257,700</b>	<b>\$ 3</b>	<b>\$ —</b>	<b>\$ 257,703</b>

<b>December 31, 2019</b> <i>(in thousands)</i>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets</b>				
Cash equivalents	\$ 187,255	\$ —	\$ —	\$ 187,255
<b>Investment securities - fair value</b>				
Sponsored funds	47,654	—	—	47,654
Equity securities	13,320	—	—	13,320
Debt securities	—	16	—	16
Nonqualified retirement plan assets	8,724	—	—	8,724
<b>Total assets measured at fair value</b>	<b>\$ 256,953</b>	<b>\$ 16</b>	<b>\$ —</b>	<b>\$ 256,969</b>

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 money market funds are valued using published net asset values and are classified as Level 1.

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

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

*Debt securities* represent investments in senior secured bank loans and are based on evaluated quotations received from independent pricing services and are categorized as Level 2.

*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.

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.

The Company had no Level 3 investments for the twelve months ended December 31, 2020. The following table is a reconciliation of assets for Level 3 investments for which significant unobservable inputs were used to determine fair value for the twelve months ended December 31, 2019:

<i>(in thousands)</i>	Twelve Months Ended December	
	31,	
	2019	
Level 3 Investments (1)		
Balance at beginning of period	\$	4,122
(Sales) purchases		(4,185)
Change in unrealized gain (loss), net		63
Balance at end of period	\$	—

(1) The investments that are categorized as Level 3 were valued utilizing third-party pricing information without adjustment.

#### 7. Furniture, Equipment and Leasehold Improvements, Net

Furniture, equipment and leasehold improvements, net were as follows:

<i>(in thousands)</i>	December 31,	
	2020	2019
Leasehold improvements	\$ 20,110	\$ 19,871
Furniture and office equipment	11,743	12,027
Computer equipment and software	5,593	5,434
Subtotal	37,446	37,332
Accumulated depreciation and amortization	(22,958)	(19,182)
Furniture, equipment and leasehold improvements, net	\$ 14,488	\$ 18,150

#### 8. Leases

All of the Company's leases qualify as operating leases and consist primarily of leases for office locations, which have remaining initial lease terms ranging from 0.3 to 9.3 years and a weighted average remaining lease term of 6.3 years. The Company has options to renew some of its leases for periods ranging from 3.0 to 15.0 years, depending on the lease. None of the Company's renewal options were considered reasonably assured of being exercised and, therefore, were excluded from the initial lease term used to determine the Company's ROU asset and lease liability. The Company's ROU asset, recorded in other assets, and lease liability, recorded in other liabilities in the Consolidated Balance Sheets, at December 31, 2020 were \$17.1 million and \$24.8 million, respectively. The weighted average discount rate used to measure the Company's lease liability was 4.73% at December 31, 2020.

Lease expense totaled \$5.1 million, \$5.1 million and \$6.9 million for fiscal years 2020, 2019 and 2018, respectively. Cash payments relating to operating leases during 2020 were \$5.9 million.

Lease liability maturities as of December 31, 2020 were as follows:

	<b>Amount</b> <i>(in thousands)</i>
2021	\$ 5,774
2022	4,731
2023	4,406
2024	3,760
2025	3,185
Thereafter	7,213
Total lease payments	29,069
Less: Imputed interest	4,264
<b>Present value of lease liabilities</b>	<b>\$ 24,805</b>

## 9. Income Taxes

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

<i>(in thousands)</i>	Years Ended December 31,		
	2020	2019	2018
<b>Current</b>			
Federal	\$ 27,852	\$ 23,066	\$ 18,864
State	9,751	6,129	3,668
Total current tax expense (benefit)	37,603	29,195	22,532
<b>Deferred</b>			
Federal	3,899	3,535	5,901
State	2,433	2,447	4,528
Total deferred tax expense (benefit)	6,332	5,982	10,429
Total expense (benefit) for income taxes	\$ 43,935	\$ 35,177	\$ 32,961

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:

<i>(in thousands)</i>	Years Ended December 31,					
	2020		2019		2018	
Tax at statutory rate	\$ 34,419	21 %	\$ 29,544	21 %	\$ 22,899	21 %
State taxes, net of federal benefit	9,775	6	6,859	5	6,450	6
Nondeductible compensation	2,686	2	2,080	2	2,182	2
Effect of net (income) loss attributable to noncontrolling interests	(1,939)	(1)	(968)	(1)	(171)	—
Change in valuation allowance	(1,383)	(1)	(1,330)	(1)	4,508	4
Other, net	377	—	(1,008)	(1)	(2,907)	(3)
Income tax expense (benefit)	\$ 43,935	27 %	\$ 35,177	25 %	\$ 32,961	30 %

The provision for income taxes reflects U.S. federal, state and local taxes at an effective tax rate of 27%, 25% and 30% for the years ended December 31, 2020, 2019 and 2018, respectively. The Company's tax position for the years ended December 31, 2020, 2019 and 2018 was impacted by changes in the valuation allowance related to the unrealized and realized gains and losses on the Company's investments.

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 were as follows:

<i>(in thousands)</i>	December 31,	
	2020	2019
<b>Deferred tax assets:</b>		
Intangible assets	\$ 3,237	\$ 5,279
Net operating losses	13,490	13,704
Compensation accruals	12,971	12,789
Lease liability	5,835	6,897
Investments	3,758	5,561
Capital losses	1,255	773
Other	984	581
Gross deferred tax assets	41,530	45,584
Valuation allowance	(6,107)	(6,844)
Gross deferred tax assets after valuation allowance	35,423	38,740
<b>Deferred tax liabilities:</b>		
Intangible assets	(18,170)	(15,252)
Right of use asset	(4,328)	(5,263)
Fixed assets	(1,900)	(1,372)
Other investments	(1,487)	(975)
Gross deferred tax liabilities	(25,885)	(22,862)
Deferred tax assets, net	\$ 9,538	\$ 15,878

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 \$6.1 million and \$6.8 million at December 31, 2020 and 2019, respectively, relating to deferred tax assets on items of a capital nature as well as certain state deferred tax assets.

As of December 31, 2020, the Company had net operating loss carry-forwards for federal income tax purposes represented by an \$8.5 million deferred tax asset. The related federal net operating loss carry-forwards are scheduled to begin to expire in the year 2031. As of December 31, 2020, the Company had state net operating loss carry-forwards, varying by subsidiary and jurisdiction, represented by a \$5.0 million deferred tax asset. The state net operating loss carry-forwards are scheduled to begin to expire in 2021.

Internal Revenue Code Section 382 ("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. At December 31, 2020, the Company had pre-change losses represented by deferred tax assets totaling \$9.5 million that are subject to Section 382 limits. The utilization of these assets is subject to an annual limitation of \$1.1 million.

Activity in unrecognized tax benefits were as follows:

<i>(in thousands)</i>	Years Ended December 31,		
	2020	2019	2018
Balance, beginning of year	\$ 1,172	\$ —	\$ —
Decrease related to tax positions taken in prior years	(365)	—	—
Increase related to positions taken in the current year	214	1,172	—
Balance, end of year	\$ 1,021	\$ 1,172	\$ —



If recognized, \$0.8 million of the \$1.0 million gross unrecognized tax benefit balance at December 31, 2020 would favorably impact the Company's effective income tax rate. The Company does not expect any significant changes to its liability for unrecognized tax benefits during the next 12 months.

The Company recognizes interest and penalties related to income tax matters within income tax expense. The Company recorded no interest or penalties related to unrecognized tax benefits at December 31, 2020, 2019 and 2018.

The earliest federal tax year that remains open for examination is 2017. The earliest open years in the Company's major state tax jurisdictions are 2010 for Connecticut and 2017 for all of the Company's remaining state tax jurisdictions.

## 10. Debt

### *Credit Agreement*

The Company's credit agreement, as amended (the "Credit Agreement"), is comprised of (i) \$365.0 million of seven-year term debt (the "Term Loan") expiring in June 2024, and (ii) a \$100.0 million five-year revolving credit facility (the "Credit Facility") expiring in June 2022. During the year ended December 31, 2020, the Company reduced its Term Loan by \$80.1 million, including the retirement of \$10.0 million of principal for \$8.9 million from certain debt holders in accordance with the prepayment provisions in the Credit Agreement. At December 31, 2020, \$205.7 million was outstanding under the Term Loan, and the Company had no outstanding borrowings under its Credit Facility. In accordance with ASC 835, *Interest*, the amounts outstanding under the Company's Term Loan are presented in the Consolidated Balance Sheet net of related debt issuance costs, which were \$4.5 million as of December 31, 2020.

Amounts outstanding under the Credit Agreement for the Term Loan and the Credit Facility bear interest at an annual rate equal to, at the option of the Company, either (i) LIBOR (adjusted for reserves) for interest periods of one, two, three or six months (or, solely in the case of the Credit Facility, if agreed to by each relevant lender, twelve months or periods less than one month), subject to a "floor" of 0% for the Credit Facility and 0.75% for the Term Loan, or (ii) an alternate base rate, in either case plus an applicable margin. The applicable margin on amounts outstanding under the Credit Agreement is 2.50%, in the case of LIBOR-based loans, and 1.50% in the case of alternate base rate loans. In each case the applicable margin is subject to a 25 basis point reduction if the Company's secured net leverage ratio (as defined in the Credit Agreement) as of the last day of the preceding fiscal quarter is not greater than 1.00 to 1.00, as reflected in certain financial reports required under the Credit Agreement.

The Credit Agreement includes a financial maintenance covenant that the Company will not permit the Total Net Leverage Ratio to exceed 2.50:1.00 as of the last day of any fiscal quarter, provided that this covenant will apply only if on such day the aggregate principal amount of outstanding revolving loans and letters of credit under the Credit Facility exceeds 30% of the aggregate revolving commitments as of such day.

The obligations of the Company under the Credit Agreement are guaranteed by certain of its subsidiaries and secured by substantially all of the assets of the Company, subject to customary exceptions. The Credit Agreement contains customary affirmative and negative covenants, including covenants that affect, among other things, the ability of the Company and its subsidiaries to incur additional indebtedness, create liens, merge or dissolve, make investments, dispose of assets, engage in sale and leaseback transactions, purchase shares of our common stock, make distributions and dividends and pre-payments of junior indebtedness, engage in transactions with affiliates, enter into restrictive agreements, amend documentation governing junior indebtedness, modify its fiscal year, or modify its organizational documents, subject to customary exceptions, thresholds, qualifications and "baskets."

The Term Loan amortizes at the rate of 1.00% per annum payable in equal quarterly installments and is mandatorily repaid with: (i) 50% of the Company's excess cash flow (as defined in the Credit Agreement) on an annual basis, declining to 25% if the Company's secured net leverage ratio declines below 1.0 and further declining to 0% if the Company's secured net leverage ratio declines below 0.5; (ii) the net proceeds of certain asset sales, casualty or condemnation events, subject to customary reinvestment rights; and (iii) the proceeds of any indebtedness incurred other than indebtedness permitted to be incurred by the Credit Agreement.

At any time, upon timely notice, the Company may terminate the Credit Agreement in full, reduce the commitment under the Credit Facility in minimum specified increments or prepay the Term Loan in whole or in part, subject to the payment of

breakage fees with respect to LIBOR-based loans and, in the case of any Term Loans that are prepaid in connection with a "repricing transaction" occurring within the six-month period following the closing date, a 1.00% premium.

Future minimum Term Loan payments (exclusive of any mandatory excess cash flow repayments) as of December 31, 2020 were as follows:

Year	Amount
	<i>(in thousands)</i>
2021	\$ 3,651
2022	3,652
2023	3,651
2024	194,718
	\$ 205,672

## 11. Commitments and Contingencies

### *Legal Matters*

The Company is involved from time to time 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 records 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, *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, indemnities 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.

## 12. Equity

### *Preferred Stock Conversion*

On February 3, 2020, 1,150,000 shares of MCPS converted to 912,870 shares of the Company's common stock. Each share of MCPS converted to 0.7938 shares of common stock at a conversion price of \$125.97 per share, subject to customary anti-dilution adjustments. The number of shares of common stock issued upon conversion was determined based on the volume-weighted average price per share of the Company's common stock over the 20 consecutive trading day period beginning on, and including, the 22nd scheduled trading day immediately preceding the mandatory conversion date.

### Dividends

During the first and second quarters of the year ended December 31, 2020, the Board of Directors declared quarterly cash dividends on the Company's common stock of \$0.67 each. During the third and fourth quarters of the year ended December 31, 2020, the Board of Directors declared quarterly cash dividends on the Company's common stock of \$0.82 each. Total dividends declared on the Company's common stock were \$25.0 million for the year ended December 31, 2020.

At December 31, 2020, \$9.0 million was included as dividends payable in liabilities in the Consolidated Balance Sheet representing the fourth quarter dividends to be paid on February 12, 2021 for the Company's common stock shareholders of record as of January 29, 2021.

### Common Stock Repurchases

In May 2020, the Company's Board of Directors authorized an additional 750,000 shares to be repurchased under the Company's share repurchase program, bringing the total number of shares authorized to be repurchased under the program since its inception to 4,930,045 shares. During the year ended December 31, 2020, the Company repurchased a total of 279,796 common shares at a weighted average price of \$116.13 per share, for a total cost, including fees and expenses, of \$32.5 million under its share repurchase program. As of December 31, 2020, 722,642 shares remain available for repurchase. Under the terms of the program, the Company may repurchase shares of its common stock from time to time at its discretion through open market repurchases, privately negotiated transactions and/or other mechanisms, depending on price and prevailing market and business conditions. The program, which has no specified term, may be suspended or terminated at any time.

### 13. Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss), by component, were as follows:

<i>(in thousands)</i>	Unrealized Gains (Losses) on Securities Available-for-Sale	Foreign Currency Translation Adjustments
Balance at December 31, 2019	\$ —	\$ 9
Foreign currency translation adjustments, net of tax of \$(7)	—	20
Net current-period other comprehensive income (loss)	—	20
Balance at December 31, 2020	\$ —	\$ 29
<i>(in thousands)</i>	Unrealized Gains (Losses) on Securities Available-for-Sale	Foreign Currency Translation Adjustments
Balance at December 31, 2018	\$ (726)	\$ (5)
Foreign currency translation adjustments, net of tax of \$(5)	—	14
Amounts reclassified from accumulated other comprehensive income (loss), net of tax of \$(254)	726	—
Net current-period other comprehensive income (loss)	726	14
Balance at December 31, 2019	\$ —	\$ 9

### 14. 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. Through December 31, 2020, the Company matched employees' contributions at a rate of 100% of employees' contributions up to the first 5.0% of the employees' compensation contributed to the 401(k) Plan. The Company's matching contributions were \$5.3 million, \$5.1 million and \$5.2 million in 2020, 2019 and 2018, respectively.

## 15. Stock-Based Compensation

Pursuant to the Company's Omnibus Incentive and Equity Plan (the "Plan"), officers, employees and directors may be granted equity-based awards, including restricted stock units ("RSUs"), performance stock units ("PSUs"), stock options and unrestricted shares of common stock. At December 31, 2020, 343,165 shares of common stock remain available for issuance of the 2,820,000 shares that are authorized for issuance under the Plan.

Stock-based compensation expense is summarized as follows:

<i>(in thousands)</i>	Years Ended December 31,		
	2020	2019	2018
Stock-based compensation expense	\$ 21,481	\$ 22,232	\$ 23,116

### Restricted Stock Units

Each RSU entitles the holder to one share of common stock when the restriction expires. RSUs may be time-vested or performance-contingent (PSUs) that convert into RSUs after performance measurement is complete and generally vest in one to three years. Shares that are issued upon vesting are newly issued shares from the Plan and are not issued from treasury stock.

RSU activity, inclusive of PSUs, for the year ended December 31, 2020 is summarized as follows:

	Number of shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2019	528,376	\$ 115.74
Granted	211,660	\$ 86.73
Forfeited	(10,734)	\$ 106.28
Settled	(196,117)	\$ 110.93
Outstanding at December 31, 2020	533,185	\$ 106.19

The grant-date intrinsic value of RSUs granted during the year ended December 31, 2020 was \$18.4 million.

<i>(in millions, except per share values)</i>	Years Ended December 31,		
	2020	2019	2018
Weighted-average grant-date fair value per share	\$ 86.73	\$ 108.42	\$ 131.16
Fair value of RSUs vested	\$ 21.8	\$ 17.8	\$ 12.5

For the years ended December 31, 2020, 2019 and 2018, a total of 68,625, 66,441 and 41,101 RSUs, respectively, were withheld by the Company as a result of net share settlements to settle minimum employee tax withholding obligations. The Company paid \$6.5 million, \$6.9 million and \$5.3 million for the years ended December 31, 2020, 2019 and 2018, respectively, in minimum employee tax withholding obligations related to RSUs withheld for net share settlements. 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.

During the years ended December 31, 2020 and 2019, the Company granted 68,371 and 52,960 PSUs that contain performance-based metrics in addition to a service condition. Compensation expense for PSUs is generally recognized over a three-year service period based upon the value determined using a combination of (i) the intrinsic value method, for awards that contain a performance metric that represents a "performance condition" in accordance with ASC 718, and (ii) the Monte Carlo simulation valuation model for awards that contain a "market condition" performance metric under ASC 718. Compensation expense for PSU awards that contain a market condition is fixed at the date of grant and will not be adjusted in future periods based upon the achievement of the market condition. Compensation expense for PSU awards with a performance condition is recorded each period based upon a probability assessment of the expected outcome of the performance metric with a final adjustment upon measurement at the end of the performance period.

As of December 31, 2020 and 2019, unamortized stock-based compensation expense for unvested RSUs and PSUs was \$22.3 million and \$27.8 million, respectively, with a weighted average remaining contractual life of 1.2 years and 1.3 years, respectively. The Company did not capitalize any stock-based compensation expenses during the years ended December 31,

2020, 2019 and 2018.

### Stock Options

Stock option activity for the year ended December 31, 2020 is summarized as follows:

	Number of shares	Weighted Average Exercise Price
Outstanding at December 31, 2019	6,654	\$ 39.35
Exercised	(5,461)	\$ 35.89
Outstanding at December 31, 2020	1,193	\$ 55.18
Vested and exercisable at December 31, 2020	1,193	\$ 55.18

Stock options generally cliff vest after three years and have a contractual life of ten years. The weighted-average remaining contractual term for stock options outstanding, vested and exercisable at December 31, 2020 and December 31, 2019 was 0.2 and 0.8 years, respectively. At December 31, 2020, the aggregate intrinsic value of stock options outstanding and vested and exercisable was \$0.2 million. The total intrinsic value of stock options exercised for the years ended December 31, 2020, 2019 and 2018 was \$0.4 million, \$6.4 million and \$3.0 million, respectively. Cash received from stock option exercises was \$0.2 million, \$0.7 million and \$0.8 million for 2020, 2019 and 2018, 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.

## 16. Earnings (Loss) Per Share

The computation of basic and diluted EPS is as follows:

<i>(in thousands, except per share amounts)</i>	Years Ended December 31,		
	2020	2019	2018
<b>Net Income (Loss)</b>	\$ 119,963	\$ 105,508	\$ 76,080
Noncontrolling interests	(40,006)	(9,859)	(551)
<b>Net Income (Loss) Attributable to Stockholders</b>	79,957	95,649	75,529
Preferred stock dividends	—	(8,337)	(8,337)
<b>Net Income (Loss) Attributable to Common Stockholders</b>	\$ 79,957	\$ 87,312	\$ 67,192
<b>Shares (in thousands):</b>			
Basic: Weighted-average number of shares outstanding	7,620	6,963	7,174
Plus: Incremental shares from assumed conversion of dilutive instruments	356	1,186	1,353
Diluted: Weighted-average number of shares outstanding	7,976	8,149	8,527
Earnings (Loss) per Share—Basic	\$ 10.49	\$ 12.54	\$ 9.37
Earnings (Loss) per Share—Diluted	\$ 10.02	\$ 11.74	\$ 8.86

The following table details the securities that have been excluded from the above computation of weighted-average number of shares for diluted EPS, because the effect would be anti-dilutive.

<i>(in thousands)</i>	Years Ended Years Ended December 31,		
	2020	2019	2018
Restricted stock units and stock options	1	22	12
Total anti-dilutive securities	1	22	12

## 17. 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 client including the Company's sponsored funds provided 10 percent or more of the Company's investment management, administration and shareholder service fee revenues:

	2020	2019	2018
Virtus KAR Small Cap Growth Fund	10%	*	*
Virtus Newfleet Multi-Sector Short Term Bond Fund	*	*	10%
Virtus Vontobel Emerging Markets Opportunities Fund	*	*	10%

\* Less than 10 percent of total revenues of the Company

## 18. Redeemable Noncontrolling Interests

Redeemable noncontrolling interests for the year ended December 31, 2020 included the following amounts:

<i>(in thousands)</i>	CIP	Affiliate Noncontrolling Interests	Total
Balance at December 31, 2019	\$ 5,429	\$ 58,416	\$ 63,845
Net income (loss) attributable to noncontrolling interests	997	5,979	6,976
Changes in redemption value (1)	—	31,732	31,732
Total net income (loss) attributable to noncontrolling interests	997	37,711	38,708
Net subscriptions (redemptions) and other	21,635	(8,675)	12,960
Balance at December 31, 2020	\$ 28,061	\$ 87,452	\$ 115,513

(1) Relates to noncontrolling interests redeemable at other than fair value.

## 19. Consolidation

The consolidated financial statements include the accounts of the Company, its subsidiaries and investment products that are consolidated. VOEs are consolidated when the Company is considered to have a controlling financial interest, which is typically present when the Company owns a majority of the voting interest in an entity or otherwise has the power to govern the financial and operating policies of the entity.

The Company evaluates any VIEs in which the Company has a variable interest for consolidation. A VIE is an entity in which either (i) the equity investment at risk is not sufficient to permit the entity to finance its own activities without additional financial support or (ii) where as a group, the holders of the equity investment at risk do not possess (x) the power through voting or similar rights to direct the activities that most significantly impact the entity's economic performance; (y) the obligation to absorb expected losses or the right to receive expected residual returns of the entity; or (z) 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 an 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.

In the normal course of its business, the Company sponsors various investment products, some of which are consolidated by the Company. CIP includes both VOEs, made up primarily of open-end funds in which the Company holds a controlling financial interest, and VIEs, which primarily consist of CLOs of which the Company is considered the primary beneficiary. The consolidation and deconsolidation of these investment products have no impact on net income (loss) attributable to stockholders. The Company's risk with respect to these investment products is limited to its beneficial interests 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 following table presents the balances of CIP that, after intercompany eliminations, were reflected in the Consolidated Balance Sheets as of December 31, 2020 and 2019:

	As of December 31,					
	2020			2019		
	VOEs	VIEs		VOEs	VIEs	
		CLOs	Other		CLOs	Other
<i>(in thousands)</i>						
Cash and cash equivalents	\$ 9,837	\$ 82,295	\$ 1,206	\$ 2,665	\$ 97,130	\$ 363
Investments	57,256	2,217,055	58,966	22,223	1,976,148	31,739
Other assets	1,989	10,484	957	1,563	21,450	599
Notes payable	—	(2,190,445)	—	—	(1,834,535)	—
Securities purchased payable and other liabilities	(2,566)	(42,940)	(323)	(2,964)	(164,887)	(200)
Noncontrolling interests	(24,707)	(9,799)	(3,354)	(3,865)	(10,558)	\$ (1,564)
Net interests in CIP	\$ 41,809	\$ 66,650	\$ 57,452	\$ 19,622	\$ 84,748	\$ 30,937

### Consolidated CLOs

The majority of the Company's CIP that are VIEs are CLOs. At December 31, 2020, the Company consolidated six CLOs. The financial information of certain CLOs is included in the Company's consolidated financial statements on a one-month lag based upon the availability of the fund's financial information. A majority-owned consolidated private fund, whose primary purpose is to invest in CLOs for which the Company serves as the collateral manager, is also included.

### Investments of CLOs

The CLOs held investments of \$2.2 billion at December 31, 2020 consisting of bank loan investments, which comprise the majority of the CLOs' portfolio asset collateral and are senior secured corporate loans across a variety of industries. These bank loan investments mature at various dates between 2021 and 2029 and pay interest at LIBOR plus a spread of up to 12.0%. The CLOs may elect to reinvest any prepayments received on bank loan investments up until the periods between October 2019 and March 2025, depending on the CLO. Generally, subsequent prepayments received after the reinvestment period must be used to pay down the note obligations. At December 31, 2020, the fair value of the senior bank loans was less than the unpaid principal balance by \$79.3 million. At December 31, 2020, there were no material collateral assets in default.

### Notes Payable of CLOs

The CLOs held notes payable with a total value, at par, of \$2.4 billion at December 31, 2020, consisting of senior secured floating rate notes payable with a par value of \$2.2 billion and subordinated notes with a par value of \$225.9 million. These note obligations bear interest at variable rates based on LIBOR plus a pre-defined spread ranging from 0.8% to 8.7%. The principal amounts outstanding of these note obligations mature on dates ranging from October 2027 to April 2033.

The Company's beneficial interests and maximum exposure to loss related to these consolidated CLOs is limited to (i) ownership in the subordinated notes and (ii) accrued management fees. The secured notes of the consolidated CLOs have contractual recourse only to the related assets of the CLO and are classified as financial liabilities. Although these beneficial interests are eliminated upon consolidation, the application of the measurement alternative prescribed by ASU 2014-13, *Consolidation (Topic 810)* ("ASU 2014-13") results in the net assets of the consolidated CLOs shown above to be equivalent to the beneficial interests retained by the Company at December 31, 2020, as shown in the table below:

	<i>(in thousands)</i>
Subordinated notes	\$ 65,332
Accrued investment management fees	1,318
Total Beneficial Interests	<u>\$ 66,650</u>

The following table represents income and expenses of the consolidated CLOs included in the Company's Consolidated Statements of Operations for the period indicated:

	Year Ended December 31, 2020 <i>(in thousands)</i>	
<b>Income:</b>		
Realized and unrealized gain (loss), net	\$	(6,519)
Interest income		106,536
<b>Total Income</b>	<b>\$</b>	<b>100,017</b>
<b>Expenses:</b>		
Other operating expenses	\$	9,991
Interest expense		85,437
<b>Total Expense</b>		<b>95,428</b>
Noncontrolling interests		(1,298)
<b>Net Income (loss) attributable to CIP</b>	<b>\$</b>	<b>3,291</b>

As summarized in the table below, the application of the measurement alternative as prescribed by ASU 2014-13 results in the consolidated net income summarized above to be equivalent to the Company's own economic interests in the consolidated CLOs, which are eliminated upon consolidation:

	Year Ended December 31, 2020 <i>(in thousands)</i>	
Distributions received and unrealized gains (losses) on the subordinated notes held by the Company	\$	(5,454)
Investment management fees		8,745
<b>Total Economic Interests</b>	<b>\$</b>	<b>3,291</b>

#### **Fair Value Measurements of CIP**

The assets and liabilities of CIP measured at fair value on a recurring basis as of December 31, 2020 and 2019 by fair value hierarchy level were as follows:

#### **As of December 31, 2020** *(in thousands)*

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Cash equivalents	\$ 82,295	\$ —	\$ —	\$ 82,295
Debt investments	16,859	2,219,199	53,368	2,289,426
Equity investments	38,468	3,856	814	43,138
Derivatives	858	1,227	—	2,085
<b>Total assets measured at fair value</b>	<b>\$ 138,480</b>	<b>\$ 2,224,282</b>	<b>\$ 54,182</b>	<b>\$ 2,416,944</b>
<b>Liabilities</b>				
Notes payable	\$ —	\$ 2,190,445	\$ —	\$ 2,190,445
Derivatives	714	757	—	1,471
Short sales	520	—	—	520
<b>Total liabilities measured at fair value</b>	<b>\$ 1,234</b>	<b>\$ 2,191,202</b>	<b>\$ —</b>	<b>\$ 2,192,436</b>



**As of December 31, 2019**

<i>(in thousands)</i>	Level 1	Level 2	Level 3	Total
<i>Assets</i>				
Cash equivalents	\$ 97,130	\$ —	\$ —	\$ 97,130
Debt investments	218	1,973,427	39,389	2,013,034
Equity investments	15,872	171	1,033	17,076
<b>Total assets measured at fair value</b>	<b>\$ 113,220</b>	<b>\$ 1,973,598</b>	<b>\$ 40,422</b>	<b>\$ 2,127,240</b>
<i>Liabilities</i>				
Notes payable	\$ —	\$ 1,834,535	\$ —	\$ 1,834,535
Short sales	430	—	—	430
<b>Total liabilities measured at fair value</b>	<b>\$ 430</b>	<b>\$ 1,834,535</b>	<b>\$ —</b>	<b>\$ 1,834,965</b>

The following is a discussion of the valuation methodologies used for the assets and liabilities of the Company's CIP measured at fair value.

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

Debt and equity investments represent the underlying debt, equity and other securities held in CIP. Equity investments are valued at the official closing price on the exchange on which the securities are traded and are generally categorized within Level 1. Level 2 investments represent most debt securities, including bank loans and certain equity securities (including non-U.S. 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. Debt investments are valued based on quotations received from independent pricing services or from dealers who make markets in such securities. Bank loan investments, which are included as debt investments, are generally priced at the average mid-point of bid and ask quotations obtained from a third-party pricing service. Fair value may also be based upon valuations obtained from independent third-party brokers or dealers utilizing matrix pricing models that consider information regarding securities with similar characteristics. In certain instances, fair value has been determined utilizing discounted cash flow analyses or single broker non-binding quotes. Depending on the nature of the inputs, these assets are classified as Level 1, 2 or 3 within the fair value measurement hierarchy. Level 3 investments include debt and equity securities that are not widely traded, are illiquid or are priced by dealers based on pricing models used by market makers in the security.

Derivative assets and liabilities represent futures contracts, swaps contracts, option contracts and forward contracts held in CIP. Derivative instruments in an asset position are classified as other assets of CIP on the Consolidated Balance Sheets. Derivative instruments in a liability position are classified as liabilities of CIP within the Consolidated Balance Sheets. The change in fair value of such derivatives is recorded in realized and unrealized gain (loss) on investments of CIP, net, on the Consolidated Statements of Operations. Depending on the nature of the inputs, these derivative assets and liabilities are classified as Level 1, 2 or 3 within the fair value measurement hierarchy. In connection with entering into these derivative contracts, these CIP may be required to pledge an amount of cash equal to the appropriate "initial margin" requirements. The cash pledged or on deposit is recorded on the Consolidated Balance Sheets of the Company as cash pledged or on deposit of CIP. The fair value of such derivatives at December 31, 2020 was immaterial.

Notes payable represent notes issued by CIP CLOs and are measured using the measurement alternative in ASU 2014-13. Accordingly, the fair value of CLO liabilities was measured as the fair value of CLO assets less the sum of (i) the fair value of the beneficial interests held by the Company, and (ii) the carrying value of any beneficial interests that represent compensation for services. The fair value of the beneficial interests held by the Company is based on third-party pricing information without adjustment.

Short sales are transactions in which a security is sold that 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 CIP and are classified as Level 1 based on the underlying equity security.

The securities purchase payable at December 31, 2020 and 2019 approximated fair value due to the short term nature of the instruments.

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

<i>(in thousands)</i>	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Level 3 Investments of CIP (1)</b>		
Balance at beginning of period	\$ 40,422	\$ 6,848
Purchases	2,197	2,466
Sales	(1,843)	(7,310)
Amortization	31	(13)
Change in unrealized gains (losses), net	(1,245)	235
Realized gains (loss), net	20	(94)
Transfers to Level 2	(61,335)	(52,875)
Transfers from Level 2	75,935	91,165
<b>Balance at end of period</b>	<b>\$ 54,182</b>	<b>\$ 40,422</b>

- (1) The investments that are categorized as Level 3 were valued utilizing third-party pricing information without adjustment. Transfers between Level 2 and Level 3 were due to trading activities at period end.

### *Nonconsolidated VIEs*

The Company serves as the collateral manager for other collateralized loan and collateralized bond obligations (collectively, "CDOs") that are not consolidated. The assets and liabilities of these CDOs reside in bankruptcy remote, special purpose entities in which the Company has no ownership of, nor holds any notes issued by, the CDOs, and provides neither recourse nor guarantees. The Company has determined that the investment management fees it receives for serving as collateral manager for these CDOs did not represent a variable interest since (i) the fees the Company earns are compensation for services provided and are commensurate with the level of effort required to provide the investment management services, (ii) the Company does not hold other interests in the CDOs that individually, or in the aggregate, would absorb more than an insignificant amount of the CDOs' expected losses or receive more than an insignificant amount of the CDOs' expected residual return, and (iii) the investment management arrangement only includes terms, conditions and amounts that are customarily present in arrangements for similar services negotiated at arm's length.

The Company has interests in certain other VIEs that the Company does not consolidate as it is not the primary beneficiary since its interest in these entities does not provide the Company with the power to direct the activities that most significantly impact the entities' economic performance. At December 31, 2020, the carrying value and maximum risk of loss related to the Company's interest in these VIEs was \$28.7 million.

## **20. Subsequent Events**

### *AllianzGI Strategic Partnership*

On February 1, 2021, the Company completed actions necessary to finalize its agreement from July 2020 with Allianz Global Investors U.S. LLC and Allianz Global Investors Distributors LLC (collectively, "AllianzGI") pursuant to which the company became the investment adviser, distributor and/or administrator of certain AllianzGI's open-end, closed-end and retail separate account assets.

### *Agreement with Westchester Capital Management*

On February 1, 2021, the Company entered into an agreement to acquire all of the equity of Westchester Capital Management. The transaction is expected to close in the second half of the 2021, subject to customary closing conditions and approvals by Westchester Capital Management Funds Board and shareholders.

**Dividends Declared**

On February 24, 2021, the Company declared a quarterly cash dividend of \$0.82 per common share to be paid on May 14, 2021 to shareholders of record at the close of business on April 30, 2021.

**21. Selected Quarterly Data (Unaudited)**

	2020			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
<i>(in thousands, except per share data)</i>				
Revenues	\$ 171,646	\$ 154,790	\$ 132,894	\$ 144,566
Operating Income (Loss)	50,931	41,009	26,622	24,602
Net Income (Loss)	61,814	40,934	16,209	1,006
Net Income (Loss) Attributable to Common Stockholders	43,315	29,648	11,279	(4,285)
Earnings (loss) per share—Basic	\$ 5.67	\$ 3.86	\$ 1.46	\$ (0.58)
Earnings (loss) per share—Diluted	\$ 5.40	\$ 3.71	\$ 1.43	\$ (0.58)
	2019			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
<i>(in thousands, except per share data)</i>				
Revenues	\$ 146,084	\$ 145,955	\$ 140,489	\$ 130,718
Operating Income (Loss)	37,796	35,787	30,128	20,999
Net Income (Loss)	29,782	25,359	27,899	22,468
Net Income (Loss) Attributable to Common Stockholders	20,808	22,000	24,842	19,662
Earnings (loss) per share—Basic	\$ 3.02	\$ 3.17	\$ 3.55	\$ 2.80
Earnings (loss) per share—Diluted	\$ 2.83	\$ 2.95	\$ 3.26	\$ 2.61

**MEMBERSHIP INTEREST PURCHASE AGREEMENT**

**among**

**VIRTUS PARTNERS, INC.,**

**WESTCHESTER CAPITAL PARTNERS, LLC,**

**WESTCHESTER CAPITAL MANAGEMENT, LLC,**

**MTSWCM HOLDINGS, LLC,**

**RDBWCM HOLDINGS, LLC,**

**LPC WESTCHESTER, LP**

**and**

**THE INDIVIDUAL EQUITYHOLDERS (as defined herein)**

February 1, 2021

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### **Exhibits**

Exhibit A-1	Form of MTSWCM Holdings Contribution Agreement
Exhibit A-2	Form of RDBWCM Holdings Contribution Agreement
Exhibit B	Form of Services Agreements
Exhibit C	Form of Release
Exhibit D	Form of Employee Offer Letter

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THIS MEMBERSHIP INTEREST PURCHASE AGREEMENT (this “Agreement”) is made and entered into as of February 1, 2021, by and among VIRTUS PARTNERS, INC., a Delaware corporation (“Buyer”), WESTCHESTER CAPITAL PARTNERS, LLC, a Delaware limited liability company (formerly known as Green & Smith Investment Management L.L.C.) (“WCP”), WESTCHESTER CAPITAL MANAGEMENT, LLC, a Delaware limited liability company (“WCM”), MTSWCM HOLDINGS, LLC, a New York limited liability company (“MTSWCM Holdings”), RDBWCM HOLDINGS, LLC, a New York limited liability company (“RDBWCM Holdings”), LPC WESTCHESTER, LP, a Delaware limited partnership (“LPC,” and together with MTSWCM Holdings and RDBWCM Holdings, “Sellers”), MICHAEL T. SHANNON and ROY D. BEHREN (the “Individual Equityholders”).

WITNESSETH:

WHEREAS, WCP is a registered investment adviser under the Investment Advisers Act, and in such capacity serves as: (i) the investment advisor to WCM Master Trust, a Bermuda trust (the “Trust”); (ii) the general partner of WCM Hudson Valley Partners, L.P., Delaware limited partnership and a feeder fund to the Trust (the “Onshore Fund”); and (iii) the investment advisor to WCM Merger Fund Ltd., a Cayman Islands company and a feeder fund to the Trust (the “Offshore Fund”);

WHEREAS, WCM is a registered investment adviser under the Investment Advisers Act, and in such capacity serves as investment adviser to: (i) The Merger Fund (“TMF”); (ii) The Merger Fund VL (“VL”); (iii) WCM Alternatives: Event-Driven Fund (“EDF”); (iv) WCM Alternatives: Credit Event Fund (“CEF,” and together with TMF, VL and EDF, the “Sponsored Funds”); and as sub-investment advisor to: (a) JNL/Westchester Capital Event Driven Fund (“JNLEDF”); and (b) JNL Multi-Manager Alternative Fund (“JNLMAE,” and together with JNLEDF, the “Subadvised Funds”);

WHEREAS, immediately prior to the Closing, (i) each of Abraham R. Cary, Robert K. Lynch, and Benjamin Kunofsky shall withdraw as a member of WCP and execute a general release of claims against WCP substantially in the form attached hereto as Exhibit C, and (ii) all the ownership interests of WCP will be contributed to MTSWCM Holdings and RDBWCM Holdings by Michael T. Shannon and Roy D. Behren, respectively, pursuant to (a) a contribution agreement between MTSWCM Holdings and Michael T. Shannon, substantially in the form attached hereto as Exhibit A-1, and (b) a contribution agreement between RDBWCM Holdings Roy D. Behren, substantially in the form attached hereto as Exhibit A-2 (the “WCP Restructuring”);

WHEREAS, immediately following the WCP Restructuring, Sellers will own 100% of the limited liability company equity interests of WCM and WCP;

WHEREAS, Sellers desire to sell, transfer, assign and deliver to Buyer, and Buyer desires to purchase and acquire from Sellers, 100% of the limited liability company equity interests of WCP and WCM (the “Membership Interests”), on the terms and subject to the conditions set forth in this Agreement; and

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WHEREAS, as a condition and material inducement to Buyer's execution and delivery of this Agreement, the Individual Equityholders are executing and delivering, simultaneously with the execution of this Agreement, services agreements with Buyer, substantially in the form attached hereto as Exhibit B (including all exhibits, schedules, annexes, supplements and amendments thereto, the "Services Agreements"), each of which will become effective upon the Closing.

NOW, THEREFORE, in consideration of the foregoing, the representations, warranties, covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

## ARTICLE I

### Defined Terms

The following terms shall have the following meanings in this Agreement.

"401(k) Plan" has the meaning set forth in Section 7.3(e).

"Accounting Firm" has the meaning set forth in Section 2.4(b).

"Accounting Principles" means GAAP, and to the extent consistent with GAAP, the same accounting principles, practices, procedures, policies and methodologies as were used in the preparation of the most recently completed audited financial statements of WCM.

"Adjusted Assets Under Management" means, for any Client account as of a particular date (and without double counting assets that are invested in master/feeder, fund of funds or similar structures, for which WCP or WCM acts as both adviser and sub-adviser or where a Client invests in a Public Fund or another Client account), the amount of Assets Under Management by WCP or WCM in that account as of the Reference Date (or, if the account was established after the Reference Date, as of the date the account was established), as adjusted (in the case of any determination of Adjusted Assets Under Management after the Reference Date) to reflect additions, withdrawals, notified withdrawals and reinvestments from and after the Reference Date or, if later, the date such account was established. For purposes of clarification, the calculation of Adjusted Assets Under Management with respect to an account is intended to exclude any increase or decrease in Assets Under Management (including for purposes of calculating withdrawals) due to market appreciation or depreciation and any currency fluctuations, in each case from and after the Reference Date or, if later, the date such account was established.

"Advisory Contract" means any investment management, advisory or sub-advisory contract, or any other contract, agreement, arrangement or understanding (whether written or oral), pursuant to which WCP or WCM provides Investment Management Services as of any date of determination.

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“Advisory Contract Stockholder Approval” has the meaning set forth in Section 7.10(a).

“Affiliate” means a Person that directly or indirectly controls, is controlled by or is under common control with a specified person or entity; provided that (a) no Private Fund or Public Fund shall be deemed to be an Affiliate of WCP or WCM, and (b) for the avoidance of doubt, LPC shall not be deemed to be an Affiliate of WCP or WCM or any of their respective Affiliates, and no portfolio company of LPC or its Affiliates (or any Person in which LPC or any of its Affiliates holds a minority investment, other than WCM or WCP) shall be deemed to be an Affiliate of LPC hereunder.

“Affiliated Person” of a Person means an affiliated person (as defined in Section 2(a)(3) of the Investment Company Act) of such Person.

“Agreement” has the meaning set forth in the recitals.

“Allocation” has the meaning set forth in Section 10.7(b).

“Allocation Schedule” has the meaning set forth in Section 2.4(a).

“Anti-Bribery Laws” means the U.S. Foreign Corrupt Practices Act of 1977, as amended, and the rules and regulations thereunder, and any other applicable anti-bribery or anti-corruption law or regulation.

“Assets” means all assets of every kind and description (real and personal, tangible and intangible, including Intellectual Property) that are owned by WCP or WCM and used or held for use in connection with the operation of the Business of WCP and WCM, as applicable, including those reflected on the WCP Financial Statements and the WCM Financial Statements, as applicable.

“Assets Under Management” means as of any day, the aggregate market value as of the close of business on such day (or, if such day is not a Business Day, the immediately preceding Business Day) of the investments (including assets purchased with leverage) in the accounts with respect to which WCP or WCM provides Investment Management Services.

“Audited Fund Financial Statements” has the meaning set forth in Section 5.24(c).

“Balance Sheet Adjustment Amount” means the sum (which may be a positive or negative number and without duplication) of (a) the Net Working Capital Adjustment Amount (which amount may be a positive or negative number), minus (b) the Closing Indebtedness, minus (c) the Closing Company Transaction Expenses.

“Base Purchase Consideration” means \$135,000,000.

“Base Revenue Run-Rate” means \$37,307,104.

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“Basket” means an amount equal to 1.5% of the sum of (a) the Closing Payment Amount, and (b) the Retention Payment Actual Amount, if any.

“Business” means the business of WCP and WCM, respectively, as conducted as of the date hereof.

“Business Day” means any day except Saturday, Sunday or any other day on which commercial banks located in New York, New York are authorized or required by law to be closed for business.

“Buyer” has the meaning set forth in the preamble.

“Buyer Indemnitees” has the meaning set forth in Section 12.3.

“CAGR” means compound annual growth rate

“Cap” means an amount equal to 12.5% of the sum of (a) the Closing Payment Amount and (b) the Retention Payment Actual Amount, if any.

“Cash and Cash Equivalents” means (a) cash and cash equivalents, excluding (i) regulatory capital of WCP and WCM, (ii) restricted cash amounts (such as Client cash and cash equivalents not owned by WCP and WCM), (iii) seed capital, co-investments and cash held by or belonging to consolidated investment funds, plus (b) deposits and transfers in transit to WCP and WCM, and minus (c) solely to the extent that the liabilities being discharged by such checks are excluded from Net Working Capital, checks of WCP and WCM issued but not yet cleared; provided that notwithstanding anything herein to the contrary, Cash and Cash Equivalents shall be calculated net of any withholding taxes required to distribute such amounts out of WCP and WCM.

“Cash Balance Plan” means the Westchester Capital Management, LLC Cash Balance Plan, effective as of January 1, 2011, as amended.

“CEF” has the meaning set forth in the recitals.

“Claimant” has the meaning set forth in Section 12.5(a).

“Client” means all Past Clients, Present Clients and Potential Clients, and with respect to any Present Client or Past Client (as applicable) that is (i) a Public Fund, the term “Client” shall also include the sponsor of such Client, and (ii) a Private Fund, the term “Client” shall also include any investor in such Client.

“Client Intermediary” means any registered investment adviser, broker, consultant or other intermediary whose clients or customers have \$5,000,000 or more in the aggregate (as of the applicable Client Reference Date) invested in any fund or combination of funds or other

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pooled vehicle managed, directly or indirectly, by WCM, WCP or their respective controlled Affiliates.

“Client Reference Date” shall mean, at any particular time of determination hereunder, (i) if an Individual Equityholder is providing services to WCM or WCP as of the date of determination, then such date of determination, or (ii) if an Individual Equityholder has ceased providing services to WCM or WCP as of the date of determination, then the date on which such Individual Equityholder ceased to provide services to WCM or WCP.

“Closing” has the meaning set forth in Section 9.1.

“Closing Cash and Cash Equivalents” means the combined Cash and Cash Equivalents of WCP and WCM, in each case calculated in accordance with the Accounting Principles as of 11:59 p.m. New York City time on the day immediately preceding the Closing Date.

“Closing Company Transaction Expenses” means the Company Transaction Expenses as of the Closing Date.

“Closing Date” has the meaning set forth in Section 9.1.

“Closing Indebtedness” means the combined Indebtedness of WCP and WCM as of 11:59 p.m. New York City time on the day immediately preceding the Closing Date, except that any Taxes included in the determination of Closing Indebtedness shall be calculated as of 11:59 p.m. New York City time on the Closing Date.

“Closing Net Working Capital” means Net Working Capital determined as of 11:59 p.m. New York City time on the day immediately preceding the Closing Date.

“Closing Payment Amount” means the Base Purchase Consideration, minus the Estimated Consent Adjustment Amount, if any, plus the Estimated Balance Sheet Adjustment Amount, minus the Indemnity Escrow Amount.

“Closing Revenue Run-Rate” means the Revenue Run-Rate as of the Closing Date. The Closing Revenue Run-Rate shall be calculated using the same methodology as the Base Revenue Run-Rate as set forth on *Schedule 1.1*; provided that the Closing Revenue Run-Rate shall not include any Non-Consenting Clients, as determined as of the Closing Date.

“Code” means the Internal Revenue Code of 1986, as amended.

“Combined Revenue” as of an Earnout Measurement Date means an amount equal to the sum (without duplication) of:

- (a) the combined management fee revenues of WCP and WCM, net of any applicable expense reimbursements or fee waivers; plus
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- (b) Buyer's share of management fees from the Sponsored Funds, whether received directly or indirectly, net of any applicable expense reimbursements or fee waivers; plus
- (c) Buyer's share of management fees from any US based commingled product (excluding closed-end funds), net of any applicable expense reimbursements or fee waivers and out-of-pocket revenue share payments to intermediaries, offered by Buyer or any Affiliate of Buyer and managed by WCP or WCM, whose principal investment strategy is substantially the same as the Sponsored Funds, which, for the avoidance of doubt, shall include leveraged versions of such Sponsored Funds; plus
- (d) 100% of the management fee revenues, net of any applicable expense reimbursements or fee waivers, from any products whose principal investment strategy is merger arbitrage and that are managed by Buyer or any Affiliate of Buyer but not managed by WCP or WCM; provided that if the product is a result of an acquisition by Buyer or any Affiliate of Buyer, the Combined Revenue shall include only the management fee revenues in excess of the amount of management fee revenues of Buyer or such Affiliate at the time of such acquisition; plus
- (e) Buyer's share of the performance-based fees from registered investment companies managed by WCP or WCM; plus
- (f) Buyer's share of normalized performance-based fee revenues from accounts managed by WCP or WCM, other than registered investment companies and the Private Funds in existence on the Closing Date, where "normalized performance-based fee revenues" means (x) for fee structures that have been in place for WCP and WCM for less than two years, actual performance-based fee revenues, and (y) otherwise, the trailing two-year average of the applicable fees.

For the avoidance of doubt, revenues of WCP and WCM shall include, without duplication: (i) 100% of the net management fees from the Trust and the Sponsored Funds; plus (ii) 100% of incremental net management fee revenue from any products whose principal investment strategy is merger arbitrage and that are managed by Buyer or any Affiliate of Buyer but not managed by WCP or WCM (where, in the case of an acquired fund, incremental net management fees mean net management fees in excess of those in place at the time of acquisition); plus (iii) 100% of the management fee revenues from institutional and retail separately managed accounts managed by WCP or WCM; plus (iv) 100% of the management fee revenues from third-party products that are sub-advised by WCP or WCM (it being understood that Buyer's approval is required for any new sub-advised products); plus (v) 100% of management fees from any US based commingled product (excluding closed-end funds), net of any applicable expense reimbursements or fee waivers and out-of-pocket revenue share payments to intermediaries, offered by Buyer or any Affiliate of Buyer and managed by WCP or

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WCM whose principal investment strategy is substantially the same as the Sponsored Funds, which, for the avoidance of doubt, shall include leveraged versions of such Sponsored Funds; plus (vi) 100% of performance fees from registered investment companies managed by WCP or WCM; plus (vii) 100% of normalized performance fees from accounts managed by WCP and WCM other than registered investment companies and the Private Funds in existence on the Closing Date; plus (viii) 50% of the management fee revenues from any other products offered by Buyer and managed by WCP or WCM, net of any applicable expense reimbursements or fee waivers (it being understood that Sellers in their sole discretion may elect not to manage such product). Notwithstanding the foregoing, the Combined Revenue shall not include any management fee revenues generated from assets owned directly or indirectly by the Individual Equityholders, their Immediate Family members, or their respective Affiliates.

“Company Transaction Expenses” means (a) all fees, costs and expenses (including fees, costs and expenses of legal counsel, investment bankers, brokers or other representatives, and consultants and appraisal fees, costs and expenses) incurred by WCM, WCP, any Seller or any Individual Equityholder (to the extent that WCM or WCP is responsible for the payment thereof) in connection with the negotiation and execution of this Agreement and the other Transaction Documents, and the consummation of the transactions contemplated hereby and thereby (including any such amounts required to be paid to any third party in connection with obtaining any consent, waiver or approval), other than Proxy and Related Expenses, (b) 50% of Proxy and Related Expenses, (c) all amounts payable by WCM or WCP to any current or former employee as a result of the consummation of the transactions contemplated hereby under any change of control, retention, termination, severance or other similar arrangements (whether prior to, upon or after such consummation and whether or not in connection with another event, plus the employer portion of any related payroll Taxes imposed on WCM or WCP, in each case to the extent not paid prior to the Closing Date), (d) 50% of the fees payable to the Escrow Agent, and (e) the transaction expenses to be borne by Sellers pursuant to Section 7.5, in each case, accrued in accordance with the Accounting Principles and in connection with the consummation of the transactions contemplated hereby but which remain unpaid as of 11:59 p.m. New York City time on the day immediately preceding the Closing Date. For the avoidance of doubt, Company Transaction Expenses shall not include Indebtedness or any Current Liabilities.

“Commodity Exchange Act” means the Commodity Exchange Act of 1936, as amended.

“Compliance Manual” has the meaning set forth in Section 5.23.

“Confidentiality Agreement” has the meaning set forth in Section 7.6.

“Consent Adjustment Amount” means (a) if the Closing Revenue Run-Rate is greater than or equal to 95% of the Base Revenue Run-Rate, zero, and (b) if the Closing Revenue Run-Rate is less than 95% of the Base Revenue Run-Rate, an amount equal to the product of (i) the Base Purchase Consideration, and (ii) 4/3 times (x) 95% minus (y) a percentage determined by dividing the Closing Revenue Run-Rate by the Base Revenue Run-Rate, but in no event shall the Consent Adjustment Amount exceed 20% of the Base Purchase Consideration.

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“Contract” means any contract, commitment, plan, agreement, side letter, undertaking, instrument, certificate or license, whether oral or written.

“Current Assets” as of a time of determination means the current assets of WCP and WCM, in each case calculated in accordance with the Accounting Principles as of such time, including, for purposes of clarification, Cash and Cash Equivalents, but excluding Tax assets and receivables from Affiliates and excluding cash and cash equivalents that are excluded from the definition of Cash and Cash Equivalents. The combined Current Assets of WCP and WCM as of the close of business on the Reference Date are set forth on the pro forma balance sheet attached as **Schedule 1.2**.

“Current Liabilities” as of a time of determination means the current liabilities of WCP and WCM, in each case calculated in accordance with the Accounting Principles as of such time, but excluding intercompany amounts between WCP and WCM and including a daily accrual for annual bonus payments and commissions from the first day of the applicable fiscal year through such time, based on a full year amount consistent with past practice. The combined Current Liabilities of WCP and WCM as of the close of business on the Reference Date are set forth on the pro forma balance sheet attached as **Schedule 1.2**. For the avoidance of doubt, Current Liabilities shall not include Company Transaction Expenses or Indebtedness.

“Cut-Off Date” means (a) with respect to any representation or warranty (other than a Fundamental Representation) or covenant contained herein, the date that is 18 months after the Closing Date and (b) with respect to any Fundamental Representation, the date that is 60 days past the expiration of the applicable statute of limitations.

“Determination Date” has the meaning set forth in Section 2.4(b).

“Director Resignation Condition” is satisfied with respect to a Sponsored Fund as of a given date if on such date all the trustees of the Public Fund Board of such Sponsored Fund have resigned as trustees and the Virtus Directors will become trustees of such Public Fund Board pursuant to a Director Stockholder Approval.

“Director Stockholder Approval” has the meaning set forth in Section 7.10(a).

“Disclosure Schedules” means the Disclosure Schedules delivered by Sellers and Buyer concurrently with the execution and delivery of this Agreement.

“Dispute Notice” has the meaning set forth in Section 2.4(b).

“Earnout Measurement Date” means the First Earnout Measurement Date or the Second Earnout Measurement Date, as applicable.

“Earnout Statement” has the meaning set forth in Section 2.6(a).

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“Earnout Payment” means the First Earnout Actual Amount or the Second Earnout Actual Amount, as applicable.

“EDF” has the meaning set forth in the recitals.

“Employee Program” has the meaning set forth in Section 5.21(l)(i).

“ERISA” means the Employee Retirement Income Security Act of 1974, together with the rules and regulations promulgated thereunder, as amended from time to time.

“ERISA Affiliate” has the meaning set forth in Section 5.21(l)(iii).

“ERISA Client” has the meaning set forth in Section 4.14.

“Escrow Agent” means City National Bank, a national banking association.

“Escrow Agreement” means an Escrow Agreement among Buyer, Sellers and the Escrow Agent in a form acceptable to Buyer and Sellers in the exercise of their reasonable discretion.

“Estimated Balance Sheet Adjustment Amount” means Sellers’ estimate, which may be a positive or negative number, of the Balance Sheet Adjustment Amount included in the Estimated Closing Statement.

“Estimated Closing Statement” has the meaning set forth in Section 2.4(a).

“Estimated Company Transaction Expenses” means Sellers’ estimate of the Closing Company Transaction Expenses included in the Estimated Closing Statement.

“Estimated Consent Adjustment Amount” means Sellers’ estimate of the Consent Adjustment Amount included in the Estimated Closing Statement.

“Estimated Indebtedness Amount” means Sellers’ estimate of the Closing Indebtedness included in the Estimated Closing Statement.

“Estimated Net Working Capital” has the meaning set forth in Section 2.4(a).

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Existing WCM LLC Agreement” means that certain Amended and Restated Limited Liability Company Agreement of WCM dated as of December 31, 2010.

“Existing WCP LLC Agreement” means that certain Second Amended and Restated Limited Liability Company Agreement of WCP dated as of June 20, 2007, as amended by that certain Amendment No. 1 dated as of December 31, 2010 and further amended by that certain Amendment No. 2 dated as of January 1, 2019.

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“FINRA” means the Financial Industry Regulatory Authority.

“First Earnout Actual Amount” means: (a) if the First Earnout CAGR equals or exceeds 10%, an amount equal to the First Earnout Potential Amount; (b) if the First Earnout CAGR is less than 0%, zero; and (c) if the First Earnout CAGR is greater than or equal to 0% and less than 10%, an amount equal to the First Earnout Potential Amount, multiplied by a fraction, the numerator of which is the First Earnout CAGR and the denominator of which is 10%.

“First Earnout CAGR” means:  $(\text{First Earnout Combined Revenue Amount} / \text{Base Revenue Run-rate})^{1/4} - 1$

“First Earnout Combined Revenue Amount” means the Combined Revenue for the 12-month period ending on the First Earnout Measurement Date.

“First Earnout Measurement Date” means December 31, 2024; provided that if the Closing Date is April 1, 2021 or later, then the First Earnout Measurement Date shall be the fourth anniversary of the most recently completed calendar quarter-end immediately preceding the Closing Date.

“First Earnout Potential Amount” means \$32,500,000.

“Fund Board Approval” has the meaning set forth in Section 7.10(a).

“Fund Financial Statement Date” has the meaning set forth in Section 5.24(c).

“Fund Financial Statements” has the meaning set forth in Section 5.24(c).

“Fundamental Representations” means those representations and warranties set forth in Sections 3.1, 3.2, 3.3, 3.4(a), 3.7, 4.1, 4.2, 4.3(a), 4.5, 4.12, 4.14, 4.20(h), 5.1, 5.2, 5.3(a), 5.5, 5.11, 5.14, 5.24(d), 6.1, 6.2, 6.3(a) and 6.8 as well as the last sentence of Section 5.15.

“GAAP” means United States generally accepted accounting principles in effect from time to time.

“Governmental Authority” means any nation or government, any state or other political subdivision thereof; any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any government authority, agency, department, board, commission or instrumentality of the United States, any state of the United States, any territory of the United States or any political subdivision thereof; and any court, tribunal or arbitrator; and any self-regulatory organization (as such term is defined in the Exchange Act).

“HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

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“Immediate Family” means, with respect to any natural person, (a) such person’s spouse, parents, grandparents, children, grandchildren and siblings, and (b) estates, trusts, partnerships and other entities of which a material portion of the interests are held directly or indirectly by, and controlled by, the foregoing.

“Indebtedness” means, at any specified time, any of the following indebtedness of any Person (whether or not contingent and including any and all principal, accrued and unpaid interest, prepayment fees or penalties, related expenses, commitment and other fees, sale or liquidity participation amounts, reimbursements, indemnities and other amounts which would be payable in connection therewith): (a) any obligations of such Person for borrowed money or in respect of loans or advances (whether or not evidenced by bonds, debentures, notes, or other similar instruments or debt securities); (b) any obligations of such Person as lessee under any capital lease (excluding any lease classified as an operating lease under the Financial Statements) or similar arrangement required to be recorded as a capital lease in accordance with GAAP; (c) all liabilities of such Person under or in connection with letters of credit or bankers’ acceptances, performance bonds, sureties or similar obligations, in each case, only to the extent they have been drawn down; (d) any obligations, including any contingent obligations, of such Person to pay the deferred purchase price of property, goods or services or similar earnout obligations other than, in each case, trade payables incurred in the ordinary course of business and outstanding for not more than 90 days; (e) all liabilities of such Person arising from cash/book overdrafts; (f) all liabilities of such Person under conditional sale or other title retention agreements; (g) all obligations of such Person with respect to vendor advances or any other advances made to such Person; (h) all liabilities of such Person arising out of interest rate and currency swap arrangements and any other arrangements designed to provide protection against fluctuations in interest or currency rates or any credit default swap, total return swap or asset swap or any other arrangement designed to provide a Person with (or to protect a Person from) all or a portion of the economic risk and reward with respect to one or more referenced assets; (i) any liability or obligation of others guaranteed by, or secured by any Lien on the assets of, such Person; (j) with respect to WCM or WCP, the net amount of any obligation or liability of such entity to any Seller or Affiliate of any Seller; (k) with respect to WCM or WCP, any unfunded deferred compensation, plus the employer portion of any payroll Taxes imposed on WCM or WCP, in each case to the extent not paid prior to the Closing Date; (l) any withdrawal liabilities under ERISA, (m) accrued vacation and paid time off with respect to employees, to the extent they are not included in Current Liabilities, and (n) dividends payable or accrued for and other liabilities classified as indebtedness under GAAP; provided that with respect to WCM or WCP, “Indebtedness” shall not include any payables or loans of any kind or nature between WCM or WCP. For the avoidance of doubt, in no event shall “Indebtedness” include any Current Liabilities or any Company Transaction Expenses.

“Indemnifying Party” has the meaning set forth in Section 12.5(a).

“Indemnity Escrow Account” has the meaning set forth in Section 2.3(b).

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“Indemnity Escrow Amount” means an amount equal to 10% of the Base Purchase Consideration.

“Individual Equityholders” has the meaning set forth in the recitals.

“Intellectual Property” includes any: (i) registered and unregistered United States and foreign (including territorial) trademarks, service marks, names, trade names, logos, trade dress, copyrights, copyrightable works, Internet or web domain names, web sites, email addresses, telephone numbers and similar rights (including registrations and applications to register, or renew the registration of, any of these), and all documentation relating thereto; (ii) United States and foreign (including territorial) letters patent and patent applications; (iii) inventions, processes, designs, formulae, models, trade secrets, know-how, technical data, designs, specifications, pricing and cost information, and business and marketing plans, strategies and proposals; (iv) computer software, data, source code, executable code, databases and related documentation; (v) other proprietary information or intellectual property rights; (vi) all goodwill arising from or relating to any of the foregoing; (vii) rights to sue for and remedies against past, present and future infringements, misappropriations or other violations of any of the above, and rights of priority and protection of interests in any of the above under applicable law; (viii) tangible embodiments of any of the above (in any medium, including electronic media); and (ix) licenses of rights in any of the above (whether as licensee or licensor).

“Interim Advisory Contract” has the meaning set forth in Section 7.10(a).

“Intralinks Data Room” has the meaning set forth in Section 3.8.

“Investment Advisers Act” means the Investment Advisers Act of 1940, as amended, and the rules and regulations promulgated thereunder.

“Investment Company Act” means the Investment Company Act of 1940, as amended, and the rules and regulations promulgated thereunder.

“Investment Management Services” means any services that involve: (i) the management of an investment account or fund (or portions thereof or a group of investment accounts or funds); (ii) the giving of advice with respect to the investment and/or reinvestment of assets or funds (or any group of assets or funds); or (iii) otherwise acting as an “investment adviser” within the meaning of the Investment Advisers Act; including, without limitation, in each of the foregoing cases, performing activities related or incidental thereto.

“ISDA” means any International Swap Dealers Association, Inc. Master Agreement (including any schedules related thereto) to which WCM, WCP or any of the Private Funds or Public Funds is a party.

“IRS” means the Internal Revenue Service.

“JNLEDF” has the meaning set forth in the recitals.

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“JNLMAF” has the meaning set forth in the recitals.

“Knowledge of Sellers” means any fact, event, occurrence or other matter actually known to Roy D. Behren, Michael T. Shannon, Bruce J. Rubin or LPC after due inquiry; provided, however, that any knowledge of LPC shall be excluded in any representation or warranty of Sellers concerning WCP.

“Knowledge of WCP” or “Knowledge of WCM” means any fact, event, occurrence or other matter actually known to Roy D. Behren, Michael T. Shannon or Bruce J. Rubin after due inquiry.

“Liability” means any claim, debt, loss, cost, expense, duty, charge, commitment, assessment, obligation or other liability of any kind whatsoever, whether or not accrued or fixed, known or unknown, assessed or assessable, absolute or contingent, determined or determinable, or when due or to become due, or otherwise.

“Lien” means any security interest, mortgage, lien, pledge, charge, title retention, security agreement, lease, option, transfer restriction, defect of title or other encumbrance or right of others, except for Taxes not yet due or payable.

“Losses” has the meaning set forth in Section 12.2.

“LPC” has the meaning set forth in the preamble.

“Material Adverse Effect” means, with respect to any Person, a material adverse effect on the financial condition, properties, assets, liabilities, business or results of operations of such Person and its Subsidiaries, taken as a whole; provided, however, that “Material Adverse Effect” shall not include any event, occurrence, fact, condition or change, directly or indirectly, arising out of or attributable to: (i) general economic, political or geopolitical changes or conditions, including any result of elections; (ii) changes or conditions generally affecting the industries in which such Person operates; (iii) any changes in financial, banking or securities markets in general, including any disruption thereof, any decline in the price or trading volume of a Public Fund’s securities or any other security or any market index, any change in prevailing interest rates, any market appreciation or depreciation, or any currency fluctuations; (iv) acts of war (whether or not declared), armed hostilities or terrorism, or the escalation or worsening thereof; (v) any action required by this Agreement or any action taken (or omitted to be taken) with the written consent, or at the written request, of Buyer; (vi) any changes in applicable laws, regulations or accounting rules (including GAAP) or the enforcement, implementation or interpretation thereof; (vii) the announcement, pendency, performance or completion of the transactions contemplated hereby, including the impact thereof on the losses or threatened losses of, or a disruption in, the relationship with, employees, Clients, customers, suppliers, distributors or others having relationships with such Person; (viii) any natural or man-made disaster, acts of God, weather events, floods, earthquakes, COVID-19 or other pandemics, epidemics, disease or health emergencies; (ix) any change in the Assets Under Management, withdrawals and

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reinvestments, or fee rates of the Public Funds, WCP or WCM; or (x) any failure by such Person to meet any internal or published projections, forecasts or revenue or earnings predictions (provided that the underlying causes of such failures (subject to the other provisions of this definition) shall not be excluded), except, in the case of clauses (i)-(vi) and (viii), to the extent that the same has a disproportionate impact on such Person as compared to other companies in the same industry).

“Material Contract” means any of the following:

- (a) Advisory Contract or any other contract for the provision of Investment Management Services or other similar services;
  - (b) Other Contract with a Client or an investor in a Private Fund;
  - (c) Public Fund Agreement;
  - (d) Contract for the employment or engagement of any employee, consultant, director or other service provider on a full time, part time, consulting or other basis (other than at-will employment arrangements that do not require severance or other promises of payment upon termination);
  - (e) Contract for the purchase of any assets, material or equipment except in the ordinary course of business consistent with past practice;
  - (f) Contract for the sale of all or any portion of the Assets or any Contract for the purchase of all or any portion of the assets of any other entity;
  - (g) Contract with any investment or research consultant, solicitor or sales agent, or otherwise with respect to the referral of business;
  - (h) Contract containing covenants limiting the freedom of WCP, WCM or their respective Affiliates to compete in the Investment Management Services business or requiring any of WCP, WCM or their respective Affiliates to deal exclusively with any Person or requiring any Person to deal exclusively with WCP or WCM;
  - (i) Contract under which WCP or WCM has granted to another Person rights in items of Intellectual Property owned or licensed by WCP or WCM;
  - (j) Contract relating to any Indebtedness;
  - (k) Side letter or other agreement, arrangement or understanding (written or oral) relating to this Agreement, the transactions contemplated hereby or the operation or ownership of WCM or WCP or any Client;
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- (l) Contract under which WCP or WCM is obligated, directly or indirectly, to make any capital contribution, co-investment, provision of seed capital or other investment in any Person;
- (m) Contract that provides for earn-outs or other similar contingent obligations;
- (n) Contract that contains (i) a “clawback” or similar undertaking by WCP, WCM or Sellers requiring the reimbursement or refund of any fees, or (ii) a “most favored nation” or similar provision;
- (o) A joint venture, strategic alliance, partnership or other similar Contract involving a sharing of profits or expenses or payments based on revenues or Assets Under Management of WCP, WCM or any of their Clients;
- (p) Any ISDA; and
- (q) Any other material Contract relating to the business of WCP or WCM.

“Membership Interests” has the meaning set forth in the recitals.

“Multiemployer Plan” has the meaning set forth in Section 5.21(l)(iv).

“NetJets Agreement” has the meaning set forth in Section 2.7(c).

“Net Working Capital” at a time of determination means the Current Assets minus the Current Liabilities, determined as of such time. The combined Net Working Capital of WCP and WCM as of the close of business on the Reference Date is set forth on the pro forma balance sheet attached as **Schedule 1.2**.

“Net Working Capital Adjustment Amount” means an amount (which may be positive or negative) equal to the Closing Net Working Capital minus the Target Working Capital Amount.

“New Sponsored Fund Advisory Contract” with respect to a Sponsored Fund means (a) a new advisory contract between Virtus Adviser and such Sponsored Fund containing terms, taken as a whole, that are substantially the same as, or no less favorable in any material respect to the Virtus Adviser than, the terms of the existing Advisory Contract as of the date of this Agreement between such Sponsored Fund and WCM, and (b) a subadvisory agreement in Virtus Adviser’s customary form between Virtus Adviser and WCM.

“New Subadvisory Contract” has the meaning set forth in Section 7.10(c).

“Non-Consenting Client” means (a) a Subadvised Fund that has not received the requisite Public Fund Board approval of a New Subadvisory Contract to be effective as of the Closing as contemplated by Section 7.10(c), (b) a Sponsored Fund that has not satisfied the Sponsored Fund

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Conditions as of the Closing Date or the Retention Measurement Date, as applicable, or (c) a Client other than a Public Fund that has not provided the requisite consent to the assignment (within the meaning of the Investment Advisers Act) that will result from the consummation of the transactions contemplated by this Agreement.

“Obligations” has the meaning set forth in Section 13.10.

“Offshore Fund” has the meaning set forth in the recitals.

“Onshore Fund” has the meaning set forth in the recitals.

“Pass-through Income Tax Return” has the meaning set forth in Section 10.1.

“Past Client” means, at any particular time of determination, any Person who is neither a Present Client nor a Potential Client as of such date and that was, during the 12 months immediately preceding the applicable Client Reference Date, a recipient of Investment Management Services from WCM or WCP ((x) directly through a managed account or similar structure, (y) indirectly as the holder of five percent or more of a class of equity securities of any Public Fund advised, directly or indirectly, by WCM or WCP, or (z) indirectly as a limited partner or other investor in any private fund sponsored or advised, directly or indirectly, by WCM or WCP).

“PBGC” has the meaning set forth in Section 5.21(e).

“Permitted Activity” means, with respect to each Individual Equityholder, the passive ownership of less than 5% (in the aggregate, with the holdings of such Individual Equityholder’s Immediate Family members and such Individual Equityholder’s and such family members’ respective Affiliates) of any publicly traded class of equity securities of a Person engaged, directly or indirectly, in activities restricted by this Agreement, so long as such Individual Equityholder does not directly or indirectly participate in the business of such Person or such activities (including by providing information or assistance in connection therewith).

“Person” means any individual, sole proprietorship, partnership, limited liability company, joint venture, trust, corporation, association, governmental body or any other similar entity.

“Potential Client” means, at any particular time of determination, any Person with whom (i) WCM, WCP or their respective controlled Affiliates, and/or (ii) any equityholder, partner, member, director, officer, employee, agent or consultant (or persons acting in any similar capacity) of WCM, WCP or their respective controlled Affiliates has within 12 months prior to the applicable Client Reference Date, engaged in substantive discussions regarding the provision of Investment Management Services by WCM, WCP or their respective controlled Affiliates, but who is not at such time a Present Client of WCM, WCP or their respective controlled Affiliates.

“Present Client” means, at any particular time of determination, any Person who is a recipient of Investment Management Services from WCM, WCP or their respective controlled

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Affiliates as of the applicable Client Reference Date, (x) directly through a managed account or similar structure, (y) indirectly as the holder of five percent or more of a class of equity securities of any Public Fund advised, directly or indirectly, by WCM, WCP or their respective controlled Affiliates, or (z) indirectly as a limited partner or other investor in any private fund sponsored or advised, directly or indirectly, by WCM, WCP or their respective controlled Affiliates.

“Pre-Closing Tax Period” means any taxable period ending on or before the Closing Date and the portion of any Straddle Period ending on the Closing Date.

“Post-Closing Stockholder Approval Fund” has the meaning set forth in Section 2.3(c).

“Private Fund” means the Trust, the Onshore Fund and the Offshore Fund.

“Private Fund Financial Statement” has the meaning in Section 4.20(e).

“Private Fund Financial Statement Date” has the meaning in Section 4.20(e).

“Proposed Closing Date Calculations” has the meaning set forth in Section 2.4(b).

“Proxy and Related Expenses” has the meaning set forth in Section 7.5.

“Public Fund Agreement” has the meaning set forth in Section 5.24(a).

“Public Fund Board” means the board of trustees or similar governing body of a Public Fund.

“Public Fund Regulatory Documents” has the meaning set forth in Section 5.24(j).

“Public Funds” means the Sponsored Funds and the Subadvised Funds.

“Purchase Consideration Percentages” has the meaning set forth in Section 2.3(a).

“Reference Date” means July 31, 2020.

“Restricted Period” means a period of five years immediately following the Closing Date.

“Retention Date Revenue Run-Rate” means the Revenue Run-Rate as of the Retention Measurement Date. The Retention Date Revenue Run-Rate shall be calculated using the same methodology used to calculate the Base Revenue Run-Rate as set forth on ***Schedule 1.1***; provided that the Retention Date Revenue Run-Rate shall not include any Non-Consenting Clients, as determined as of the Retention Measurement Date.

“Retention Measurement Date” means December 31, 2021.

“Retention Payment Actual Amount” means: (a) if the Retention Date Revenue Run-Rate

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is 95% or more of the Base Revenue Run-Rate, an amount equal to the Retention Payment Potential Amount; (b) if the Retention Date Revenue Run-Rate is less than 90% of the Base Revenue Run-Rate, zero; and (c) if the Retention Date Revenue Run-Rate is greater than 90% of the Base Revenue Run-Rate but less than 95% of the Base Revenue Run-Rate, an amount equal to the Retention Payment Potential Amount, multiplied by a fraction, the numerator of which is the amount by which the ratio of the Retention Date Revenue Run-Rate to the Base Revenue Run-Rate (expressed as a percentage) exceeds 90%, and the denominator of which is 5%.

“Retention Payment Catch-up Amount” means (a) if the Combined Revenue for the 24-month period ending on the Second Earnout Measurement Date is equal to or greater than two times the Base Revenue Run-Rate, the difference, if any, between the Retention Payment Potential Amount and the Retention Payment Actual Amount, and (b) otherwise, zero.

“Retention Payment Potential Amount” means \$20,000,000, plus the Consent Adjustment Amount, if any, minus any amounts paid or to be paid to Sellers pursuant to Section 2.3(c).

“Retention Payment Statement” has the meaning set forth in Section 2.5(b).

“Revenue Run-Rate” means, as of any date, the aggregate annualized investment advisory, management and sub-advisory fees for all Public Funds, Private Funds and, without duplication, other Client accounts (other than, with respect to the Closing Revenue Run-Rate and the Retention Date Revenue Run-Rate only, Non-Consenting Clients as of the Closing Date and the Retention Measurement Date, respectively) payable to WCP or WCM, determined by multiplying (x) (A) for purposes of calculating the Closing Revenue Run-Rate, the Adjusted Assets Under Management for each such Public Fund, Private Fund or (without double counting) other Client account as of the Closing Date, and (B) for purposes of calculating the Retention Date Revenue Run-Rate, the Assets Under Management (and not Adjusted Assets Under Management) for each such Public Fund, Private Fund or (without double counting) other Client account as of the Retention Measurement Date, by (y) the applicable investment advisory, management or sub-advisory fee rate for such Public Fund, Private Fund or, without duplication, other Client account as of such date, net of any fee waivers or expense reimbursements, and excluding any performance-based fees (and, for purposes of calculating the Retention Date Revenue Run-Rate with respect to the Sponsored Funds, using the advisory fee rate paid to the Virtus Adviser, net of any fee waivers or expense reimbursements (without double counting)). Notwithstanding the foregoing, the Revenue Run-Rate shall not include any fee revenues (including without limitation, any investment advisory, management, sub-advisory or performance-based fees) generated from assets owned directly or indirectly by the Individual Equityholders, their Immediate Family members, or their respective Affiliates.

“Review Period” has the meaning set forth in Section 2.4(b).

“Sanctions” means any economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by any United States Governmental Authority (including the Office of Foreign Assets Control of the United States Department of the Treasury (“OFAC”)), the United Nations Security Council, the European Union, HM Treasury or other

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relevant sanctions authority.

“SEC” means the Securities and Exchange Commission.

“Second Earnout Actual Amount” means: (a) if the Second Earnout CAGR equals or exceeds 10%, an amount equal to the Second Earnout Potential Amount; (b) if the Second Earnout CAGR is less than 0%, zero; and (c) if the Second Earnout CAGR is greater than or equal to 0% and less than 10%, an amount equal to the Second Earnout Potential Amount multiplied by a fraction, the numerator of which is Second Earnout CAGR and the denominator of which is 10%.

“Second Earnout CAGR” means:  $(\text{Second Earnout Combined Revenue Amount} / \text{Base Revenue Run-rate})^{1/5} - 1$

“Second Earnout Combined Revenue Amount” means the Combined Revenue for the 12-month period ending on the Second Earnout Measurement Date.

“Second Earnout Measurement Date” means the first anniversary of the First Earnout Measurement Date.

“Second Earnout Potential Amount” means \$32,500,000 plus the difference, if any, between the First Earnout Potential Amount and the First Earnout Actual Amount.

“SEC” means the Securities and Exchange Commission.

“Securities Act” means the Securities Act of 1933, as amended, and rules and regulations promulgated thereunder.

“Seller Indemnitees” has the meaning set forth in Section 12.2.

“Sellers” has the meaning set forth in the preamble.

“Services Agreements” has the meaning set forth in the recitals.

“Sponsored Fund Conditions” are satisfied with respect to a Sponsored Fund as of a given date if on such date (i) such Sponsored Fund has obtained Fund Board Approval, Advisory Contract Stockholder Approval and the Director Stockholder Approval, and (ii) the Director Resignation Condition shall have been satisfied with respect to such Sponsored Fund.

“Sponsored Funds” has the meaning set forth in the recitals.

“Straddle Period” means any taxable period beginning on or before and ending after the Closing Date.

“Subadvised Fund” has the meaning set forth in the recitals.

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“Subsidiary” means, with respect to any Person (other than a natural Person), (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (b) if a limited liability company, partnership, association or other business entity (other than a corporation), a majority of the membership, partnership or other similar equity interests thereof is at the time held or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes of subpart (b) above, a Person or Persons will be deemed to hold a majority equity interest in a business entity (other than a corporation) if such Person or Persons (i) is allocated a majority of such business entity’s gains or losses, or (ii) is the manager or general partner of such business entity.

“Target Working Capital Amount” means \$500,000.

“Tax” or “Taxes” means any U.S. federal, state, territorial or local or non-U.S. income, gross receipts, license, payroll, employment, excise, severance, custom, duty, stamp, occupation, premium, profits, windfall profits, capital stock, franchise, profits, withholding, social security, unemployment, disability, real property, imputed underpayment, escheat, personal property, sales, use, ad valorem, transfer, registration, value added, general service, alternative or add-on minimum, estimated or other tax, or similar fees, assessments or charges of any kind whatsoever, together with any interest and penalties, additions to tax or additional amounts imposed by any Governmental Authority (whether disputed or not).

“Tax Claim” has the meaning set forth in Section 10.4.

“Tax Return” means any return, declaration, report, claim for refund or information return or statement filed or required to be filed with any Governmental Authority relating to Taxes, including any form, schedule or attachment thereto and any amendment or supplement thereof.

“Title IV Plans” has the meaning set forth in Section 5.21(a).

“TMF” has the meaning set forth in the recitals.

“Total Purchase Consideration” has the meaning set forth in Section 2.2.

“Transaction Documents” means this Agreement, the Services Agreements and the Escrow Agreement.

“Transfer Taxes” has the meaning set forth in Section 10.3.

“Trust” has the meaning set forth in the recitals.

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“Unaudited Fund Financial Statements” has the meaning set forth in Section 5.24(c).

“Virtus Adviser” has the meaning set forth in Section 6.6.

“Virtus Directors” means the individuals listed on *Schedule 7.10*.

“VL” has the meaning set forth in the recitals.

“WCM” has the meaning set forth in the preamble.

“WCM Financial Statement Date” has the meaning set forth in Section 5.7.

“WCM Financial Statements” has the meaning set forth in Section 5.7.

“WCP” has the meaning set forth in the preamble.

“WCP Financial Statement Date” has the meaning set forth in Section 4.7.

“WCP Financial Statements” has the meaning set forth in Section 4.7.

“WCP Restructuring” has the meaning set forth in the recitals.

## ARTICLE II

### Purchase; Structuring Transactions

2.1 Purchase and Sale of the Membership Interests. Upon the terms contained in this Agreement, and on the basis of the representations, warranties and covenants set forth herein, at the Closing Sellers shall sell, transfer, assign and deliver to Buyer, and Buyer shall purchase and acquire from Sellers, all of the Membership Interests as set forth on *Schedule 2.1*, free and clear of all Liens.

2.2 Total Purchase Consideration. The total purchase price payable for the Membership Interests (the “Total Purchase Consideration”) shall be (i) the Base Purchase Consideration, minus (ii) the Consent Adjustment Amount, if any, plus (iii) the Balance Sheet Adjustment Amount, plus (iv) any disbursements to Sellers from the Indemnity Escrow Account, plus (v) the Retention Payment Actual Amount, if any, plus (vi) the Earnout Payments, if any, plus (vii) the Retention Payment Catch-up Amount, if any.

### 2.3 Closing Payment Amount; Escrow.

(a) Subject to adjustment pursuant to Section 2.4, at the Closing, Buyer shall (i) pay to Sellers the Closing Payment Amount by wire transfer of immediately available funds in the percentages and to the accounts set forth on *Schedule 2.3* (such percentages, the “Purchase Consideration Percentages”) and (ii) pay by wire transfer of immediately available funds to the

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accounts designated by Sellers no later than three Business Days prior to the Closing, the Estimated Company Transaction Expenses.

(b) Simultaneously with the Closing, Sellers and Buyer shall enter into the Escrow Agreement with Escrow Agent and pursuant to the terms of the Escrow Agreement, Buyer shall deposit or cause to be deposited an amount of cash equal to the Indemnity Escrow Amount with the Escrow Agent, and such funds plus all income accrued thereon shall be maintained by the Escrow Agent to secure Sellers' obligations under Article XII and shall be administered and payable in accordance with the Escrow Agreement (the "Indemnity Escrow Account"). The Escrow Agreement will direct the Escrow Agent to invest and reinvest the Indemnity Escrow Account in TMF. Except for tax distributions to Buyer with respect to the funds held in the Indemnity Escrow Account, as set forth in the Escrow Agreement, any interest or returns on the Indemnity Escrow Amount shall be paid to Sellers in accordance with, and on the dates set forth in, Section 12.5(h) and (i), by wire transfer of immediately available funds in the Purchase Consideration Percentages and to the accounts set forth on **Schedule 2.3**. Notwithstanding anything to the contrary in this Agreement, the Indemnity Escrow Amount and interest or returns thereon shall not be included as revenue of WCM or WCP in calculating Combined Revenue or any Revenue Run-Rate.

(c) If (i) the Consent Adjustment Amount applied to calculation of the Closing Payment Amount is greater than zero, and (ii) any Sponsored Fund that is a party to an Interim Advisory Contract as of the Closing Date is deemed to be a Non-Consenting Client as of the Closing Date for purposes of calculating the Consent Adjustment Amount but subsequently satisfies the Sponsored Fund Conditions before the termination of the applicable Interim Advisory Contract (each such fund, a "Post-Closing Stockholder Approval Fund"), then within five Business Days after the date on which all the Post-Closing Stockholder Approval Funds have satisfied the Sponsored Fund Conditions (or on the date that is 150 days following the Closing Date in the event not all the Post-Closing Stockholder Approval Funds have satisfied the Sponsored Fund Conditions as of such date), Buyer shall pay to Sellers an amount equal to the difference between (x) the Consent Adjustment Amount, as determined as of the Closing Date, and (y) the amount that the Consent Adjustment Amount would have been as of the Closing Date if each such Post-Closing Stockholder Approval Fund had not been deemed to be a Non-Consenting Client for purposes of the Consent Adjustment Amount used in determining the Closing Payment Amount. Any such payment shall be made to Sellers by wire transfer of immediately available funds in the Purchase Consideration Percentages and to the accounts set forth on **Schedule 2.3**.

#### 2.4 Adjustments to the Closing Payment Amount.

(a) No later than three Business Days prior to the Closing Date, Sellers shall deliver to Buyer a statement (the "Estimated Closing Statement"), certified by each of WCP's and WCM's Chief Financial Officer, setting forth (i) the good faith calculations of the Estimated Company Transaction Expenses, the Estimated Indebtedness Amount, the estimated Closing Net Working Capital (the "Estimated Net Working Capital") (and the related Net Working Capital Adjustment Amount, if any), the Estimated Balance Sheet Adjustment Amount and the

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Estimated Consent Adjustment Amount, and (ii) using the amounts referred to in the preceding clause (i), (x) the resulting Closing Payment Amount, and (y) a schedule setting forth (A) the portion of the Closing Payment Amount to be paid to each Seller in accordance with the Purchase Consideration Percentages (such schedule, the “Allocation Schedule”), and (B) the account to which each Seller’s Closing Payment Amount shall be paid. The Estimated Closing Statement shall be delivered with reasonable supporting detail with respect to the calculation of all amounts included therein and, to the extent reasonably requested by Buyer, Sellers shall promptly make available to Buyer and its Representatives the employees and auditors of the WCM, WCP, Public Funds, Private Funds and, without duplication, other Client accounts, and all records and work papers used in preparing the Estimated Closing Statement. WCP and WCM will promptly review any comments proposed by Buyer to the Estimated Closing Statement and will consider, in good faith, any appropriate changes in light of such comments; provided, however, that (1) any disagreement between the parties with respect to the Estimated Closing Statement shall not delay the Closing, and (2) WCP and WCM shall have no obligation to make any changes to the Estimated Closing Statement pursuant to this sentence. The parties acknowledge and agree that none of Buyer or any of its Affiliates (including WCP and WCM after the Closing) shall have any liability whatsoever for the contents of the Allocation Schedule (including the allocations set forth therein) or any payment of the Closing Payment Amount by Buyer or the Escrow Agent so long as such payment is made in accordance with the Allocation Schedule and the terms of this Agreement and Escrow Agreement.

(b) As soon as practicable, but no later than 120 days after the Closing Date, Buyer shall prepare and deliver to Sellers, Buyer’s good faith (i) proposed calculation of the Closing Company Transaction Expenses, (ii) proposed calculation of the Closing Indebtedness, (iii) proposed calculation of the Closing Net Working Capital (and the related Net Working Capital Adjustment Amount, if any), (iv) proposed calculation of the Balance Sheet Adjustment Amount, (v) proposed calculation of the Consent Adjustment Amount, (vi) proposed calculation of the Closing Payment Amount, in each case determined in a manner consistent with the terms of this Agreement (including the definitions contained herein and the Accounting Principles) and together with reasonable supporting calculations thereof, and (vii) an itemized comparative table setting out all sums which are an increase or decrease to the Closing Net Working Capital (and the related Net Working Capital Adjustment Amount, if any), the Closing Indebtedness, the Closing Company Transaction Expenses, the Consent Adjustment Amount, the Balance Sheet Adjustment Amount and the Closing Payment Amount as compared against the Closing Payment Amount set forth in the Estimated Closing Statement and which, for the avoidance of doubt, shall not include any changes in assets or liabilities as a result of purchase accounting adjustments. The proposed calculations described in the previous sentence shall collectively be referred to herein from time to time as the “Proposed Closing Date Calculations.” Buyer shall prepare the Proposed Closing Date Calculations in a manner consistent with the definitions hereof (including the Accounting Principles). Sellers shall have 30 days following receipt of the Proposed Closing Date Calculations to review such calculations (the “Review Period”). Sellers may, on or prior to the last day of the Review Period, give to Buyer written notice of dispute, which sets forth its objections to Buyer’s calculation of the Proposed Closing Date Calculations (each, a “Dispute Notice”). For the avoidance of doubt, Sellers may reasonably request additional information to understand and evaluate the differences between the Proposed Closing Date Calculations (and

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the components thereof), on the one hand, and the Estimated Closing Statement (and components thereof), on the other hand. Unless Sellers delivers a Dispute Notice to Buyer on or before the last day of the Review Period, the parties agree that the calculation set forth in the Proposed Closing Date Calculations shall be deemed final for all purposes hereunder. Prior to the end of the Review Period, Sellers may accept the Proposed Closing Date Calculations by delivering written notice to that effect to Buyer, in which case the Closing Payment Amount shall be finally determined when such notice is given. If Sellers deliver a Dispute Notice to Buyer on or prior to the last day of the Review Period, Buyer and Sellers shall use commercially reasonable efforts to resolve any disputes set forth in the Dispute Notice in good faith during the 30-day period commencing on the date Buyer receives the applicable Dispute Notice. To the extent any of the items in dispute are resolved and agreed to in writing between Buyer and Sellers during such 30-day period of negotiations, such resolution shall be final and binding on the parties hereto with respect to the specific items so resolved and the Proposed Closing Date Calculations shall be deemed to be updated accordingly. If Sellers and Buyer do not agree upon a final resolution with respect to any disputed items set forth in a Dispute Notice within such 30-day period, then the remaining items in dispute shall be submitted promptly by Buyer and Sellers to an independent accounting firm of national reputation mutually acceptable to Sellers and Buyer (the "Accounting Firm"); provided that the engagement agreement for the Accounting Firm must specify that the Accounting Firm will act as a neutral expert and not as an arbitrator or as a fiduciary to or advocate of either Sellers or Buyer. Any item not specifically submitted to the Accounting Firm for evaluation shall be deemed final and binding on the parties hereto (as set forth in the Proposed Closing Date Calculations, the Dispute Notice or as otherwise resolved in writing by Sellers and Buyer). The Accounting Firm shall be requested to render a written determination of the applicable dispute (acting as an expert and not as an arbitrator) within 30 days after referral of the matter to the Accounting Firm, which determination must set forth, in reasonable detail, the basis therefor and must be based solely on (i) the definitions and other applicable provisions of this Agreement, (ii) a single presentation (which presentations shall be limited to the remaining items in dispute set forth in the Proposed Closing Date Calculations and Dispute Notice) submitted by each of Buyer and Sellers to the Accounting Firm within 15 days after the engagement thereof (copies of which the Accounting Firm shall forward to the other party), and (iii) one written response submitted to the Accounting Firm within five Business Days after receipt of each such presentation (copies of which the Accounting Firm shall forward to the other party), and not on independent review, which such determination shall be conclusive and binding on Buyer and Sellers. Neither Buyer nor Sellers shall have any *ex parte* conversations or meetings with the Accounting Firm about the substance of the dispute without the prior consent of the other party hereto. The terms of appointment and engagement of the Accounting Firm shall be as reasonably agreed upon between Sellers and Buyer, and any associated engagement fees shall initially be borne 50% by Sellers and 50% by Buyer; provided that such fees shall ultimately be borne by Sellers and Buyer in the same proportion as the aggregate amount of the disputed items that is unsuccessfully disputed by each (as determined by the Accounting Firm) bears to the total amount of the disputed items submitted to the Accounting Firm. Except as provided in the preceding sentence, all other costs and expenses incurred by the parties in connection with resolving any dispute hereunder before the Accounting Firm shall be borne by the party incurring such cost and expense. The Accounting Firm shall resolve each disputed item by choosing a value not in excess of, nor less than, the greatest or lowest value,

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respectively, set forth in the presentations (and, if applicable, the responses) delivered to the Accounting Firm pursuant to this Section 2.4(b). Such determination of the Accounting Firm shall be conclusive and binding upon the parties absent fraud or arithmetic error. The Proposed Closing Date Calculations shall be revised as appropriate to reflect the resolution of any objections thereto pursuant to this Section 2.4(b), and, as so revised, such Proposed Closing Date Calculations shall be deemed to set forth the final Closing Net Working Capital, Closing Indebtedness, Closing Company Transaction Expenses, Consent Adjustment Amount, Balance Sheet Adjustment Amount and Closing Payment Amount, in each case, for all purposes hereunder. The date on which all portions of the Proposed Closing Date Calculations are finally determined in accordance with this Section 2.4(b) is hereinafter referred to as the “Determination Date.”

(c) Buyer and Sellers agree that the procedures set forth in Section 2.4(b) for resolving disputes with respect to the Proposed Closing Date Calculations shall be the sole and exclusive method for resolving any such disputes; provided that this provision shall not prohibit either party from instituting litigation to enforce any final determination of the Closing Payment Amount by the Accounting Firm pursuant to Section 2.4(b) in any court of competent jurisdiction in accordance with Section 13.3. The substance of the Accounting Firm’s determination shall not be subject to review or appeal, absent fraud or arithmetic error. It is the intent of the parties to have any final determination of the Closing Payment Amount by the Accounting Firm proceed in an expeditious manner; provided, however, that any deadline or time period contained herein may be extended or modified by the written agreement of the parties hereto and the parties hereto agree that the failure of the Accounting Firm to strictly conform to any deadline or time period contained herein shall not be a basis for seeking to overturn any determination rendered by the Accounting Firm which otherwise conforms to the terms set forth in Section 2.4(b).

(d) If the final Balance Sheet Adjustment Amount is greater than the Estimated Balance Sheet Adjustment Amount, then within five Business Days after the Determination Date, Buyer shall pay, or cause to be paid, to Sellers by wire transfer of immediately available funds in accordance with their respective Purchase Consideration Percentages and to the accounts set forth on **Schedule 2.3**, an aggregate amount in cash equal to the difference between the final Balance Sheet Adjustment Amount and the Estimated Balance Sheet Adjustment Amount.

(e) If the final Balance Sheet Adjustment Amount is less than the Estimated Balance Sheet Adjustment Amount, then within five Business Days after the Determination Date, Sellers shall pay to Buyer, in accordance with their respective Purchase Consideration Percentages, an aggregate amount in cash equal to the difference between the Estimated Balance Sheet Adjustment Amount and the final Balance Sheet Adjustment Amount.

## 2.5 Retention Payment.

(a) On or before December 15, 2021, Buyer shall deliver to Sellers a statement, certified by an authorized officer of Buyer, setting forth Buyer’s good faith estimate

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of the Retention Date Revenue Run-Rate and the Retention Payment Actual Amount, together with reasonable supporting detail with respect to the calculation thereof, and shall pay, or cause to be paid, to Sellers by wire transfer of immediately available funds in accordance with their respective Purchase Consideration Percentages and to the accounts set forth on **Schedule 2.3**, an aggregate amount in cash equal to 85% of such estimated Retention Payment Actual Amount; provided, however, in the event that Buyer's good faith estimate of the Retention Date Revenue Run-Rate Amount is equal to or greater than 107.5% of the Base Revenue Run-Rate, Buyer shall pay, or cause to be paid, to Sellers by wire transfer of immediately available funds in accordance with their respective Purchase Consideration Percentages and to the accounts set forth on **Schedule 2.3**, an aggregate amount in cash equal to the Retention Payment Actual Amount.

(b) Within 20 Business Days after the Retention Measurement Date, Buyer shall cause to be prepared and delivered to Sellers a statement (the "Retention Payment Statement") setting forth Buyer's calculation of the Retention Date Revenue Run-Rate and the Retention Payment Actual Amount, together with copies of such documents and information used by Buyer in its calculation of such amounts as are reasonably necessary for Sellers to review and verify such calculation.

(c) The provisions of Section 2.4(b) shall apply, *mutatis mutandis*, with respect to Sellers' review of the Retention Payment Statement, the delivery of any notice of disagreement with respect to the calculation of the Retention Date Revenue Run-Rate and the Retention Payment Actual Amount by Sellers and the resolution of any such disagreement between the parties with respect to the calculation of the Retention Date Revenue Run-Rate and the Retention Payment Actual Amount. Buyer and Sellers agree that the procedures set forth in Section 2.4(b) for resolving disputes with respect to the Retention Date Revenue Run-Rate and the Retention Payment Actual Amount shall be the sole and exclusive method for resolving any such disputes; provided that this provision shall not prohibit either party from instituting litigation to enforce any final determination of the Retention Date Revenue Run-Rate and the Retention Payment Actual Amount by the Accounting Firm pursuant to Section 2.4(b) in any court of competent jurisdiction. The substance of the Accounting Firm's determination shall not be subject to review or appeal, absent fraud or arithmetic error. It is the intent of the parties to have any final determination of the Retention Date Revenue Run-Rate and the Retention Payment Actual Amount by the Accounting Firm proceed in an expeditious manner; provided, however, that any deadline or time period contained herein may be extended or modified by the written agreement of the parties hereto and the parties hereto agree that the failure of the Accounting Firm to strictly conform to any deadline or time period contained herein shall not be a basis for seeking to overturn any determination rendered by the Accounting Firm which otherwise conforms to the terms of Section 2.4(b).

(d) Within five Business Days after the final determination of the Retention Date Revenue Run-Rate and the Retention Payment Actual Amount, (i) if the Retention Payment Actual Amount is less than the estimated amount paid by Buyer pursuant to Section 2.5(a), Sellers shall pay to Buyer, in accordance with their respective Purchase Consideration Percentages, an aggregate amount in cash equal to the difference between such estimated amount and the Retention Payment Actual Amount, and (ii) if the Retention Payment Actual Amount is

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greater than the estimated amount paid by Buyer pursuant to Section 2.5(a), Buyer shall pay, or cause to be paid, to Sellers by wire transfer of immediately available funds in accordance with their respective Purchase Consideration Percentages and to the accounts set forth on **Schedule 2.3**, an aggregate amount in cash equal to the difference between the Retention Payment Actual Amount and such estimated amount; provided that subject to Section 12.6(c), any such payment to a Seller may be set off and reduced by the amount of any agreed or adjudicated liability of a Seller to Buyer at the time such payment is otherwise payable, in which case Buyer may retain such amount and the liability of the applicable Seller shall be reduced by the amount of such setoff.

2.6. Earnout Payments.

(a) Within 60 days after each Earnout Measurement Date, Buyer shall deliver to Sellers a written statement (each, an “Earnout Statement”) setting forth (i) a calculation of the amount of the relevant Earnout Payment due with respect to such Earnout Measurement Date under this Section 2.6 and (ii) in the case of the Second Earnout Measurement Date, if the Retention Payment Actual Amount did not equal the Retention Payment Potential Amount, a calculation of the amount of the Retention Payment Catch-up Amount.

(b) The provisions of Section 2.4(b) shall apply, *mutatis mutandis*, with respect to Sellers’ review of an Earnout Statement, the delivery of any notice of disagreement with respect to the calculation of the relevant Earnout Payment by Sellers and the resolution of any such disagreement between the parties with respect to the calculation of such Earnout Payment and, if applicable, the Retention Payment Catch-up Amount. Buyer and Sellers agree that the procedures set forth in Section 2.4(b) for resolving disputes with respect to each Earnout Statement shall be the sole and exclusive method for resolving any such disputes; provided that this provision shall not prohibit either party from instituting litigation to enforce any final determination of an Earnout Payment or the Retention Payment Catch-up Amount by the Accounting Firm pursuant to Section 2.4(b) in any court of competent jurisdiction. The substance of the Accounting Firm’s determination shall not be subject to review or appeal, absent fraud or arithmetic error. It is the intent of the parties to have any final determination of an Earnout Payment and Retention Payment Catch-up Amount by the Accounting Firm proceed in an expeditious manner; provided, however, that any deadline or time period contained herein may be extended or modified by the written agreement of the parties hereto and the parties hereto agree that the failure of the Accounting Firm to strictly conform to any deadline or time period contained herein shall not be a basis for seeking to overturn any determination rendered by the Accounting Firm which otherwise conforms to the terms of Section 2.4(b).

(c) With respect to each Earnout Payment and the Retention Payment Catch-up Amount, if such amount is greater than zero, then within five Business Days after the final determination of such payment amount, Buyer shall pay, or cause to be paid, to Sellers by wire transfer of immediately available funds, an aggregate amount in cash equal to such payment amount, in accordance with their respective Purchase Consideration Percentages and to the accounts set forth on **Schedule 2.3**; provided, that, subject to Section 12.6(c), any such payment to a Seller may be set off and reduced by the amount of any agreed or adjudicated liability of a

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Seller to Buyer at the time such payment is otherwise payable, in which case Buyer may retain such amount and the liability of the applicable Seller shall be reduced by the amount of such setoff.

(d) During the period from the Closing Date until the Second Earnout Measurement Date: (i) Buyer will not take any action, directly or indirectly, the principal purpose of which is to circumvent or adversely affect Sellers' ability to receive the Earnout Payments; (ii) Buyer will operate the Business and keep books, records and accounting of the Business separate from its other businesses; (iii) Buyer will not change, or cause the change of, the name of WCM or TMF; and (iv) subject to reasonable confidentiality restrictions in the case of any non-employees, Buyer shall provide information as to the performance of the business of WCM and WCP as Sellers may reasonably request from time to time.

(e) During the period from the Closing Date until the Second Earnout Measurement Date, (i) if the business of WCP and WCM is discontinued, wound up, or liquidated, or there is there is any consolidation, merger, reorganization or recapitalization, or any sale, exchange, conveyance or other disposition of equity interests in, or assets of, WCP or WCM in a single transaction or a series of transactions, in each case, in which Virtus Investment Partners, Inc. ceases to beneficially own, directly or indirectly, an interest in more than 50% of the future combined revenue (calculated in a manner consistent with the definition of Combined Revenue) of WCP and WCM, or (ii) the employment of both Roy D. Behren and Michael T. Shannon is terminated without "Cause" (as defined in their respective Services Agreements) or for "Good Reason" (as defined in their respective Services Agreements), then any CAGR that has not already been determined shall be determined in accordance with this Agreement but shall be no lower than the CAGR determined as of the most recent calendar quarter end preceding the occurrence of the event specified in clause (i) or (ii) above, and subject to such floor, the Earnout Payments shall be payable as and when due under this Agreement.

## 2.7 The Structuring Transactions.

(a) As of the day immediately prior to the Closing, the combined Net Working Capital of WCP and WCM shall be an amount equal to the Target Working Capital Amount. Any such combined Net Working Capital in excess of the Target Working Capital Amount shall be distributed to Sellers immediately prior to the Closing. In the event WCP and WCM do not have sufficient cash to make such distribution, such excess shall be recorded in the books and records of WCP and/or WCM, as applicable, as distributions payable to former members as of the Closing Date and included as a Current Liability in the Closing Net Working Capital.

(b) Immediately prior to the Closing, the Individual Equityholders shall cause the WCP Restructuring to occur.

(c) Immediately prior to the Closing, WCM shall no longer be a party to, and shall have no Liabilities or further obligations in connection with, that certain NetJets Fractional Program Agreement with NetJets Sales, Inc., NetJets Aviation, Inc. and NetJets Services, Inc.

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effective as of May 25, 2016 (the “NetJets Agreement”).

2.8 Withholding Rights. Buyer shall be entitled to deduct and withhold from any amounts payable to any Seller under this Agreement such amounts as Buyer is required to deduct and withhold with respect to the making of such payment under applicable law. To the extent that such amounts are so withheld and paid over to or deposited with the relevant Governmental Authority by Buyer in accordance with the foregoing, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the applicable Seller in respect to which such deduction and withholding was made.

### ARTICLE III

#### REPRESENTATIONS AND WARRANTIES OF SELLERS

As a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated hereby, except as set forth in the Disclosure Schedules, each Seller, severally and not jointly, hereby makes the representations and warranties set forth in this Article III relating to such Seller.

3.1 Organization, Standing and Authority. Such Seller is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization. Such Seller is duly qualified or licensed to do business as a foreign entity, and is in good standing, in every jurisdiction where the failure to be so qualified or licensed would be reasonably likely to have a Material Adverse Effect. Such Seller has all requisite power and authority to conduct its business as presently conducted, to execute and deliver this Agreement and the documents contemplated hereby and to perform and comply with all of the terms, covenants and conditions to be performed and complied with by such Seller hereunder and thereunder.

3.2 Authorization and Binding Obligation. The execution, delivery and performance of this Agreement and any other Transaction Document to which such Seller is to be a party have been duly authorized by all necessary action on the part of such Seller. This Agreement and any other Transaction Document to which such Seller is to be a party has been duly executed and delivered by such Seller and assuming the due authorization, execution and delivery by Buyer of this Agreement and any other Transaction Document to which Buyer is to be a party, constitutes the legal, valid and binding obligation of such Seller, enforceable against such Seller in accordance with its terms, except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization or similar laws relating to or affecting creditors’ rights generally, or by general equity principles (whether applied in a court of law or a court of equity and including limitations on the availability of specific performance or other equitable remedies).

3.3 Ownership of Sellers. The owner(s) of, and outstanding ownership interests in, each Seller other than LPC is set forth opposite the name of such Seller on **Schedule 3.3**. Such Seller has good and marketable title to all the Membership Interests set forth opposite such Seller’s name on **Schedule 3.3**, free and clear of all Liens and sufficient to convey title to the Membership Interests to Buyer free and clear of all Liens.

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3.4 No Violations. The execution, delivery and performance such Seller of this Agreement and the documents contemplated hereby:

(a) will not conflict with any provision of the certificate of formation, certificate of limited partnership, limited liability company agreement or limited partnership agreement of such Seller;

(b) will not conflict with, result in a breach of, or constitute a default under, any applicable law, judgment, order, ordinance, injunction, decree, rule, regulation or ruling of any Governmental Authority; and

(c) will not conflict with, constitute grounds for termination of, result in a breach of, constitute a default under or accelerate or permit the acceleration of any performance required by the terms of, any Contract, license or permit to which such Seller is a party or by which such Seller may be bound.

3.5 Consents; Governmental/Regulatory Authority. Except under the HSR Act or any other antitrust law and as set forth on Schedule 3.5, no notice, report or other filing must be made with, or authorization, consent or approval obtained from, any Governmental Authority in connection with the execution, delivery and performance such Seller of this Agreement or in connection with the consummation of the transactions contemplated hereby.

3.6 Litigation; Proceedings. There is no action, suit, proceeding, complaint, litigation, investigation, inquiry or governmental proceeding pending or, to the Knowledge of Sellers, threatened, against such Seller.

3.7 Brokers. Except for Piper Sandler & Co., whose fees and expenses will be borne solely by Sellers, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the Individual Equityholders, Sellers, WCP or WCM.

3.8 No Other Representations. Except for the representations and warranties contained in this Article III (including the related portions of the Disclosure Schedules), Sellers make no express or implied representation or warranty, including any representation or warranty as to the accuracy or completeness of any information regarding Sellers furnished or made available to Buyer and its representatives (including the Confidential Information Presentation prepared by Piper Sandler & Co. dated February 2020 and any information, documents or material made available to Buyer in the virtual data room hosted by Intralinks (the "Intralinks Data Room"), management presentations or in any other form in expectation of the transactions contemplated hereby) or as to the future revenue, profitability or success of WCP or WCM, or any representation or warranty arising from statute or otherwise in law. Reference herein to any document or other information being "made available" or "provided" to Buyer prior to the date hereof shall mean that such document or information was included in the Intralinks Data Room by 5:00 p.m. New York City time at least two Business Days prior to the date hereof.

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## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES OF WCP

As a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated hereby, except as set forth in the Disclosure Schedules, WCP hereby makes the representations and warranties set forth in this Article IV.

4.1 Organization, Standing and Authority. WCP is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. A copy of the Existing WCP LLC Agreement and WCP's Certificate of Formation, as amended to date, certified by the Secretary of State of Delaware, each as previously delivered to Buyer, are complete and correct, and no amendments thereto are pending. WCP has all requisite power and authority to conduct its business as presently conducted, to execute and deliver this Agreement and the documents contemplated hereby and to perform and comply with all of the terms, covenants and conditions to be performed and complied with by WCP hereunder and thereunder.

4.2 Authorization and Binding Obligation. The execution, delivery and performance of this Agreement and any other Transaction Document to which WCP is to be a party have been duly authorized by all necessary action on the part of WCP. This Agreement and any other Transaction Document to which WCP is to be a party has been duly executed and delivered by WCP and assuming the due authorization, execution and delivery by Buyer of this Agreement and any other Transaction Document to which Buyer is to be a party, constitutes the legal, valid and binding obligation of WCP, enforceable against WCP in accordance with its terms, except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization or similar laws relating to or affecting creditors' rights generally, or by general equity principles (whether applied in a court of law or a court of equity and including limitations on the availability of specific performance or other equitable remedies).

4.3 No Violations. The execution, delivery and performance WCP of this Agreement and the documents contemplated hereby:

(a) will not conflict with any provision of WCP's Certificate of Formation or the Existing WCP LLC Agreement;

(b) except as set forth on **Schedule 4.3(b)**, will not materially conflict with, result in a material breach of, or constitute a material default under, any applicable law, judgment, order, ordinance, injunction, decree, rule, regulation or ruling of any Governmental Authority; and

(c) except as set forth on **Schedule 4.3(c)**, will not require a consent under, materially conflict with, constitute grounds for termination of, result in a material breach of, constitute a material default under or accelerate or permit the acceleration of any performance required by the terms of, any Contract, license or permit to which WCP is a party or by which

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WCP may be bound.

4.4 Consents; Governmental/Regulatory Authority. Except under the HSR Act or any other antitrust law and as set forth on **Schedule 4.4**, no notice, report or other filing must be made with, or authorization, consent or approval obtained from, any Governmental Authority in connection with the execution, delivery and performance by WCP of this Agreement or in connection with the consummation of the transactions contemplated hereby. In addition, no such notices, reports or other filings, authorizations, consents or approvals (scheduled or unscheduled) must be made relating to matters that, in the aggregate, will have a Material Adverse Effect with respect to WCP or the Private Funds.

4.5 Membership Interests; Subsidiaries. All the Membership Interests of WCP have been duly authorized and issued under the Existing WCP LLC Agreement and are 100% owned by the applicable Sellers, as set forth opposite each such Seller's name on **Schedule 4.5**. Such Membership Interests constitute the only outstanding ownership interests in WCP. Except as set forth in this Agreement or the Existing WCP LLC Agreement, (a) there are no rights, commitments, agreements or undertakings obligating WCP to issue, transfer, sell or redeem any Membership Interests, and (b) there are no outstanding options, warrants, rights commitments, preemptive rights or agreements of any kind for the issuance or sale of any additional Membership Interests. None of the Membership Interests have been issued in violation of any applicable law or regulation. Other than as expressly set forth in the Existing WCP LLC Agreement, there are no voting trusts, voting arrangements, proxies or other agreements, instruments or understandings with respect to the voting of any Membership Interests. WCP does not have, and has never had, any Subsidiaries or any investment in the debt, capital stock or equity of, or other ownership interest in, any other Person other than a Private Fund.

4.6 Business; Registrations.

(a) WCP has at all times required by applicable laws since its inception been duly registered as an investment adviser under the Investment Advisers Act. WCP is duly registered, licensed and qualified as an investment adviser in all jurisdictions where such registration, licensing or qualification is required in order to conduct its business as currently conducted. WCP has not received any written notice that WCP's registration, licensing or qualification as an investment adviser is, is to be, or will be restricted or terminated.

(b) WCP does not provide Investment Management Services to any Persons other than the Trust, the Onshore Fund and the Offshore Fund. WCP has not at any time since its inception been engaged in any business other than providing Investment Management Services. No Person other than a full-time employee of WCM renders Investment Management Services to or on behalf of Clients or solicits any Persons with respect to the provision of Investment Management Services by WCP.

(c) WCP has made available to Buyer true and correct copies of each of WCP's most recent Form ADV, as amended to date, and all of its other foreign and domestic registration forms, likewise as amended to date. The information contained in such forms was

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true and correct in all material respects at the time of filing and as of the date of this Agreement, and WCP has made all amendments to such forms as it is required to make under all applicable laws. None of WCP's personnel is, or is required to be, licensed as an investment adviser representatives (as such term is defined in Rule 203A-3(a) under the Investment Advisers Act.

(d) Neither WCP, nor any of its Affiliates is required, or has been required, to register as a "commodity pool operator" or "commodity trading advisor" within the meaning of the Commodity Exchange Act, or been required to register in any other capacity with the Commodity Futures Trading Commission or the National Futures Association or a trust company. To the extent required, WCP has duly and timely filed all notices and other documentation required to permit WCP to rely on exclusions or exemptions under the Commodity Exchange Act, the regulations thereunder, or the rules of the National Futures Association.

(e) Neither WCP nor any of its Affiliates is a "broker" or "dealer" within the meaning of the Exchange Act.

4.7 Financial Statements. *Schedule 4.7* contains a true, correct and complete copy of the following financial statements (collectively, the "WCP Financial Statements"): (a) the unaudited balance sheet of WCP as of December 31, 2019 (the "WCP Financial Statement Date") and the related unaudited statement of operations for the year then ended; and (b) the unaudited balance sheet of WCP as of December 31, 2020 and the related unaudited statement of operations for the 12-month period then ended. The WCP Financial Statements have been prepared in accordance with GAAP applied on a consistent basis, are true and correct and present fairly, in all material respects, the financial position and the results of operations of WCP as of the dates and for the periods indicated (except for the absence of notes).

4.8 No Undisclosed Liabilities. Except as specifically reflected in the WCP Financial Statements or otherwise set forth on *Schedule 4.8*, WCP has no Liabilities of any nature other than Liabilities that were incurred in the ordinary course of business since December 31, 2020 and that, individually and in the aggregate, would reasonably be expected to have a Material Adverse Effect on WCP.

4.9 Legal Actions. Except as set forth on *Schedule 4.9*, since January 1, 2017, there has been no action, suit, proceeding, complaint, litigation, investigation, inquiry or governmental proceeding pending, or to the Knowledge of WCP threatened, before any Governmental Authority against WCP or any Private Fund or in which any of them is otherwise engaged or involved. No such action, suit, proceeding, complaint, litigation, investigation or proceeding would reasonably be expected to have a Material Adverse Effect on WCP or any of the Private Funds. None of WCP or any Private Fund is subject to, or bound by, any judgment, order, writ, injunction or decree of any Governmental Authority, including the SEC.

4.10 Compliance with Laws.

(a) Except as set forth on *Schedule 4.10*, since January 1, 2015, (i) each of

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WCP and each Private Fund has been in compliance in all material respects with all applicable laws, rules, regulations, ordinances, orders or requirements, and (ii) WCP and each Private Fund has complied in all material respects with all written notices and demands to it from all Governmental Authorities. Neither WCP nor any Affiliated Person of WCP has been convicted of any felony or misdemeanor described in Section 9(a)(1) of the Investment Company Act, nor has WCP, or any “person associated” (as defined in the Investment Advisers Act) with WCP, been subject, or presently is subject, to any disqualification that would be a basis for denial, suspension or revocation of registration of an investment adviser under Section 203(e) of the Investment Advisers Act or Rule 206(4)-4(b) thereunder, or for disqualification as an investment adviser, employee, officer or director of an investment company under Section 9 of the Investment Company Act, or any event which would require WCP to give an affirmative response to any of the questions in Item 11 of its Form ADV (or any successor form), and there is no proceeding or investigation that is reasonably likely to become the basis for any such disqualification, denial, suspension or revocation or disclosure requirement.

(b) Neither WCP nor, to the Knowledge of WCP, any of its owners or representatives, or any Person directly associated with or acting for or on behalf thereof, has directly or indirectly (i) made or attempted to make any contribution, gift, bribe, rebate, payoff, influence payment, kickback or other payment to any Person, private or public, regardless of form, whether in money, property, or services, (A) to obtain favorable treatment for business or contracts secured, (B) to pay for favorable treatment for business or contracts secured, (C) to obtain special concessions or for special concessions already obtained or (D) in violation of any requirement of any applicable law in each jurisdiction where WCP is conducting or has conducted business (including Anti-Bribery Laws), or (ii) established or maintained any fund or asset that has not been recorded in the applicable books and records. WCP has established commercially reasonable internal controls and procedures to ensure compliance with Anti-Bribery Laws and has made available all of such documentation to Buyer.

(c) Neither WCP, any of Sellers or the Individual Equityholders, nor, to the Knowledge of WCP, any employee acting on behalf of any of the foregoing, (i) is currently the subject or the target of any Sanctions, (ii) is located, organized or resident in a country, territory or geographical region that is itself the subject of Sanctions (including, without limitation, Cuba, Iran, North Korea, Syria, and the Crimea region of Ukraine) or whose government is the subject or target of Sanctions, (iii) is named in any Sanctions-related list maintained by OFAC, the U.S. Department of State, the U.S. Department of Commerce or the U.S. Department of the Treasury, including the Specially Designated Nationals and Blocked Persons List maintained by OFAC, (iv) is, otherwise, by public designation of the United Nations Security Council, the European Union, Her Majesty’s Treasury, or other equivalent, applicable Governmental Authority, or subject or target of any Sanctions, (v) is a Person with which any United States person is prohibited from dealing or otherwise engaging in any transaction by any applicable law, (vi) is owned or controlled by Persons described in clauses (i) through (v) or is otherwise the subject of Sanctions, or (vii) conducts any business or engages in, or has conducted any business or engaged in, making or receiving any contribution of goods, services or money to or for the benefit of any Person, or in any country or territory, that is the subject of Sanctions, other than in compliance with Sanctions laws and regulations. No proceedings by or before any

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Governmental Authority with respect to any such Sanctions is pending or, to the Knowledge of WCP, threatened.

(d) To the extent required by applicable law, WCP has adopted written anti-money laundering programs and written customer identification programs (including with respect to Investors), in each case that complies in all material respects with applicable law, and a true and correct copy of which has been made available to Buyer. WCP has complied with the terms of such written programs in all material respects.

(e) WCP and each Private Fund maintains policies and procedures reasonably designed to provide that such Person is in material compliance with all applicable laws regarding data security, privacy, data transfer and the use of data. WCP and each Private Fund is in material compliance with all such policies and all other applicable laws pertaining to data security, privacy, data transfer and the use of data. There have been no (i) claims for or losses or thefts of data or security breaches relating to data used in the business of WCP or any Private Fund; (ii) claims for or, to the Knowledge of WCP, violations of any security policy regarding any such data; (iii) claims for or, to the Knowledge of WCP, unauthorized access or unauthorized use of any such data; or (iv) claims for or, to the Knowledge of WCP, unintended or improper disclosure of any personally identifiable information in the possession, custody or control of WCP or any Private Fund or a contractor or agent acting on behalf of WCP or any Private Fund, in each case that would reasonably be expected to have a Material Adverse Effect on WCP or any Private Fund.

4.11 Real Property. WCP does not own or lease any real property.

4.12 Taxes.

(a) WCP has paid or caused to be paid all Taxes required to be paid by it through the date hereof. The unpaid Taxes of WCP (i) did not, as of the WCP Financial Statement Date, exceed the reserve for Tax liability (rather than the reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth in the unaudited balance sheet as of such date (rather than in any notes thereto), and (ii) do not exceed that reserve as adjusted for the passage of time through the date hereof and the Closing Date in accordance with the past custom and practice of WCP in filing its Tax Returns. All Taxes required to be withheld by WCP including, but not limited to, Taxes arising as a result of payments, including salaries and wages, to non-U.S. persons or to employees of WCP, have been collected and withheld, and have either been paid to the applicable Governmental Authority, set aside in accounts for such purpose, or accrued, reserved against, and entered on the books and records of WCP, all in accordance with applicable law.

(b) WCP has, in accordance with all applicable laws, filed all income and other material Tax Returns required to be filed by it, and all such Tax Returns are correct and complete in all material respects. For each taxable period of WCP ended on or after December 31, 2017, WCP has delivered to Buyer correct and complete copies of all material Tax Returns and all examination reports and statements of deficiencies assessed against or agreed to by WCP.

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WCP has delivered to Buyer true and complete copies of all Tax notices filed and elections made by (or with respect to) WCP.

(c) No claim has ever been made in writing by a Governmental Authority in a jurisdiction where WCP does not file reports and returns that WCP is or may be subject to taxation by that jurisdiction. There are no Liens on any of the assets of WCP that arose in connection with any failure (or alleged failure) to pay any Taxes. WCP has never entered into a closing agreement pursuant to Section 7121 of the Code or with any Governmental Authority.

(d) Except as set forth on **Schedule 4.12(d)**, there has not been any audit of any Tax Return filed by WCP, no such audit is in progress, and WCP has never been notified in writing by any Governmental Authority that any such audit is contemplated or pending. No extension of time with respect to any date on which a Tax Return was or is to be filed by WCP is in force, and no waiver or agreement by WCP is in force for the extension of time for the assessment or payment of any Taxes.

(e) Except as set forth on **Schedule 4.12(d)**, WCP has never received from any Governmental Authority any notice of proposed adjustment, deficiency or underpayment of Taxes or any other such notice which has not been satisfied by payment or been withdrawn, and to the Knowledge of WCP, neither the IRS nor any other Governmental Authority is threatening to assert against WCP any deficiency or claim for additional Taxes.

(f) WCP has never filed, and has never been required to file, a consolidated, combined or unitary Tax Return with any other entity. WCP is not a party to, nor does it have any obligation under, any Tax sharing agreement. WCP does not have any liability for the Taxes of any Person as a transferee or successor, by contract or otherwise.

(g) At all times since its formation, WCP (and any predecessor) has been classified as either a disregarded entity or as a partnership for U.S. federal income Tax purposes (and for applicable state and local income Tax purposes).

(h) Neither WCP nor any predecessor to the business of WCP has engaged in any transaction that could give rise to (i) a disclosure obligation with respect to any Person under Section 6111 of the Code or the regulations thereunder, (ii) a list maintenance obligation with respect to any Person under Section 6112 of the Code or the regulations thereunder, or (iii) a disclosure obligation as a “reportable transaction” under Section 6011 of the Code and the regulations thereunder.

(i) The WCP Restructuring will not result in recognition of gain or loss for any of Sellers, or WCP.

4.13 **Bank Accounts.** **Schedule 4.13** contains a true, correct and complete list of each bank, trust company, savings institution, brokerage firm, mutual fund or other financial institution with which WCP has an account, safe deposit or lock box on the date hereof, and such list correctly and completely specifies for each account the type of account (e.g., checking

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account, payroll, etc.) and the names and identification of all persons authorized to draw on or to have access to such account, safe deposit or lockbox.

4.14 ERISA Plan Asset Matters. With respect to any services provided to or transactions with or on behalf of Clients that are subject to Title I of ERISA, Section 4975 of the Code, or similar applicable laws (each such Client, an “ERISA Client”): (a) WCP (and any Person acting on behalf of WCP) has at all times since January 1, 2017 complied with the applicable requirements or prohibitions of ERISA, Section 4975 of the Code and applicable state and local laws; (b) to the extent required by ERISA with respect to any ERISA Client, WCP has at all times maintained bond coverage as required by Section 412 of ERISA, which bond coverage has complied with all applicable requirements of Section 412 of ERISA and U.S. Department of Labor regulations promulgated thereunder; (c) either (i) WCP has not maintained custody of any “plan assets” of any ERISA Client or (ii) to the extent WCP has maintained the custody of any “plan assets” of any ERISA Client, such custody arrangements have at all times complied with the requirements of Section 404(b) of ERISA and U.S. Department of Labor regulations promulgated thereunder; (d) WCP has not been the subject of any Proceeding, penalty or enforcement by the U.S. Department of Labor or any other Governmental Authority in connection with any services or transactions relating to an ERISA Client; and (e) neither WCP nor any employee or “affiliate” of WCP (as defined in Part VI(d) of the U.S. Department of Labor Prohibited Transaction Class Exemption 84-14, as amended) has been subject to disqualification under Section 411 of ERISA.

4.15 Employee Programs. WCP does not maintain or contribute to any Employee Programs. All employees and independent contractors performing services for WCP are employed or engaged, as applicable, by WCM.

4.16 Powers of Attorney. WCP has no outstanding powers of attorney.

4.17 Managers, Officers and Employees. **Schedule 4.17** contains a true, correct and complete list of WCP’s managers, officers and employees.

4.18 Material Contracts. **Schedule 4.18** contains a true, correct and complete list of all Material Contracts to which WCP or any of the Private Funds is a party or by which WCP, any of the Private Funds or any of their respective assets is bound. None of WCP or any of the Private Funds is in default with respect to such party’s obligations under any such material contract and, to the Knowledge of WCP, the other party to each such Material Contract is not in default with respect to such party’s obligations. Each of the Material Contracts is valid and in full force and effect against WCP and the Private Funds, as applicable, and to the Knowledge of WCP, the other parties thereto, in accordance with its terms. Neither WCP nor any Private Fund is or has been (with or without the lapse of time or the giving of notice, or both) in material breach under any Material Contract and, to the Knowledge of WCP, no other party to any Material Contract is (with or without the lapse of time or the giving of notice, or both) in material breach in any respect under any Material Contract. All ISDAs to which WCP or any of the Private Funds is a party are on industry-standard forms, with customary terms and conditions, including without limitation, provisions related to fees, indemnifications, and restrictive

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covenants.

4.19 Ordinary Course. Except as otherwise specifically contemplated by the Transaction Documents, since December 31, 2019, WCP and each Private Fund (a) has conducted its business only in the ordinary course and consistently with its prior practices, (b) has not suffered (and there has not otherwise existed) any condition, circumstance, event or occurrence which has had or would reasonably be expected to have a Material Adverse Effect on WCP or any Private Fund, and (c) has not taken any action which, had it occurred after the date hereof and prior to the Closing, would have required Buyer's consent pursuant to Section 7.2.

4.20 Private Funds.

(a) Each Private Fund has been duly organized and is validly existing and in good standing under the laws of the jurisdiction of its organization and has all requisite partnership, limited liability company, or similar power and authority. Each Private Fund possesses all permits necessary to entitle it to use its name, to own, lease or otherwise hold its properties and assets and to carry on its business as it is now conducted. Each Private Fund is duly qualified, licensed or registered to do business in each jurisdiction where it is required to do so under all applicable laws. All of the outstanding shares or other ownership interests of each Private Fund (as applicable) are duly authorized, validly issued, fully paid and non-assessable, and none of such shares or other ownership interests have been issued in violation of any applicable laws.

(b) *Schedule 4.20(b)* describes each of the Advisory Contracts, ISDAs, arrangements for the payment of service fees and all administrative services and other service agreements, if any, pertaining to any of the Private Funds. As to each Private Fund, there has been in full force and effect an Advisory Contract at all times that WCP was performing Investment Management Services for such Private Fund, and each such Advisory Contract pursuant to which WCP has received compensation respecting its activities in connection with any of the Private Funds was duly approved in accordance with all applicable laws.

(c) There are no special restrictions, consent judgments or judicial orders on or with regard to any of the Private Funds. All material notifications to local regulatory and other bodies required by applicable laws have been made to permit such activities as are carried out by the Private Funds and all authorizations, licenses, consents and approvals required by all applicable laws have been obtained in relation to the Private Funds.

(d) Copies of the current private placement memorandum or other offering document of each of the Private Funds have been provided or made available to Buyer by WCP. The private placement memorandum or other offering document (as applicable) of each Private Fund has at all times since January 1, 2017 complied with all applicable laws, and has not contained any untrue statement of a material fact, or omitted to state a material fact required to be stated therein or necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading, in each such case at all such times as any such prospectus or other applicable offering document was delivered to investors or

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potential investors in such Private Fund. Each investor or offeree of an investment in a Private Fund has been delivered a private placement memorandum (or other applicable offering document) relating to such Private Fund at all times required by all applicable laws (and in any event prior to subscribing for, or otherwise making an investment decision with respect to, investment interests in such Private Fund).

(e) WCP has made available to Buyer true and complete copies of the financial statements of the Private Funds for the year ended December 31, 2019 (the “Private Fund Financial Statement” and the “Private Fund Financial Statement Date”). Each of the Private Fund Financial Statements is consistent with the books and records of the related Private Fund, and presents fairly in all material respects the consolidated financial position of the related Private Fund at the respective date of such Private Fund Financial Statement and the results of operations and cash flows for the respective periods indicated.

(f) Each of the Private Funds has a qualified custodian which is a third-party entity independent of WCP and WCP is otherwise in compliance with Rule 206(4)-2 under the Investment Advisers Act. WCP is not liable in connection with, on behalf of, or for, any obligation of any of the Private Funds, and WCM is not (nor will be) in a position in which it may become so liable, including on any insolvency, liquidation, transformation, amalgamation, merger or split-up of any of the Private Funds. Each of the Private Funds has sufficient collateral to support its borrowings.

(g) Since January 1, 2017, each of the Private Funds has been in compliance with all applicable laws in all material respects. Each of the Private Funds is exempt from the registration requirements of the Investment Company Act by virtue of Section 3(c)(1) or 3(c)(7) of such Act. Except as set forth on **Schedule 4.20(g)**, there are, and since January 1, 2017 there have been, no legal or governmental actions, investigations, inquiries or proceedings pending or, to the Knowledge of WCP, threatened against any of the Private Funds.

(h) **Schedule 4.20(h)** (i) sets forth the Assets Under Management for each Private Fund as of the Reference Date and as of December 31, 2020, (ii) lists each Advisory Contract between WCP and a Private Fund and the fee schedule in effect with respect to such Advisory Contract, (iii) sets forth any fees or other payments required to be paid by WCP to third parties or employees in connection with each such Advisory Contract and/or the relationship with such Private Fund, and (iv) lists any Contracts pursuant to which WCP, Sellers or any of their Affiliates has undertaken or agreed to cap, waive, offset, reimburse or otherwise reduce any or all fees or charges payable by or with respect to any of the Private Funds. With respect to each Client, each investment made by WCP on behalf of such Client has been made in accordance with such Client’s investment policies, guidelines and restrictions set forth in its Advisory Contract in effect at the time the investments were made and in accordance with such Client’s investment policies, guidelines and restrictions set forth in its offering documents, constituent documents and marketing materials, in each case as in effect at the time the investments were made, and has been held thereafter in accordance with such investment policies, guidelines and restrictions, in each case, in all material respects. WCM is not nor has been in default with respect to its obligations under any material contract with one or more

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Private Funds, including, without limitation, any contractual requirements that WCP, in its capacity as a general partner or investment adviser, maintain a minimum investment amount in one or more Private Funds.

(i) Except as set forth on ***Schedule 4.21***, as of the date hereof, no Private Fund or investor therein has, to the Knowledge of WCP, expressed to WCP an intention to terminate or reduce its investment relationship with WCP or adjust the fee schedule with respect to any contract in a manner which would reduce the fees or other payments to WCP (including giving effect to the Closing) in connection with such client relationship.

(j) Taxes.

(i) Each Private Fund has paid or caused to be paid all Taxes required to be paid by it through the date hereof. The unpaid Taxes of each Private Fund (i) did not, as of the Private Fund Financial Statement Date, exceed the reserve for Tax liability (rather than the reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth in the unaudited balance sheet as of such date (rather than in any notes thereto) and (ii) do not exceed that reserve as adjusted for the passage of time through the date hereof and the Closing Date in accordance with the past custom and practice of each such Private Fund in filing its Tax Returns. All Taxes required to be withheld by each Private Fund including, but not limited to, Taxes arising as a result of payments, including salaries and wages, to non-U.S. persons or to employees of WCP, WCM or any Private Fund, have been collected and withheld, and have either been paid to the applicable Governmental Authority, set aside in accounts for such purpose, or accrued, reserved against, and entered on the books and records of each such Private Fund, all in accordance with applicable law.

(ii) Each Private Fund has, in accordance with all applicable law, filed all income and other material Tax Returns required to be filed by it, and all such Tax Returns are correct and complete in all material respects. For each taxable period of each Private Fund ended on or after December 31, 2017, each such Private Fund has delivered to Buyer correct and complete copies of all material Tax Returns, examination reports and statements of deficiencies assessed against or agreed to by each such private Fund. Each Private Fund has delivered to Buyer true and complete copies of all Tax notices filed and elections made by (or with respect to) such Private Fund.

(iii) No claim has ever been made in writing by a Governmental Authority in a jurisdiction where a Private Fund does not file reports and returns that such Private Fund is or may be subject to taxation by that jurisdiction. There are no Liens on any of the assets of any Private Fund that arose in connection with any failure (or alleged failure) to pay any Taxes. No Private Fund has ever entered into a closing agreement pursuant to Section 7121 of the Code or with any Governmental Authority.

(iv) There has not been any audit of any Tax Return filed by any Private Fund, no such audit is in progress, and no Private Fund has ever been notified in writing by any Governmental Authority that any such audit is contemplated or pending. No extension of

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time with respect to any date on which a Tax Return was or is to be filed by any Private Fund is in force, and no waiver or agreement by any Private Fund is in force for the extension of time for the assessment or payment of any Taxes.

(v) No Private Fund has ever received from any Governmental Authority any notice of proposed adjustment, deficiency or underpayment of Taxes or any other such notice which has not been satisfied by payment or been withdrawn. To the Knowledge of WCP, neither the IRS nor any other Governmental Authority is threatening to assert against WCP any deficiency or claim for additional Taxes.

(vi) No Private Fund has never been (and has never had any liability for unpaid Taxes because it once was) a member of an “affiliated group” (as defined in Section 1504(a) of the Code). No Private Fund has ever filed, and has ever been required to file, a consolidated, combined or unitary Tax Return with any other entity. No Private Fund is a party to, nor does it have any obligation under, any Tax sharing agreement. No Private Fund has any liability for the Taxes of any Person as a transferee or successor, by contract or otherwise.

(vii) No Private Fund nor any predecessor to the business of any Private Fund has engaged in any transaction that could give rise to (i) a disclosure obligation with respect to any Person under Section 6111 of the Code or the regulations thereunder, (ii) a list maintenance obligation with respect to any Person under Section 6112 of the Code or the regulations thereunder, or (iii) a disclosure obligation as a “reportable transaction” under Section 6011 of the Code and the regulations thereunder.

4.21 Transactions with Interested Persons. Except as set forth on **Schedule 4.21**, since January 1, 2017, none of WCP or any Private Fund has been a party to any material transaction or material contract or arrangement with the Individual Equityholders, Sellers, any director, manager, member, partner, director, stockholder, owner, officer or employee of WCP, any of the respective Immediate Family members of any of the foregoing Persons, or any of the respective Affiliates of any of the foregoing Persons, and, to the Knowledge of WCP, none of the foregoing Persons (other than Affiliates of LPC) owns, directly or indirectly on an individual or joint basis, any interest (excluding passive investments in the shares of any enterprise which are publicly traded; provided that such Person’s holdings therein, together with any holdings of such Person’s Immediate Family members and their respective Affiliates, are less than five percent of the outstanding shares or comparable interest in such entity in the aggregate) in, or serves as an employee, independent contractor, officer, director, member, partner, stockholder, owner or in another similar capacity of, any competitor or Client of WCP or any other Person which has, or since January 1, 2017, has had, a material contract or arrangement with WCP or any Private Fund.

4.22 Books and Records. The books and records of WCP are complete and correct in all material respects and have been maintained in all material respects in accordance with applicable law. At the Closing, all of the books and records of WCP (including all accounting and human resources-related records pertaining to WCP held or controlled by WCP or Sellers) will be fully accessible by and in the possession or control of WCP or Sellers.

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4.23 No Other Representations. Except for the representations and warranties contained in this Article IV (including the related portions of the Disclosure Schedules), WCP makes no express or implied representation or warranty, including any representation or warranty as to the accuracy or completeness of any information regarding WCP furnished or made available to Buyer and its representatives (including the Confidential Information Presentation prepared by Piper Sandler & Co. dated February 2020 and any information, documents or material made available to Buyer in the Intralinks Data Room, management presentations or in any other form in expectation of the transactions contemplated hereby) or as to the future revenue, profitability or success of WCP, or any representation or warranty arising from statute or otherwise in law.

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES OF WCM

As a material inducement to Buyer to enter into this Agreement and consummate the transactions contemplated hereby, except as set forth in the Disclosure Schedules, WCM hereby makes the representations and warranties set forth in this Article V.

5.1 Organization, Standing and Authority. WCM is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. A copy of the Existing WCM LLC Agreement and WCM's Certificate of Formation, as amended to date, certified by the Secretary of State of Delaware, each as previously delivered to Buyer, are complete and correct, and no amendments thereto are pending. WCM has all requisite power and authority to conduct its business as presently conducted, to execute and deliver this Agreement and the documents contemplated hereby and to perform and comply with all of the terms, covenants and conditions to be performed and complied with by WCM hereunder and thereunder.

5.2 Authorization and Binding Obligation. The execution, delivery and performance of this Agreement and any other Transaction Document to which WCM is to be a party have been duly authorized by all necessary action on the part of WCM. This Agreement and any other Transaction Document to which WCP is to be a party has been duly executed and delivered by WCM and assuming the due authorization, execution and delivery by Buyer of this Agreement and any other Transaction Document to which Buyer is to be a party, constitutes the legal, valid and binding obligation of WCM, enforceable against WCM in accordance with its terms, except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization or similar laws relating to or affecting creditors' rights generally, or by general equity principles (whether applied in a court of law or a court of equity and including limitations on the availability of specific performance or other equitable remedies).

5.3 No Violations. The execution, delivery and performance by WCM of this Agreement and the documents contemplated hereby:

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(a) will not conflict with any provision of WCM's Certificate of Formation or the Existing WCM LLC Agreement;

(b) except as set forth on **Schedule 5.3(b)**, will not materially conflict with, result in a material breach of, or constitute a material default under, any applicable law, judgment, order, ordinance, injunction, decree, rule, regulation or ruling of any Governmental Authority; and

(c) except as set forth on **Schedule 5.3(c)**, will not require a consent under, materially conflict with, constitute grounds for termination of, result in a material breach of, constitute a material default under or accelerate or permit the acceleration of any performance required by the terms of, any Contract, license or permit to which WCM is a party or by which WCM may be bound.

5.4 Consents; Governmental/Regulatory Authority. Except under the HSR Act or any other antitrust law and as set forth on **Schedule 5.4**, no notice, report or other filing must be made with, or authorization, consent or approval obtained from, any Governmental Authority in connection with the execution, delivery and performance by WCM of this Agreement or in connection with the consummation of the transactions contemplated hereby. In addition, no such notices, reports or other filings, authorizations, consents or approvals (scheduled or unscheduled) must be made relating to matters that, in the aggregate, will have a Material Adverse Effect on WCM or the Public Funds.

5.5 Membership Interests; Subsidiaries. All the Membership Interests of WCM have been duly authorized and issued under the Existing WCM LLC Agreement and are 100% owned by Sellers, as set forth opposite each such Seller's name on **Schedule 5.5**. Such Membership Interests constitute the only outstanding ownership interests in WCM. Except as set forth in this Agreement or the Existing WCM LLC Agreement, (a) there are no rights, commitments, agreements or undertakings obligating WCM to issue, transfer, sell or redeem any Membership Interests, and (b) there are no outstanding options, warrants, rights commitments, preemptive rights or agreements of any kind for the issuance or sale of any additional Membership Interests. None of the Membership Interests have been issued in violation of any applicable law or regulation. Other than as expressly set forth in the Existing WCM LLC Agreement, there are no voting trusts, voting arrangements, proxies or other agreements, instruments or understandings with respect to the voting of any Membership Interests. WCM does not have, and has never had, any Subsidiaries or any investment in the debt, capital stock or equity of, or other ownership interest in, any other Person other than a Private Fund.

5.6 Business; Registrations.

(a) WCM is registered as an investment adviser under the Investment Advisers Act. WCM has not received any written notice that WCM's registration as an investment adviser is, is to be, or will be restricted or terminated. WCM does not provide Investment Management Services to any Persons other than the Sponsored Funds and each Subadvised Fund.

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(b) WCM has not at any time since its inception been engaged in any business other than providing Investment Management Services and related activities. No Person other than a full-time employee of WCM renders Investment Management Services to or on behalf of Clients or solicits Clients (or investors therein) with respect to the provision of Investment Management Services by WCM.

(c) WCM has at all times required by applicable laws since its inception been duly registered as an investment adviser under the Investment Advisers Act. WCM is duly registered, licensed and qualified as an investment adviser in all jurisdictions where such registration, licensing or qualification is required in order to conduct its business as currently conducted, except for where the failure to be so registered, licensed or qualified is not material to the Business.

(d) WCM has made available to Buyer true and correct copies of each of WCM's most recent Form ADV, as amended to date, and all of its other foreign and domestic registration forms, likewise as amended to date. The information contained in such forms was true and correct in all material respects as of the time of filing and as of the date of this Agreement, and WCM has made all amendments to such forms as it is required to make under all applicable laws. None of WCM's personnel is, or is required to be, licensed as an investment adviser representatives (as such term is defined in Rule 203A-3(a) under the Investment Advisers Act).

(e) Neither WCM, nor any of its Affiliates is required, or has been required, to register as a "commodity pool operator" or "commodity trading advisor" within the meaning of the Commodity Exchange Act, or been required to register in any other capacity with the Commodity Futures Trading Commission or the National Futures Association or a trust company. To the extent required, WCM has duly and timely filed all notices and other documentation required to permit WCM to rely on exclusions or exemptions under the Commodity Exchange Act, the regulations thereunder, or the rules of the National Futures Association.

(f) Neither WCM nor any of its Affiliates is a "broker" or "dealer" within the meaning of the Exchange Act.

5.7 **Financial Statements.** *Schedule 5.7* contains a true, correct and complete copy of the following financial statements (collectively, the "**WCM Financial Statements**"): (a) the balance sheet of WCM as of December 31, 2019 (the "**WCM Financial Statement Date**"); and (b) the related statement of operations for the year then ended and the unaudited balance sheet of WCM as of December 31, 2020 and the related statement of operations for the 12-month period then ended. The WCM Financial Statements have been prepared in accordance with GAAP applied on a consistent basis, are true and correct and present fairly, in all material respects, the financial position and the results of operations of WCM as of the dates and for the periods indicated (except for the absence of notes for any unaudited WCM Financial Statements). The balance sheet of WCM as of the WCM Financial Statement Date and the related statement of

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operations for the year then ended have been audited by an independent registered public accounting firm.

5.8 Legal Actions. Except as set forth on **Schedule 5.8**, since January 1, 2017 there has been no action, suit, proceeding, complaint, litigation, investigation, inquiry or governmental proceeding pending, or to the Knowledge of WCM threatened, before any Governmental Authority against WCM or any Public Fund or in which any of them is otherwise engaged or involved. No such action, suit, proceeding, complaint, litigation, investigation or proceeding would reasonably be expected to have a Material Adverse Effect on WCM or the Public Funds. None of WCM or any Public Fund is subject to, or bound by, any judgment, order, writ, injunction or decree of any Governmental Authority, including the SEC.

5.9 Compliance with Laws.

(a) Except as set forth on **Schedule 5.9**, since January 1, 2017, (i) WCM is in compliance in all material respects with all applicable laws, rules, regulations, ordinances, orders or requirements, and (ii) WCM has complied in all material respects with all written notices and demands to it from all Governmental Authorities with respect to the provision of Investment Management Services to the Public Funds. Neither WCM nor any Affiliated Person of WCM has been convicted of any felony or misdemeanor described in Section 9(a)(1) of the Investment Company Act, nor has any investment advisor, or any “person associated” (as defined in the Investment Advisers Act) with any investment advisor, of the Sponsored Funds or, to the Knowledge of WCM, a Subadvised Fund, been subject, or presently is subject, to any disqualification that would be a basis for denial, suspension or revocation of registration of an investment adviser under Section 203(e) of the Investment Advisers Act or Rule 206(4)-4(b) thereunder, or for disqualification as an investment adviser, employee, officer or director of an investment company under Section 9 of the Investment Company Act, or any event which would require WCM to give an affirmative response to any of the questions in Item 11 of its Form ADV (or any successor form) and there is no proceeding or investigation that is reasonably likely to become the basis for any such disqualification, denial, suspension or revocation or disclosure requirement.

(b) Neither WCM nor, to the Knowledge of Sellers, any of its owners or representatives, or any Person directly associated with or acting for or on behalf thereof, has directly or indirectly (i) made or attempted to make any contribution, gift, bribe, rebate, payoff, influence payment, kickback or other payment to any Person, private or public, regardless of form, whether in money, property, or services, (A) to obtain favorable treatment for business or contracts secured, (B) to pay for favorable treatment for business or contracts secured, (C) to obtain special concessions or for special concessions already obtained or (D) in violation of any requirement of any applicable law in each jurisdiction where WCM is conducting or has conducted business (including Anti-Bribery Laws), or (ii) established or maintained any fund or asset that has not been recorded in the applicable books and records. WCM has established commercially reasonable internal controls and procedures to ensure compliance with Anti-Bribery Laws and has made available all of such documentation to Buyer.

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(c) None of WCM, Sellers or the Individual Equityholders, nor, to the Knowledge of WCM, any employee acting on behalf of any of the foregoing, (i) is currently the subject or the target of any Sanctions, (ii) is located, organized or resident in a country, territory or geographical region that is itself the subject of Sanctions (including, without limitation, Cuba, Iran, North Korea, Syria, and the Crimea region of Ukraine) or whose government is the subject or target of Sanctions, (iii) is named in any Sanctions-related list maintained by OFAC, the U.S. Department of State, the U.S. Department of Commerce or the U.S. Department of the Treasury, including the Specially Designated Nationals and Blocked Persons List maintained by OFAC, (iv) is otherwise, by public designation of the United Nations Security Council, the European Union, Her Majesty's Treasury, or other equivalent, applicable Governmental Authority, or subject or target of any Sanctions, (v) is a Person with which any United States person is prohibited from dealing or otherwise engaging in any transaction by any applicable law, (vi) is owned or controlled by Persons described in clauses (i) through (v) or is otherwise the subject of Sanctions, or (vii) conducts any business or engages in, or has conducted any business or engaged in, making or receiving any contribution of goods, services or money to or for the benefit of any Person, or in any country or territory, that is the subject of Sanctions, other than in compliance with Sanctions laws and regulations. No proceedings by or before any Governmental Authority with respect to any such Sanctions is pending or, to the Knowledge of Sellers, threatened.

(d) To the extent required by applicable law, WCM has adopted written anti-money laundering programs and written customer identification programs (including with respect to investors), in each case that complies in all material respects with applicable law, and a true and correct copy of which has been made available to Buyer. WCM has complied with the terms of such written programs in all material respects.

(e) WCM and each Public Fund (with respect to any Subadvised Fund, to the Knowledge of WCM) maintains policies and procedures reasonably designed to provide that such Person is in material compliance with all applicable laws regarding data security, privacy, data transfer and the use of data. WCM and each Public Fund (with respect to any Subadvised Fund, to the Knowledge of WCM) is in material compliance with all such policies and all other applicable laws pertaining to data security, privacy, data transfer and the use of data. There have been no (i) claims for or losses or thefts of data or security breaches relating to data used in the business of WCM and each Public Fund (with respect to any Subadvised Fund, to the Knowledge of WCM); (ii) claims for or, to the Knowledge of WCM, violations of any security policy regarding any such data; (iii) claims for or, to the Knowledge of WCM, unauthorized access or unauthorized use of any such data; or (iv) claims for or, to the Knowledge of WCM, unintended or improper disclosure of any personally identifiable information in the possession, custody or control of WCM or any Public Fund or a contractor or agent acting on behalf of WCM and each Public Fund (with respect to any Subadvised Fund, to the Knowledge of WCM), in each case that would reasonably be expected to have a Material Adverse Effect on WCM or the Public Funds.

5.10 Real Property. WCM does not own any real property. WCM has made available to Buyer prior to the date hereof a true and correct copy of WCM's office lease.

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5.11 Taxes.

(a) WCM has paid or caused to be paid all Taxes required to be paid by it through the date hereof. The unpaid Taxes of WCM (i) did not, as of the WCM Financial Statement Date, exceed the reserve for Tax liability (rather than the reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth in the unaudited balance sheet as of such date (rather than in any notes thereto) and (ii) do not exceed that reserve as adjusted for the passage of time through the date hereof and the Closing Date in accordance with the past custom and practice of WCM in filing its Tax Returns. All Taxes required to be withheld by WCM including, but not limited to, Taxes arising as a result of payments, including salaries and wages, to non-U.S. persons or to employees of WCM, have been collected and withheld, and have either been paid to the applicable Governmental Authority, set aside in accounts for such purpose, or accrued, reserved against, and entered on the books and records of WCM, all in accordance with applicable law.

(b) WCM has, in accordance with all applicable laws, filed all income and other material Tax Returns required to be filed by it, and all such Tax Returns are correct and complete in all material respects. For each taxable period of WCM ended on or after December 31, 2017, WCM has delivered to Buyer correct and complete copies of all material Tax Returns and all examination reports and statements of deficiencies assessed against or agreed to by WCM. WCM has delivered to Buyer true and complete copies of all Tax notices filed and elections made by (or with respect to) WCM.

(c) No claim has ever been made in writing by a Governmental Authority in a jurisdiction where WCM does not file reports and returns that WCM is or may be subject to taxation by that jurisdiction. There are no Liens on any of the assets of WCM that arose in connection with any failure (or alleged failure) to pay any Taxes. WCM has never entered into a closing agreement pursuant to Section 7121 of the Code or with any Governmental Authority.

(d) Except as set forth on *Schedule 5.12(d)*, there has not been any audit of any Tax Return filed by WCM, no such audit is in progress, and WCM has never been notified in writing by any Governmental Authority that any such audit is contemplated or pending. No extension of time with respect to any date on which a Tax Return was or is to be filed by WCM is in force, and no waiver or agreement by WCM is in force for the extension of time for the assessment or payment of any Taxes.

(e) WCM has never received from any Governmental Authority any notice of proposed adjustment, deficiency or underpayment of Taxes or any other such notice which has not been satisfied by payment or been withdrawn. To the Knowledge of WCM, neither the IRS nor any other Governmental Authority is threatening to assert against WCM any deficiency or claim for additional Taxes.

(f) WCM has never filed, and has never been required to file, a consolidated, combined or unitary Tax Return with any other entity. WCM is not a party to, nor does it have

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any obligation under, any Tax sharing agreement. WCM does not have any liability for the Taxes of any Person as a transferee or successor, by contract or otherwise.

(g) At all times since its formation, WCM (and any predecessor) has been classified as either a disregarded entity or as a partnership for U.S. federal income Tax purposes (and for applicable state and local income Tax purposes).

(h) Neither WCM nor any predecessor to the business of WCM has engaged in any transaction that could give rise to (i) a disclosure obligation with respect to any Person under Section 6111 of the Code or the regulations thereunder, (ii) a list maintenance obligation with respect to any Person under Section 6112 of the Code or the regulations thereunder, or (iii) a disclosure obligation as a “reportable transaction” under Section 6011 of the Code and the regulations thereunder.

5.12 No Undisclosed Liabilities. Except as expressly set forth in the WCM Financial Statements or otherwise set forth on **Schedule 5.12**, WCM has no Liabilities of any nature other than Liabilities that were incurred in the ordinary course of business since December 31, 2020 and that, individually and in the aggregate, are not material to the Business.

5.13 Insurance Policies. **Schedule 5.13** contains a true, correct and complete list of all WCM’s insurance policies, and such insurance policies are in full force and effect as of the date hereof and all premiums due on such insurance policies have been paid. No material claim is outstanding under any such insurance policy. Such insurance policies (a) cover the entire Business, including WCP’s activities and operations to the same extent as the activities and operations of WCM are covered, (b) collectively are sufficient for compliance with all requirements of applicable law and all contracts or agreements to which WCM is a party or is otherwise bound and (c) do not provide for any retrospective premium adjustment or other experience-based liability on the part of WCM. All premiums due and payable under all such policies have been paid. No default exists with respect to the obligations of WCM under any such insurance policy, and WCM has not received any notification of cancellation of any such insurance policies.

5.14 Transactions with Interested Persons. Except as set forth on **Schedule 5.14**, since January 1, 2017, none of WCM or any Public Fund (to the Knowledge of WCM, with respect to the Subadvised Funds) has been a party to any material transaction or material contract or arrangement with the Individual Equityholders, Sellers, any director, manager, member, partner, director, stockholder, owner, officer or employee of WCM, any of the respective Immediate Family members of any of the foregoing Persons, or any of the respective Affiliates of any of the foregoing Persons, and, to the Knowledge of WCM, none of the foregoing Persons (other than Affiliates of LPC) owns, directly or indirectly on an individual or joint basis, any interest (excluding passive investments in the shares of any enterprise which are publicly traded; provided such Person’s holdings therein, together with any holdings of such Person’s Immediate Family members and their respective Affiliates, are less than five percent of the outstanding shares or comparable interest in such entity in the aggregate) in, or serves as an employee, independent contractor, officer, director, member, partner, stockholder, owner or in another

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similar capacity of, any competitor or Client of WCM or any other Person which has, or since January 1, 2019 has had a material contract or arrangement with WCM or any Public Fund (to the Knowledge of WCM, with respect to the Subadvised Funds).

5.15 Material Contracts. **Schedule 5.15** contains a true, correct and complete list of all Material Contracts to which WCM is a party or by which WCM or any of its assets is bound. WCM is not in default with respect to such party's obligations under any such material contract and, to the Knowledge of WCM, the other party to each such Material Contract is not in default with respect to such party's obligations. Each of the Material Contracts is valid and in full force and effect against WCM, as applicable, and to the Knowledge of WCM, the other parties thereto, in accordance with its terms. WCM is not and has not been (with or without the lapse of time or the giving of notice, or both) in material breach under any Material Contract and, to the Knowledge of WCM, no other party to any Material Contract is (with or without the lapse of time or the giving of notice, or both) in material breach in any respect under any Material Contract. All ISDAs to which WCM or any of the Public Funds is a party are on industry-standard forms, with customary terms and conditions, including without limitation, provisions related to fees, indemnifications, and restrictive covenants. Immediately prior to the Closing, WCM will no longer be a party to, and will have no Liabilities or further obligations in connection with, the NetJets Agreement.

5.16 Bank Accounts. **Schedule 5.16** contains a true, correct and complete list of each bank, trust company, savings institution, brokerage firm, mutual fund or other financial institution with which WCM has an account, safe deposit or lock box on the date hereof, and such list correctly and completely specifies for each account the type of account (e.g., checking account, payroll, etc.) and the names and identification of all persons authorized to draw on or to have access to such account, safe deposit or lockbox.

5.17 Intellectual Property.

(a) **Schedule 5.17(a)(i)** contains a true, correct and complete list of all Intellectual Property owned, licensed or used in connection with the management of the Public Funds or the operation of WCM's business, including all registered intellectual property, any investment model, strategy or process utilized to manage the Public Funds or to operate WCM's business, and all written contracts relating to Intellectual Property that WCM owns, uses or licenses in connection with the management of the Public Funds or the operation of WCM's business. Since January 1, 2017, WCM has taken all actions reasonably necessary to maintain and protect the Intellectual Property that it owns or uses to manage the Public Funds or otherwise operate its business. WCM owns all the Intellectual Property set forth on **Schedule 5.17(a)(ii)**. Except as set forth on **Schedule 5.17(a)(i)**, WCM has not licensed to any other Person, or authorized any other Person to use, any Intellectual Property set forth on **Schedule 5.17(a)(i)**.

(b) Since January 1, 2017, (i) WCM's ownership and use of the Intellectual Property has not and currently does not misappropriate, violate, interfere with, infringe, or otherwise conflict with any proprietary or Intellectual Property rights of any other Person or violate applicable law, and WCM has not received any written (or, to the Knowledge of WCM,

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oral) charge, complaint, claim, letter, demand or notice alleging any such misappropriation, violation, interference, infringement or conflict (including any of the foregoing alleging that WCM must license or refrain from using any intellectual property rights of any other Person), and (ii) to the Knowledge of WCM, there is no actual or alleged or occurring infringement, misappropriation or unlawful or unauthorized use by WCM of any Intellectual Property. To the Knowledge of WCM, there is no, nor has there been any, infringement, misappropriation or violation by any person or entity of any of the Intellectual Property set forth on **Schedule 5.17(a)(i)** or WCM's rights therein or thereto. All former and current employees, consultants and contractors of WCM have executed written instruments with WCM that assign to WCM all rights, title and interest in and to any and all Intellectual Property and information relating to WCM's business. WCM is not subject to any outstanding decree, order, judgment, or stipulation restricting in any manner the ownership, use or transfer of the Intellectual Property or any contracts relating to the Intellectual Property, or that would affect the validity, use, enforceability or effectiveness of the Intellectual Property or any contracts relating to the Intellectual Property.

5.18 Powers of Attorney. WCM has no outstanding powers of attorney.

5.19 Managers, Officers and Employees.

(a) **Schedule 5.19(a)** contains a true, correct and complete list of WCM's managers, officers and employees, setting forth for each employee: (i) the employee's position or title; (ii) whether classified as exempt or non-exempt for wage and hour purposes; (iii) whether paid on a salary, hourly or commission basis and the employee's actual annual base salary or other rates of compensation; (iv) bonus potential; (v) average scheduled hours per week; (vi) date of hire; (vii) business location (city/town and state); (viii) accrued but unused paid time off; (ix) status (i.e., active or inactive and if inactive, the type of leave and estimated duration); and (x) any visa or work permit status and the date of expiration, if applicable.

(b) **Schedule 5.19(b)** contains a true, correct and complete list of all of the independent contractors, consultants, temporary employees, leased employees or other agents employed or used by WCM and classified by WCM as other than employees, or compensated other than through wages paid by WCM through WCM's payroll (collectively, "Contingent Workers"), setting forth for each Contingent Worker such individual's role in the business, date of engagement, location (city/town and state), average hours worked per month, fee or compensation arrangements, and any termination notice period entitlements.

(c) WCM is, and for the past six (6) years has been, in compliance with all applicable laws and regulations respecting labor and employment matters, including fair employment practices, harassment, discrimination, pay equity, restrictive covenants, the classification of independent contractors and employees, workplace safety and health, work authorization and immigration, unemployment compensation, workers' compensation, affirmative action, terms and conditions of employment, employee leave and wages and hours, including payment of minimum wages meals and rest breaks and overtime, and COVID-19 related laws, standards and guidance (including without limitation the Families First Coronavirus Response Act and any other applicable COVID-19 related leave law, whether state, local or

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otherwise). WCM is not delinquent in any payments to any employee or Contingent Worker for any wages, salaries, commissions, bonuses, fees or other direct compensation due with respect to any services performed for it or amounts required to be reimbursed to such employees or Contingent Workers. WCM is not liable for any employment taxes or any payment to any trust or other fund governed by or maintained by or on behalf of any Governmental Authority with respect to unemployment compensation benefits, social security or other benefits or obligations for employees (other than routine payments to be made in the normal course of business and consistent with past practice). WCM is not a government contractor or subcontractor for purposes of any law with respect to the terms and conditions of employment. There is no collective bargaining agreement or other contract, work rules or practices agreed to with any union, labor organization or other person purporting to act as exclusive bargaining representative of any employees or Contingent Workers binding on WCM, or being negotiated, with respect to WCM's operations or any employee or Contingent Worker. WCM has not engaged in any unfair labor practice as defined under the National Labor Relations Act.

(d) Currently, and within the six-year period immediately preceding the date of this Agreement, WCM is not, and has not been involved in any way in any form of litigation, governmental audit, governmental investigation, administrative agency proceeding, private dispute resolution procedure, or internal or external investigation of alleged employee misconduct, in each case with respect to employment or labor matters (including, but not limited to, allegations of employment discrimination, retaliation, noncompliance with wage and hour laws, the misclassification of independent contractors, violation of restrictive covenants, sexual harassment, other unlawful harassment or unfair labor practices). In the last six years, no allegations of sexual harassment have been made to WCM against any employee or independent contractor of WCM and WCM has not otherwise become aware of any such allegations. Other than as set forth in **Schedule 5.19(d)**, to the knowledge of WCM, there is no basis to believe that there are circumstances which would reasonably be expected to give rise to a claim of sexual harassment, other unlawful harassment or unlawful discrimination or retaliation against or involving WCM or any WCM employee, director or independent contractor.

(e) The consummation of the transactions contemplated in this Agreement will not (i) entitle any employee of WCM to severance pay, unemployment compensation, bonus payment or any other payment, (ii) accelerate the time of payment for vesting of, or increase the amount of compensation due to, any such employee, or (iii) entitle any such employee to terminate, shorten or otherwise change the terms of his/her employment.

(f) Except as set forth on **Schedule 5.19(f)**, all employees of WCM are employed at-will and no employee is subject to any employment contract with WCM, whether oral or written. Each employee of WCM is subject to a non-solicitation, confidentiality and work product assignment agreement with WCM and a form of such agreement has been provided to Buyer.

(g) In the past 12 months, (i) no officer or key employee's employment with WCM has been terminated for any reason, and (ii) to the knowledge of WCM, no officer or key employee, or group of employees or Contingent Workers has expressed any plans to terminate

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his, her or its employment or service arrangement with WCM.

5.20 ERISA Plan Asset Matters. No Client of WCM is subject to Title I of ERISA, Section 4975 of the Code, or similar applicable laws.

5.21 Employee Programs.

(a) **Schedule 5.21(a)** contains a true, correct and complete list of every Employee Program, and identifies each of the Employee Programs that is subject to Section 302 or Title IV of ERISA or Section 412 of the Code (the “Title IV Plans”).

(b) True, complete and correct copies of the following documents, with respect to each Employee Program, where applicable, have previously been delivered to Buyer: (i) all documents embodying or governing such Employee Program (or for unwritten Employee Program a written description of the material terms of such Employee Program) and any funding medium for the Employee Program; (ii) the most recent IRS determination or opinion letter; (iii) the most recently filed Form 5500; (iv) the most recent actuarial valuation report; (v) the most recent summary plan description (or other descriptions provided to employees) and all modifications thereto; (vi) the last three years of non-discrimination testing results; and (vii) all non-routine correspondence to and from any governmental agency.

(c) Each Employee Program that is intended to qualify under Section 401(a) or 501(c)(9) of the Code has received a favorable determination or approval letter from the IRS regarding its qualification under such section, and, to the Knowledge of WCM, has been qualified under the applicable section of the Code from the effective date of such Employee Program. To the Knowledge of WCM, no event or omission has occurred that would cause any such Employee Program to lose its qualification under the applicable section of the Code or require corrective action to the IRS or Employee Plan Compliance Resolution System to maintain such qualification.

(d)

(i) Each Employee Program has been established, operated and administered in accordance with its terms in all material respects and is in compliance in all material respects with all applicable laws and regulations and with its terms including without limitation ERISA, the Code, and the Affordable Care Act.

(ii) No Employee Program is, or within the past six years has been, the subject of an application or filing under a government sponsored amnesty, voluntary compliance, or similar program, or been the subject of any self-correction under any such program.

(iii) With respect to any Employee Program, there has occurred no “prohibited transaction,” as defined in Section 406 of ERISA or Section 4975 of the Code, or breach of any duty under ERISA or other applicable laws (including, without limitation, any health care continuation requirements or any other tax law requirements, or conditions to

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favorable tax treatment, applicable to such Employee Program), that would result, directly or indirectly, in any taxes or penalties or other liabilities to WCM.

(iv) Since January 1, 2017, no litigation, arbitration, or governmental administrative proceeding (or investigation) or other proceeding (other than those relating to routine claims for benefits or domestic relations orders) is pending or, to the Knowledge of WCM, threatened with respect to any such Employee Program.

(v) All payments and/or contributions required to have been made with respect to all Employee Programs either have been made or have been accrued in accordance with the terms of the applicable Employee Program and applicable law.

(vi) The Employee Programs satisfy in all material respects the minimum coverage, affordability and non-discrimination requirements under the Code.

(e) Except as disclosed on **Schedule 5.21(e)**, neither WCM nor any ERISA Affiliate has ever maintained, contributed to, or been required to contribute to or had any liability or obligation (including on account of any ERISA Affiliate) with respect to (whether contingent or otherwise) (i) any employee benefit plan that is or was subject to Title IV of ERISA, Section 412 of the Code, Section 302 of ERISA, (ii) a Multiemployer Plan, (iii) any funded welfare benefit plan within the meaning of Section 419 of the Code, (iv) any “multiple employer plan” (within the meaning of Section 210 of ERISA or Section 413(c) of the Code), or (v) any “multiple employer welfare arrangement” (as such term is defined in Section 3(40) of ERISA). No liability or contingent liability under Title IV or Section 302 of ERISA has been incurred by WCM or any ERISA Affiliate that has not been satisfied in full, and no condition exists that presents a risk to WCM or any ERISA Affiliate of incurring any such liability or contingent liability, other than liability for premiums due the Pension Benefit Guaranty Corporation (the “**PBGC**”) (which premiums have been paid when due). Insofar as the representation made in this Section 5.21(e) applies to Sections 4064, 4069 or 4204 of Title IV of ERISA, it is made not only with respect to each Title IV Plan, but also with respect to any employee benefit plan, program, agreement or arrangement subject to Title IV of ERISA to which, WCM or any ERISA Affiliate made, or was required to make, contributions during the six year period ending on the last day of the most recent plan year ended prior to the date hereof. The PBGC has not instituted proceedings to terminate any Title IV Plan.

(f) With respect to any Title IV Plan, none of the following has occurred or existed, nor will any of the following occur or exist as a result of the transactions contemplated by this Agreement: (i) a failure to make on a timely basis any contribution (including, without limitation, any installment) required under Section 302 or 303 of ERISA or Section 412 of the Code; (ii) the filing of an application for a waiver described in Section 412(c) of the Code and Section 303 of ERISA; (iii) a “reportable event” within the meaning of ERISA Section 4043, for which the notice requirement is not waived by the regulations thereunder; (iv) an event or condition which presents a material risk of a plan termination or any other event that may cause WCM or any ERISA Affiliate to incur liability or have a lien imposed on its assets under Title IV of ERISA; or (v) “unfunded benefit liabilities” within the meaning of ERISA Section

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4001(a)(18). Except as set forth on *Schedule 5.21(e)*, the actuarial present value of the accumulated plan benefits (whether or not vested) under the Title IV Plan as of the last day of its most recent plan year did not exceed the market value of the assets allocable thereto, and, since such date, there has been no material adverse change in the financial condition of the Title IV Plan.

(g) Neither WCM nor any ERISA Affiliate provides or has any obligation to provide health care or any other non-pension benefits to any employees after their employment is terminated (other than as required by Part 6 of Subtitle B of Title I of ERISA or similar state law) and WCM has never promised to provide such post-termination benefits.

(h)

(i) Each Employee Program may be amended, terminated, or otherwise modified (including cessation of participation) by WCM to the greatest extent permitted by applicable law, including the elimination of any and all future benefit accruals thereunder and no employee communications or provision of any Employee Program has failed to effectively reserve the right of WCM or the ERISA Affiliate to so amend, terminate or otherwise modify such Employee Program.

(ii) Neither WCM nor any of its ERISA Affiliates has announced its intention to modify or terminate any Employee Program or adopt any arrangement or program which, once established, would come within the definition of an Employee Program.

(iii) Each asset held under each Employee Program may be liquidated or terminated without the imposition of any redemption fee, surrender charge or comparable liability other than ordinary administration expenses.

(iv) No Employee Program provides major medical health or long-term disability benefits that are not fully insured through an insurance contract. Each Employee Program that constitutes in any part a nonqualified deferred compensation plan within the meaning of Section 409A of the Code has been operated and maintained in all material respects in operational and documentary compliance with Section 409A of the Code and applicable guidance thereunder. No payment to be made under any Employee Program is, or to the Knowledge of WCM, will be, subject to the penalties of Section 409A(a)(1) of the Code.

(i) Except as disclosed on *Schedule 5.21(a)*, no Employee Program provides for any tax “gross-up” or similar “make-whole” payments.

(j) No Employee Program is subject to the laws of any jurisdiction outside the United States.

(k) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby could (either alone or in conjunction with any other event) (i) result in, or cause the accelerated vesting payment, funding or delivery of, or

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increase the amount or value of, any payment or benefit to any employee, officer, director or other service provider of WCM or any of its ERISA Affiliates; (ii) further restrict any rights of WCM to amend or terminate any Employee Program; (iii) result in any “parachute payment” as defined in Section 280G(b)(2) of the Code (whether or not such payment is considered to be reasonable compensation for services rendered).

(l) For purposes of this section:

(i) “Employee Program” means: (A) all employee benefit plans within the meaning of ERISA Section 3(3), including, but not limited to, multiple employer welfare arrangements (within the meaning of ERISA Section 3(40)), plans to which more than one unaffiliated employer contributes and employee benefit plans (such as foreign or excess benefit plans) which are not subject to ERISA; and (B) all employment agreements, collective bargaining agreements, fringe benefits, consulting agreements, equity option plans, bonus or incentive award plans, severance pay policies or agreements, change in control agreements, commission policies or agreements, deferred compensation agreements, supplemental income arrangements, vacation plans, and all other employee benefit plans, agreements, programs, policies and arrangements not described in clause (A) or (B) above, whether formal or informal, oral or written, that are maintained by WCM or any ERISA Affiliate.

(ii) An entity “maintains” an Employee Program if such entity sponsors, contributes to or provides benefits under such Employee Program, or has any obligation (by agreement or under applicable law) to contribute to or provide benefits under such Employee Program, to or for the benefit of current employees or former employees of such entity, or their spouses, dependents or beneficiaries.

(iii) “ERISA Affiliate” means any entity, trade or business that is, or at any applicable time was, a member of a group described in Section 414(b), (c), (m) or (o) of the Code or Section 4001(b)(1) of ERISA that includes WCM.

(iv) “Multiemployer Plan” means a multiemployer plan within the meaning of Section 3(37) of ERISA.

#### 5.22 Code of Ethics; Pay to Play.

(a) WCM has made available to Buyer prior to the date hereof a true, correct and complete copy of WCM’s Code of Ethics, insider trading policies and conflicts policies. WCM’s Code of Ethics, insider trading policies and conflicts policies are in compliance in all material respects with applicable laws, rules and regulations, including, without limitation, Rule 204A-1 under the Investment Advisers Act and Section 204A of the Investment Advisers Act. All employees of WCM have executed acknowledgments that they are bound by the provisions of WCM’s Code of Ethics, insider trading policies and conflicts policies. As of the date hereof, to the Knowledge of WCM, there have been no material violations or allegations of material violations of WCM’s Code of Ethics, insider trading policies or conflicts policies.

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(b) Neither WCM nor any of its Affiliates or any “covered associate” thereof has made a “contribution” or “coordinated” or “solicited” a “contribution” to an “official” of a “government entity” (as such terms are defined in Rule 206(4)-5 of the Investment Advisers Act) that would disqualify or otherwise prevent WCM from providing Investment Management Services for compensation to such government entity (pursuant to Rule 206(4)-5 of the Investment Advisers Act).

5.23 Compliance Manual. WCM has made available to Buyer prior to the date hereof a true, correct and complete copy of WCM’s compliance policies and procedures (“Compliance Manual”). WCM’s Compliance Manual is in compliance in all material respects with applicable laws, rules and regulations, including, without limitation, Rule 206(4)-7 under the Investment Advisers Act and Rule 38a-1 under the Investment Company Act. As of the date hereof, there have been no material violations or allegations of material violations of WCM’s Compliance Manual.

5.24 Public Funds.

(a) Public Fund Agreements. *Schedule 5.24(a)* describes each of the Advisory Contracts, ISDA, underwriting Contracts, plans adopted pursuant to Rule 12b-1 under the Investment Company Act and Contracts for the payment of service fees (as such term is defined in Rule 2830 of the FINRA Conduct Rules), administrative, custody, transfer agent, stockholder servicing and similar services agreements and other material agreements and contracts (other than agreements and contracts entered into by the Public Funds in the ordinary course of business consistent with past practice in connection with the making of portfolio investments) (collectively, the “Public Fund Agreements”) pertaining to any of the Public Funds (other than, in the case of a Subadvised Fund, any such Contract to which WCM and its Affiliates are not a party). Each Public Fund (in the case of a Subadvised Fund, to the Knowledge of WCM) has had at all times in full force and effect (as applicable) an (x) investment advisory or sub-advisory and (y) distribution or underwriting agreement (as applicable) at all times since the inception of such Public Fund (in the case of a Subadvised Fund, to the Knowledge of WCM), and each such agreement pursuant to which WCM has received compensation with respect to its activities in connection with any such Public Fund (in the case of a Subadvised Fund, to the Knowledge of WCM) was duly approved in accordance with the applicable provisions of the Investment Company Act.

(b) Registration and Regulation. WCM does not provide Investment Management Services to any Persons other than the Public Funds. Each of the Public Funds is duly registered with the SEC as an investment company under the Investment Company Act, and all shares of each of the Sponsored Funds, and to the Knowledge of WCM, each Subadvised Fund, which since its organization have been or are being offered for sale (i) have been duly registered under the Securities Act, and (ii) have been duly registered, qualified or are exempt from registration or qualification under the securities laws of each state or other jurisdiction in which such shares have been or are being offered. Since January 1, 2017, each of the Sponsored Funds, and to the Knowledge of WCM, each Subadvised Fund, has been in compliance with all applicable laws, rules and regulations, including, without limitation, the Investment Company

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Act, the Securities Act and all applicable state securities laws, in each case in all material respects. The value of the net assets of each of the Sponsored Funds, and to the Knowledge of WCM, each Subadvised Fund, is determined pursuant to the requirements of the Investment Company Act. Except as set forth on **Schedule 5.24(b)**, there are, and since January 1, 2017 there have been, no legal or governmental actions, investigations, inquiries or proceedings pending or, to the Knowledge of WCM, threatened against the Sponsored Funds or a Subadvised Fund.

(c) **Financial Statements.** The books of account and related records of the Sponsored Funds, and to the Knowledge of WCM, each Subadvised Fund, fairly reflect their respective assets, liabilities and transactions in accordance with GAAP applied on a consistent basis. The (i) audited financial statements of the Sponsored Funds as of and for the year ended December 31, 2019 (the "**Audited Fund Financial Statements**") and the "**Fund Financial Statement Date**"), and (ii) the unaudited financial statements of the Sponsored Funds for the six-month period ended June 30, 2020 (including, in each case, balance sheets, statements of operations and statements of cash flows) (the "**Unaudited Fund Financial Statements**") (the Audited Fund Financial Statements and the Unaudited Fund Financial Statements being referred to herein, collectively, as the "**Fund Financial Statements**") present fairly in all material respects the financial position of the Sponsored Funds and the results of operations and cash flows for the dates and periods indicated. The Audited Fund Financial Statements have been certified by an independent registered public accounting firm and have been prepared in accordance with GAAP applied on a consistent basis. WCM has made available to Buyer true and complete copies of the Fund Financial Statements.

(d) **Assets Under Management.** **Schedule 5.24(d)** (i) sets forth the Assets Under Management for each Public Fund as of the Reference Date and as of December 31, 2020, (ii) lists each Advisory Contract between WCM and a Public Fund and the fee schedule in effect with respect to such Advisory Contract, (iii) sets forth any fees or other payments required to be paid by WCM to third parties or employees in connection with such Advisory Contract and/or the relationship with such Public Fund, and (iv) lists any Contracts pursuant to which WCM, Sellers or any of their Affiliates have undertaken or agreed to cap, waive, offset, reimburse or otherwise reduce any or all fees or charges payable by or with respect to any of the Public Funds. The Base Revenue Run-Rate is the Revenue Run-Rate as of the Reference Date calculated in accordance with the definition of Revenue Run-Rate. The Base Revenue Run-Rate calculation is set forth on **Schedule 1.1**. WCM does not have any Clients with respect to which fees are based on performance or otherwise provide for compensation on the basis of a share of capital gains upon or capital appreciation of the funds (or any portion thereof) of such Client. With respect to each Client, each investment made by WCM on behalf of such Client has been made in accordance with such Client's investment policies, guidelines and restrictions set forth in its Advisory Contract in effect at the time the investments were made and in accordance with such Client's investment policies, guidelines and restrictions set forth in its offering documents, constituent documents and marketing materials, in each case as in effect at the time the investments were made, and has been held thereafter in accordance with such investment policies, guidelines and restrictions, in each case, in all material respects.

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(e) No Intention to Terminate. As of the date hereof, no Client has, to the Knowledge of WCM, expressed to WCM an intention to terminate or reduce its investment relationship with WCM or adjust the fee schedule with respect to any contract in a manner which would reduce the fees or other payments to WCM (including after giving effect to the Closing) in connection with such client relationship.

(f) No Material Adverse Changes. Since the Fund Financial Statement Date, no material adverse change has occurred in the financial condition, results of operations, business, assets or liabilities of the Sponsored Funds, and to the Knowledge of WCM, either Subadvised Fund.

(g) Contracts. Except for Contracts disclosed in Part C to its registration statement on Form N-1A, none of the Sponsored Funds, and to the Knowledge of WCM, neither Subadvised Fund, is a party to any material Contract, debt arrangement, futures contract, plan, lease, franchise, license or permit (other than permits issued under any securities law) of any kind or nature whatsoever. Since January 1, 2017, no default by the Sponsored Funds, and to the Knowledge of WCM, either Subadvised Fund, nor by any other party, exists under any of the contracts and agreements listed in Part C to each of the Sponsored Funds' and each Subadvised Fund's registration statement on Form N-1A.

(h) Taxes. The following representations in this Section 5.24(h) as they apply with respect to the Subadvised Funds are made to the Knowledge of WCM.

(i) Each Public Fund has paid or caused to be paid all Taxes required to be paid by it through the date hereof. The unpaid Taxes of each Public Fund (i) did not, as of the Fund Financial Statement Date, exceed the reserve for Tax liability (rather than the reserve for deferred Taxes established to reflect timing differences between book and Tax income) set forth in the unaudited balance sheet as of such date (rather than in any notes thereto) and (ii) do not exceed that reserve as adjusted for the passage of time through the date hereof and the Closing Date in accordance with the past custom and practice of each such Public Fund in filing its Tax Returns. All Taxes required to be withheld by each Public Fund including, but not limited to, Taxes arising as a result of payments, including salaries and wages, to non-U.S. persons or to employees of WCP, WCM or any Public Fund, have been collected and withheld, and have either been paid to the applicable Governmental Authority, set aside in accounts for such purpose, or accrued, reserved against, and entered on the books and records of each such Public Fund, all in accordance with applicable law.

(ii) Each Public Fund has, in accordance with all applicable law, filed all income and other material Tax Returns required to be filed by it, and all such Tax Returns are correct and complete in all material respects. For each taxable period of each Public Fund ended on or after December 31, 2017, each such Public Fund has delivered to Buyer correct and complete copies of all material Tax Returns, examination reports and statements of deficiencies assessed against or agreed to by each such Public Fund. Each Public Fund has delivered to Buyer true and complete copies of all Tax notices filed and elections made by (or with respect to) such Public Fund.

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(iii) No claim has ever been made in writing by a Governmental Authority in a jurisdiction where a Public Fund does not file reports and returns that such Public Fund is or may be subject to taxation by that jurisdiction. There are no Liens on any of the assets of any Public Fund that arose in connection with any failure (or alleged failure) to pay any Taxes. No Public Fund has ever entered into a closing agreement pursuant to Section 7121 of the Code or with any Governmental Authority.

(iv) There has not been any audit of any Tax Return filed by any Public Fund, no such audit is in progress, and no Public Fund has ever been notified in writing by any Governmental Authority that any such audit is contemplated or pending. No extension of time with respect to any date on which a Tax Return was or is to be filed by any Public Fund is in force, and no waiver or agreement by any Public Fund is in force for the extension of time for the assessment or payment of any Taxes.

(v) No Public Fund has ever received from any Governmental Authority any notice of proposed adjustment, deficiency or underpayment of Taxes or any other such notice which has not been satisfied by payment or been withdrawn. To the Knowledge of WCM, neither the IRS nor any other Governmental Authority is threatening to assert against WCM any deficiency or claim for additional Taxes.

(vi) No Public Fund has never been (and has never had any liability for unpaid Taxes because it once was) a member of an “affiliated group” (as defined in Section 1504(a) of the Code). No Public Fund has ever filed, and has ever been required to file, a consolidated, combined or unitary Tax Return with any other entity. No Public Fund is a party to, nor does it have any obligation under, any Tax sharing agreement. No Public Fund has any liability for the Taxes of any Person as a transferee or successor, by contract or otherwise.

(vii) No Public Fund nor any predecessor to the business of any Public Fund has engaged in any transaction that could give rise to (i) a disclosure obligation with respect to any Person under Section 6111 of the Code or the regulations thereunder, (ii) a list maintenance obligation with respect to any Person under Section 6112 of the Code or the regulations thereunder, or (iii) a disclosure obligation as a “reportable transaction” under Section 6011 of the Code and the regulations thereunder.

(i) Books and Records. Since January 1, 2017, the books and records of the Sponsored Funds, and to the Knowledge of WCM, each Subadvised Fund, reflecting the purchase and sale of shares of each of the Sponsored Funds and the Subadvised Funds by its stockholders, the number of issued and outstanding shares owned by each stockholder and the state or other jurisdiction in which such shares were offered and sold, are complete and correct in all material respects.

(j) Public Fund Regulatory Documents. Since January 1, 2017, (i) each Public Fund (in the case of a Subadvised Fund, to the Knowledge of WCM) has timely filed all material reports, filings, registration statements and other documents, together with any

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amendments required to be made with respect thereto, which were required to be filed with any governmental authority, including the SEC (the “Public Fund Regulatory Documents”), and has paid all fees and assessments due and payable in connection therewith, and (ii) (in the case of a Subadvised Fund, to the Knowledge of WCM) as of their respective dates, each of the foregoing filings complied in all material respects with the requirements under the law applicable to such Public Fund Regulatory Documents, and (in the case of a Subadvised Fund, to the Knowledge of WCM) none of the Public Fund Regulatory Documents or related prospectuses, as of their respective dates, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(k) Section 17(e). None of WCM or any Person who is an “affiliated person” (as defined in the Investment Company Act) or any other “interested person” (as defined in the Investment Company Act) of WCM receives or is entitled to receive any compensation directly or indirectly (i) from any person in connection with the purchase or sale of securities or other property to, from or on behalf of any of the Public Funds, other than bona fide compensation as principal underwriter for any of the Public Funds or as broker in connection with the purchase or sale of securities in compliance with Section 17(e) of the Investment Company Act, or (ii) from any of the Public Funds or its security holders for other than bona fide investment advisory, administrative or other services. Accurate and complete disclosure of all such compensation arrangements has been made in the registration statement of the Public Funds filed under the federal securities laws.

(l) Orders. Since January 1, 2017, the Sponsored Funds, and to the Knowledge of WCM, each Subadvised Fund, are not subject to, or bound by, any judgment, order, writ, injunction or decree of any court or of any governmental body, including the SEC or of any arbitrator. Each of the Subadvised Funds has an exemptive order granted by the SEC, which order permits such Subadvised Fund to enter into an advisory contract (including a sub-advisory contract) with a Person that is not an Affiliate without approval by the stockholders of such Subadvised Fund.

(m) Litigation or Proceeding. Since January 1, 2017, no litigation is pending or, to the Knowledge of WCM, threatened, and no investigation, inquiry or governmental proceeding is pending or, to the Knowledge of WCM, threatened against or affecting the Sponsored Funds or a Subadvised Fund before any court, arbitrator or federal, state, local or foreign Governmental Authority (including, but not limited to, the SEC).

(n) Absence of Undisclosed Liabilities. As of the Fund Financial Statement Date, none of the Sponsored Funds, and to the Knowledge of WCM, either Subadvised Fund, had any material debts, obligations or liabilities, whether due or to become due, absolute, contingent or otherwise, that are required to be reflected in the Fund Financial Statements in accordance with GAAP, that are not so reflected.

(o) No Pending Transaction. None of the Sponsored Funds, and to the Knowledge of WCM, either Subadvised Fund, is a party to or bound by any agreement,

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undertaking or commitment to merge or consolidate with, or acquire all or substantially all of the property and assets of, any other corporation, trust or person, or to sell, lease or exchange all or substantially all of its property and assets to any other corporation, trust or person.

(p) Unfair Burden. WCM does not have any express or implied understanding or arrangement that would reasonably be expected to impose an “unfair burden” (as defined in the Investment Company Act) on any Public Fund for purposes of Section 15(f) of the Investment Company Act as a result of the transactions contemplated by this Agreement.

(q) CCO Reports. WCM has made available to Buyer prior to the date hereof each annual report of the Public Funds’ chief compliance officer required by Rule 38a-1 under the Investment Company Act to be provided to the board of directors or trustees, as applicable, of each such Public Fund. WCM has made available to Buyer prior to the date hereof each annual report of WCM’s Chief Compliance Officer required by Rule 206(4)-7 under the Investment Advisers Act.

5.25 Ordinary Course. Except as otherwise specifically contemplated by the Transaction Documents, since December 31, 2019, WCM and each Public Fund (a) has conducted its business only in the ordinary course and consistently with its prior practices, (b) has not suffered (and there has not otherwise existed) any condition, circumstance, event or occurrence which has had or would reasonably be expected to have a Material Adverse Effect on WCM or the Public Funds, and (c) has not taken any action which, had it occurred after the date hereof and prior to the Closing, would have required Buyer’s consent pursuant to Section 7.2.

5.26 Books and Records. The books and records WCM are complete and correct in all material respects and have been maintained in all material respects in accordance with applicable law. At the Closing, all of the books and records of WCM (including all accounting and human resources-related records pertaining to WCP held or controlled by WCM or Sellers) will be fully accessible by and in the possession or control of WCM or Sellers.

5.27 No Other Representations. Except for the representations and warranties contained in this Article V (including the related portions of the Disclosure Schedules), neither WCM nor any other Person has made or makes any other express or implied representation or warranty, either written or oral, on behalf of WCM, including any representation or warranty as to the accuracy or completeness of any information regarding WCM furnished or made available to Buyer and its representatives (including the Confidential Information Presentation prepared by Piper Sandler & Co. dated February 2020 and any information, documents or material made available to Buyer in the Intralinks Data Room, management presentations or in any other form in expectation of the transactions contemplated hereby) or as to the future revenue, profitability or success of WCM, or any representation or warranty arising from statute or otherwise in law.

## ARTICLE VI

### REPRESENTATIONS AND WARRANTIES OF BUYER

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As a material inducement to Sellers, WCP and WCM to enter into this Agreement and consummate the transactions contemplated hereby, except as set forth in the Disclosure Schedules, Buyer hereby makes the following representations and warranties:

6.1 Organization, Standing and Authority. Buyer is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Buyer is duly qualified or licensed to do business as a foreign entity, and is in good standing, in every jurisdiction where the failure to be so qualified or licensed would be reasonably likely to have a Material Adverse Effect on Buyer. Buyer has all requisite power and authority to execute and deliver this Agreement and the documents contemplated hereby, and to perform and comply with all the terms, covenants and conditions to be performed and complied with by Buyer hereunder and thereunder.

6.2 Authorization and Binding Obligation. The execution, delivery and performance of this Agreement and any other Transaction Document to which Buyer is to be a party have been duly authorized by all necessary action by Buyer. This Agreement and any other Transaction Document to which Buyer is to be a party has been duly executed and delivered by Buyer and, assuming the due authorization, execution and delivery of this Agreement and any other Transaction Document by the other parties hereto and thereto, constitutes the legal, valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as the enforceability hereof may be affected by bankruptcy, insolvency, reorganization or similar laws relating to or affecting creditors' rights generally, or by general equity principles (whether applied in a court of law or a court of equity and including limitations on the availability of specific performance or other equitable remedies).

6.3 No Violations. The execution, delivery and performance by Buyer of this Agreement and the documents contemplated hereby will not: (a) conflict with any provision of Buyer's certificate of incorporation or bylaws; (b) will not conflict with, result in a breach of, or constitute a default under, any applicable law, judgment, order, ordinance, injunction, decree, rule, regulation or ruling of any court or governmental instrumentality; and (c) will not conflict with, constitute grounds for termination of, result in a breach of, constitute a default under or accelerate or permit the acceleration of any performance required by the terms of, any Contract, license or permit to which Buyer is a party or by which it is bound.

6.4 Consents; Governmental/Regulatory Authorities. Except under the HSR Act or any other antitrust law and as set forth on **Schedule 6.4**, Buyer is not required to submit any notice, report or other filing with, or obtain any authorization, consent or approval from, any Governmental Authority prior to the execution, delivery and performance by Buyer of this Agreement or the consummation of the transactions contemplated hereby.

6.5 No Disqualifying Conduct. None of Buyer or any Affiliated Person of Buyer is ineligible to serve as an employee, officer, director, member of an advisory board or investment adviser of any investment company registered under the Investment Company Act by reason of any conviction of a felony or misdemeanor, described in Section 9(a)(1) of the Investment

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Company Act, or by reason of any order, judgment or decree of any court of competent jurisdiction, described in Section 9(a)(2) of the Investment Company Act, and is not subject to any order issued by the SEC under Section 9(b) of the Investment Company Act. None of Buyer or any “associated person” (as defined in the Investment Advisers Act) of Buyer that is registered as an investment adviser is ineligible pursuant to Section 203 of the Investment Advisers Act to serve as an investment adviser or an associated person thereof.

6.6 Litigation; Proceedings. Except as set forth on **Schedule 6.6**, since January 1, 2017 there has been no action, suit, proceeding, complaint, litigation, investigation, inquiry or governmental proceeding pending, or to the knowledge of Buyer threatened, before any Governmental Authority against Buyer or Virtus Investment Advisers, Inc., a Massachusetts corporation (“Virtus Adviser”), or in which any of them is otherwise engaged or involved which would reasonably be expected to have a Material Adverse Effect on Buyer or Virtus Adviser. Neither Buyer nor Virtus Adviser is subject to, or bound by, any judgment, order, writ, injunction or decree of any Governmental Authority, including the SEC, other than Virtus Adviser’s “manager of managers” exemptive order.

6.7 Compliance with Laws. Except as set forth on **Schedule 6.7**, since January 1, 2017, (a) each of Buyer and Virtus Adviser has been in compliance in all material respects with all applicable laws, rules, regulations, ordinances, orders or requirements, and (b) each of Buyer and Virtus Adviser has complied in all material respects with all written notices and demands to it from all Governmental Authorities. Neither Virtus Adviser nor any Affiliated Person of Virtus Adviser has been convicted of any felony or misdemeanor described in Section 9(a)(1) of the Investment Company Act, nor has Virtus Adviser or any “person associated” (as defined in the Investment Advisers Act) with Virtus Adviser been subject, or presently is subject, to any disqualification that would be a basis for denial, suspension or revocation of Virtus Adviser’s registration of an investment adviser under Section 203(e) of the Investment Advisers Act or Rule 206(4)-4(b) thereunder, or for disqualification as an investment adviser, employee, officer or director of an investment company under Section 9 of the Investment Company Act, or any event which would require Virtus Adviser to give an affirmative response to any of the questions in Item 11 of its Form ADV (or any successor form).

6.8 Brokers. Other than UBS, whose fees and expenses will be borne solely by Buyer, no broker, finder or investment banker is entitled to any brokerage, finder’s or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Buyer.

6.9 Buyer Financial Resources. As of the Closing Date, Buyer will have sufficient cash in immediately available funds or available under credit lines to pay the Closing Payment Amount and discharge all of Buyer’s related fees and expenses. Buyer’s obligations hereunder are not subject to any condition regarding Buyer’s ability to obtain financing for the consummation of the transactions contemplated hereby.

## ARTICLE VII

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## COVENANTS

7.1 Maintenance of Business. Except as expressly provided for in this Agreement or with the prior written consent of Buyer, between the date hereof and the first to occur of the Closing Date or termination of this Agreement pursuant to Article XI, each of WCP and WCM shall, and each of Sellers and Individual Equityholders shall cause WCP and WCM to, operate its business in the ordinary course of business consistent with past practices (except where such action would directly conflict with the obligations of Sellers, WCP or WCM under this Agreement) and respects, and shall use commercially reasonable efforts to: (i) preserve intact in all material respects WCM's and WCP's current business organization; (ii) keep available the services of their officers and employees; (iii) maintain the goodwill associated with the Business in all material respects, including, but not limited to, preserving relationships with customers, vendors, lenders and others having material business relationships with it; and (iv) comply in all material respects with applicable law.

7.2 Negative Covenants of Individual Equityholders, Sellers, WCP and WCM. From the date hereof until the earlier of (a) the Closing Date and (b) the termination of this Agreement pursuant to Article XI, except as expressly provided for in this Agreement, WCP and WCM shall not, and Sellers and the Individual Equityholders shall not cause or permit WCP or WCM to, without the prior written consent of Buyer (such consent not to be unreasonably withheld, delayed or conditioned), do any of the following:

(a) authorize for issuance, issue, sell or deliver, or transfer or allow a transfer or pledge of, any equity interest in WCP or WCM, or any instruments convertible into, or options with respect to, or warrants to purchase or rights to subscribe for, any of the foregoing;

(b) except as required pursuant to the terms of any Employee Program in effect as of the date hereof, (A) increase, fund (or secure the payment of) or take any action to accelerate the vesting or payment of any compensation, incentive arrangements, or other benefits or severance of any officer or employee, (B) increase the compensation, pension, welfare or fringe benefits of any officer or employee, (C) become a party to, establish, materially amend, commence participation in or terminate any Employee Program, (D) grant any new awards, or amend or modify the terms of any outstanding awards, under any Employee Program, (E) hire or terminate (other than for cause) any employee or engage any independent contractor with a base salary in excess of \$100,000, or (F) become a party to, establish, or commence participation in any collective bargaining or similar agreement;

(c) effect any recapitalization, reclassification, equity dividend, equity split or like change in its capitalization;

(d) amend or waive obligations under WCP's or WCM's organizational documents, or advise, direct or recommend to the governing body of any Private Fund, or any Public Fund Board, to modify, supplement or amend the organizational documents of any Client, except as required by applicable law;

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- (e) make any redemption or purchase of any equity interest of WCP or WCM or make any distributions that would result in Closing Net Working Capital being less than the Target Working Capital Amount;
  - (f) sell, assign, transfer, mortgage, encumber, lease, allow a Lien (other than any Permitted Lien) to be placed on, or otherwise dispose of, any material portion of the Assets;
  - (g) form any Subsidiary or make any investment in, or any loan to, any other Person, or enter into any joint venture, partnership or similar arrangement;
  - (h) make or commit to make any capital expenditure in excess of \$100,000 in the aggregate;
  - (i) (A) make any loan to any of its directors, officers or employees, or (B) other than in the ordinary course of employment relationships, enter into any other transaction with any of its directors, officers or employees;
  - (j) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization with respect to WCP, WCM or Private Fund;
  - (k) acquire or agree to acquire assets or operations of any Person that would be material to WCM, whether by merger, securities purchase or otherwise;
  - (l) enter into any new line of business or change its operating policies, strategies or practices, except for adjustments to such policies or practices that are immaterial and made in the ordinary course;
  - (m) transfer or waive the right to receive any investment advisory fees or effect (or seek investor or Client approval of or otherwise take steps to effect) or announce any increase in promote percentages, decrease in promote hurdles, or change in expense allocation or similar provisions, in respect of any Client;
  - (n) cause any Private Fund to be required to register as an investment company under the Investment Company Act;
  - (o) incur, assume or guaranty any Indebtedness (A) in excess of \$100,000 in the aggregate or (B) that is secured by a Lien on the assets of WCP, WCM or any of their respective Subsidiaries;
  - (p) commence, settle or compromise any claim, action, suit or proceeding other than in the ordinary course in an amount or for consideration not in excess of \$100,000;
  - (q) enter into any Contract that limits the right of WCP or WCM (or, after the Closing any of their Affiliates, including Buyer) to engage in any line of business, or to compete
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in any location or with any Person;

(r) terminate, enter into, amend, modify, extend or renew any Material Contract, except for (i) agreements entered into after the date hereof and (ii) any Investment Advisory Agreement, in each case, in the ordinary course of business consistent with past practice;

(s) (i) make, amend, or revoke any material election relating to Taxes; (ii) adopt or change any material accounting method relating to Taxes; (iii) file any amended income or other material amended Tax Return; (iv) enter into any Tax sharing, Tax allocation, Tax indemnity or similar agreement; (v) enter into any closing agreement with respect to a material amount of Taxes; (vi) surrender any right to claim a refund of Taxes; or (vii) settle or compromise any material claim or assessment relating to Taxes;

(t) implement or adopt any change in its accounting principles, practices or methods, except as may be required by applicable law; or

(u) enter into an agreement to, or otherwise commit to do, any of the foregoing.

### 7.3 Affirmative Covenants of WCP and WCM.

(a) Access to Information. Subject to applicable confidentiality agreements, each of WCP and WCM shall allow Buyer and its authorized representatives, on prior notice, reasonable access, at Buyer's expense during normal business hours, to WCP's or WCM's employees, to the properties, books and records, equipment and contracts of WCP or WCM for the purpose of review and inspection, it being understood that the rights of Buyer hereunder shall not be exercised in such a manner as to unreasonably interfere with the operation of WCP's or WCM's business. No investigation by Buyer of the business and affairs of WCP and WCM or any Seller, pursuant to this Section 7.3 or otherwise, will affect or be deemed to modify or waive any representation, warranty, covenant or agreement in this Agreement, or the conditions to Buyer's obligation to consummate the transactions contemplated hereby.

(b) Cooperation. WCP and WCM shall cooperate with and assist Buyer in effecting the transfer to Buyer of WCP's and WCM's businesses as contemplated by this Agreement and shall provide Buyer with such information maintained by WCP and WCM as Buyer may reasonably request to facilitate preparation and provision of any documents required to consummate the transactions contemplated hereby.

(c) Closing Revenue Run-Rate. Not later than two Business Days prior to the Closing Date, a manager of each of WCP and WCM shall deliver a certificate to Buyer setting forth in reasonable detail (including, without limitation, an updated **Schedule 1.1** as of the date that is five Business Days prior to the Closing Date as an attachment thereto): (i) the calculation of the Closing Revenue Run-Rate (estimated as of the date that is five Business Days prior to the Closing Date) and the resulting Consent Adjustment Amount; and (ii) listing any Non-

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Consenting Clients, and certifying that such calculations have been made in accordance with this Agreement.

(d) Cash Balance Plan. At least one Business Day prior to the Closing Date, Sellers shall cause WCM to freeze future accrual of benefits under the Cash Balance Plan and begin the process of terminating the Cash Balance Plan, including (a) fully funding the Cash Balance Plan on a termination basis and delivering reasonable evidence of funding to Buyer, and (b) providing all notices required by Law to plan participants, their beneficiaries, and any applicable Governmental Authorities, such as the PBGC. Sellers shall provide Buyer with copies of all notices, resolutions, amendments, requests, or other documents drafted in connection with freezing future benefit accruals and terminating the Cash Balance Plan and shall incorporate all reasonable comments made by Buyer before distributing or implementing the notices, resolutions, amendments, requests, or other documents. Sellers will cause WCM to take all necessary action so that WCM and WCP have no Liability thereunder from and after the Closing that is not completely funded as reflected in the determination of Closing Net Working Capital. After the Closing, Sellers shall continue the process of terminating the Cash Balance Plan at their own expense. For the avoidance of doubt, Sellers shall pay all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, in connection with the termination of the Cash Balance Plan, so that, in no event, shall Buyer have any Liability with respect to the Cash Balance Plan.

(e) Termination of 401(k) Plan. WCM shall, effective as of at least one Business Day prior to the Closing Date, terminate any and all Employee Programs intended to include a Code Section 401(k) arrangement (each, a “401(k) Plan”) and no further contributions shall be made to any such plan. WCM shall provide to Buyer executed resolutions of WCM’s board of managers (or equivalent governing body) authorizing such termination (which resolutions shall be subject to review and approval by Buyer), and effective prior to termination of the 401(k) Plan provide for the automatic payment of participants’ accounts upon plan termination in the form of a lump-sum.

(f) Exclusion of LPC. Notwithstanding anything to the contrary contained herein, the parties acknowledge and agree that LPC has no power or authority to control WCM or WCP, and accordingly, to the extent that any covenant set forth in this Agreement requires Sellers to cause WCP or WCM to take any action or omission, the reference to “Sellers” in such covenant shall be deemed to exclude LPC for all purposes under this Agreement; provided that to the extent necessary, LPC shall provide all requisite consents under the Existing WCM LLC Agreement in order for WCM to comply with its covenants set forth in this Agreement.

7.4 Commercially Reasonable Efforts. Prior to the Closing, WCM and WCP shall use their respective commercially reasonable efforts to, and the Individual Equityholders, MTSWCM Holdings and RDBWCM Holdings shall cause WCM and WCP to use their respective commercially reasonable efforts to, obtain (a) the third-party consents set forth on **Schedules 4.3(b), 4.3(c), 5.3(b) and 5.3(c)** (other than the Advisory Agreement set forth thereon), and (b) executed offer letters from the employees listed on **Schedule 5.19(a)** (other than the Individual Equityholders) in the form attached hereto as Exhibit D, with such employment terms (such as

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title, salary and supervisor) consistent with the employment terms for each employee as of the date hereof, except for any applicable salary adjustments in connection with the changes to the employee benefit plans as mutually agreed between WCM and Buyer.

7.5 Fees and Expenses. Except as otherwise specifically provided in this Agreement, all costs and expenses, including fees and disbursements of counsel, financial advisors and accountants, incurred by a party in connection with this Agreement, the Transaction Documents and the transactions contemplated hereby and thereby, shall be borne by such party. All reasonable and documented out-of-pocket fees or expenses incurred by WCM or WCP prior to the Closing Date (including, for the avoidance of doubt, any reasonable and documented out-of-pocket expenses incurred by the Public Funds or the Private Funds prior to the Closing Date that are reimbursable by WCM, WCP or Buyer) in connection with seeking and obtaining consents in compliance with Section 7.10 or 7.11 (including, in each case, expenses for the preparation and mailing proxy statements, proxy solicitation expenses, any applicable fund liquidation costs and reasonable and documented out-of-pocket legal expenses in connection with obtaining the Fund Board Approvals, Advisory Contract Stockholder Approvals and Director Stockholder Approvals, and a non-cancellable run-off officers' and directors' liability insurance policy and a fiduciary liability insurance policy in respect of acts or omissions occurring at or prior to the Closing covering the Public Fund Boards) ("Proxy and Related Expenses"), shall be borne equally by Buyer, on the one hand, and Sellers (in proportion to their respective Purchase Consideration Percentages), on the other hand. Any Proxy and Related Expenses to be borne by a party pursuant to this Section 7.5 but not paid prior to the Closing, shall be paid at the Closing; provided, however, if this Agreement is terminated pursuant to Article XI (other than by Buyer pursuant to Section 11.1(b)), such costs and expenses shall be paid by Buyer to WCM immediately upon such termination.

7.6 Confidentiality Agreement. The terms of the letter agreement, dated as of February 11, 2020, between Virtus Investment Partners, Inc. and WCM (the "Confidentiality Agreement"), are hereby incorporated herein by reference and shall continue in full force and effect until the Closing, at which time such Confidentiality Agreement and the obligations of the parties under this Section 7.6 shall terminate. If this Agreement is, for any reason, terminated prior to the Closing, the Confidentiality Agreement shall nonetheless continue in full force and effect in accordance with its terms. For the avoidance of doubt, the Confidentiality Agreement shall not be interpreted to prohibit communications required or expressly permitted by this Agreement or that are otherwise reasonably necessary for the parties to perform their obligations hereunder.

7.7 Cooperation. Buyer, Sellers, Individual Equityholders, WCP and WCM shall reasonably cooperate with each other and their respective counsel and accountants in connection with any actions required to be taken as part of their respective obligations under this Agreement, and Buyer, Sellers, Individual Equityholders, WCP and WCM shall execute such other documents as may be necessary and desirable to the implementation and consummation of the transactions contemplated hereby, and otherwise use their reasonable best efforts to consummate the transactions contemplated hereby and to fulfill their obligations hereunder. Each of the Individual Equityholders, Sellers, Buyer, WCP and WCM shall, as promptly as possible, use its

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reasonable best efforts to obtain, or cause to be obtained, all consents, authorizations, orders and approvals from all Governmental Authorities that may be or become necessary for the performance of its obligations pursuant to this Agreement. Each of the Individual Equityholders, Sellers, Buyer, WCP and WCM shall reasonably cooperate with any other party and its Affiliates in promptly seeking to obtain all such consents, authorizations, orders and approvals. The Individual Equityholders, Sellers, Buyer, WCP and WCM shall not willfully take any action that will have the effect of delaying, impairing or impeding the receipt of any required consents, authorizations, orders and approvals. If required by the HSR Act and if the appropriate filing pursuant to the HSR Act has not been filed prior to the date hereof, the Individual Equityholders, Sellers, Buyer, WCP and WCM agree to make an appropriate filing pursuant to the HSR Act with respect to the transactions contemplated hereby within ten Business Days after the date hereof and to supply as promptly as practicable to the appropriate Governmental Authority any additional information and documentary material that may be requested pursuant to the HSR Act. Any filing fees required under the HSR Act shall be paid 50% by Buyer and 50% by Sellers.

7.8 Access to Third Parties. Buyer, WCP and WCM shall agree on mutually acceptable procedures to contact third party providers of WCP, WCM, the Public Funds or the Private Funds, including, but not limited to, auditors, transfer agents, administrators or any other service providers, and authorize such third party providers to communicate with Buyer and to provide information reasonably requested by Buyer.

7.9 Section 15(f) of the Investment Company Act. After the Closing, Buyer shall cause WCM to use reasonable efforts to ensure compliance with the requirements of Section 15(f) of the Investment Company Act in respect of this Agreement and the transactions contemplated hereby.

7.10 Public Funds.

(a) WCM shall use commercially reasonable efforts to obtain, as promptly as practicable following the date of this Agreement, the approval of the Public Fund Board of each Sponsored Fund ("Fund Board Approval") of, (i) with respect to each Sponsored Fund other than TMF, an interim Advisory Contract with such Sponsored Fund in accordance with Rule 15a-4 under the Investment Company Act, on the same terms and conditions as the terms and conditions of the Advisory Contract with such Sponsored Fund in effect as of the date hereof (with the exception of its effective and termination dates and any other provisions that are required under Rule 15a-4 under the Investment Company Act) that has a duration of not less than 150 days following the Closing Date (an "Interim Advisory Contract"), to be effective at the Closing if the New Sponsored Fund Advisory Contract for such Sponsored Fund described in Section 7.10(a)(ii) is not effective at the Closing, and (ii) with respect to each Sponsored Fund, (A) a New Sponsored Fund Advisory Contract, to be effective at the Closing or, if the Advisory Contract Stockholder Approval is obtained after the Closing, at such time as stockholder approval of such New Sponsored Fund Advisory Contract is obtained, and (B) the election of each of the Virtus Directors to such Sponsored Fund's Public Fund Board. After the date of this Agreement, WCM will use commercially reasonable efforts to cause the applicable Public Fund Boards to solicit approval by the stockholders of each Sponsored Fund of (x) pursuant to the

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provisions of Section 15 of the Investment Company Act applicable thereto, the New Sponsored Fund Advisory Contract for such Sponsored Fund (“Advisory Contract Stockholder Approval”), and (y) the election of each Virtus Director to such Sponsored Fund’s Public Fund Board (“Director Stockholder Approval”).

(b) Without limiting the foregoing, subject in each case to the requirements of applicable law and the fiduciary duties of WCM and the applicable Public Fund Board, WCM shall use commercially reasonable efforts to: (i) request, as promptly as practicable following receipt of the applicable Fund Board Approval, the Public Fund Board of each Sponsored Fund to call a meeting of stockholders to be held as promptly as reasonably practicable for the purpose of voting upon Advisory Contract Stockholder Approval and Director Stockholder Approval; (ii) request that each Sponsored Fund prepare and file (or cause to be prepared and filed) with the SEC and all other applicable Governmental Authorities, as promptly as practicable, all proxy solicitation materials required to be distributed to its stockholders with respect to the actions recommended for the Advisory Contract Stockholder Approval and the Director Stockholder Approval, and request that such Sponsored Fund mail (or cause to be mailed) such proxy solicitation materials as promptly as practicable after clearance thereof by the SEC (if applicable); and (iii) request the Public Fund Board of such Sponsored Fund to prepare and submit, as promptly as practicable following the mailing of the proxy materials, to its stockholders for a vote at a stockholders meeting the proposals described in clause (i) above. For the avoidance of doubt, WCM shall use commercially reasonable efforts to perform the foregoing covenants prior to the Closing. In connection with materials requested by each Sponsored Fund or its legal counsel in connection with the review or preparation of proxy materials, Buyer shall be given, and have the right to review, in advance of submission to the Public Fund Board of such Sponsored Fund or its counsel, the materials (and any amendment or supplement thereto) to be furnished by WCM to such Public Fund Board or its legal counsel and to promptly provide reasonable comments on such material, and WCM (in coordination with such Sponsored Fund and under the general direction of such Sponsored Fund and its legal counsel) shall consider such comments in good faith.

(c) For each Subadvised Fund, WCM shall, subject to its fiduciary duties under applicable law, use commercially reasonable efforts to obtain, as promptly as practicable following the date hereof, approval of the Public Fund Board of such Subadvised Fund of a new sub-advisory contract for such Subadvised Fund with WCM, to be effective as of the Closing and containing terms identical in all material respects (and in all respects as to fees) to those of the sub-advisory contract in effect on the date of this Agreement (a “New Subadvisory Contract”).

(d) Buyer and Sellers shall cooperate with one another in connection with the actions contemplated by Sections 7.10(a), 7.10(b) and 7.10(c), including in any communications or presentations by WCM to any Public Fund Board or the stockholders of any Public Fund and by providing any information reasonably requested by the other. Further, the parties shall promptly provide to any Public Fund Board all information relating to such party and its Affiliates as is necessary or reasonably requested by such Public Fund Board to enable it to evaluate the terms of each applicable New Sponsored Fund Advisory Contract or New Subadvisory Contract, or other arrangements proposed, or consent requested, in connection with

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the transactions contemplated by this Agreement and relating to such Public Fund. None of the information provided by WCM or Buyer to any Public Fund Board or Public Fund in connection with the foregoing matters will contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were or are made, not misleading.

(e) As soon as practicable following the date hereof, WCM shall use commercially reasonable efforts to cause each applicable Public Fund to (i) file supplements to its prospectus forming a part of its registration statement then currently in use, which supplements or amendments shall reflect changes as necessary in such Public Fund's affairs as a consequence of the transactions contemplated hereby, and (ii) make any other filing necessary under any applicable law to satisfy disclosure requirements to enable the public distribution of the shares of such Public Fund to continue. Buyer shall have the right to provide and have included reasonable comments on such materials to the same extent as provided in Section 7.10(b).

(f) Buyer shall be given, and shall have the right to review, to the extent provided to WCM by any applicable Public Fund, all the information relating to Buyer and any of its Affiliates proposed to appear in any registration statement or proxy statement or any amendment or supplement thereto submitted to the SEC or such other applicable Governmental Authority in connection with the approvals contemplated by this Section 7.10, and to have its reasonable comments reflected therein solely to the extent that such comments relate directly to information contained therein about Buyer (or its Affiliates).

7.11 Private Funds. As promptly as reasonably practicable following the date hereof, WCP shall request that the governing body of any each Private Fund consent to the "assignment" (as defined in the Investment Advisers Act) or continuation of its Advisory Contract (including, as applicable, the governing documents of such Private Fund) resulting from the consummation of the transactions contemplated hereby. WCP will, as promptly as practicable thereafter, but in any event no later than ten Business Days after the date hereof, request that the Private Fund deliver written notice to the limited partners, members, stockholders or investors, as applicable, of the Private Fund, informing them of the proposed transactions hereunder. If a majority in interest of the limited partners, members, stockholders or investors, as applicable, of such Private Fund do not object to such consent by the general partner or manager of such Private Fund, or all of the independent directors of such Private Fund consent, prior to the Closing Date, such Private Fund shall be deemed to have consented to the "assignment" (as defined in the Investment Advisers Act) or continuation of its Advisory Contract (including, as applicable, the governing documents of such Private Fund) resulting from the consummation of the transactions contemplated hereby.

#### 7.12 Advisory Contracts.

(a) With respect to any Public Fund, Private Fund or other Client whose Advisory Contract is entered into after the date of this Agreement (excluding an Advisory Contract with a Public Fund or Private Fund), WCM and WCP shall procure that such Advisory

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Contract will not by its terms terminate (or give rise to a termination right) as a result of the consummation of the transactions contemplated hereby, and shall obtain consent of such Client to the “assignment” (as defined in the Investment Advisers Act) or continuation of such Advisory Contract as a result of the consummation of the transactions contemplated hereby (which consent shall be obtained at the time such Advisory Contract is entered into).

(b) WCP and WCM shall, in accordance with applicable law, the governing documents of any Public Fund or Private Fund and the applicable Advisory Contract, seek to obtain all required approvals, consents and other actions by the board of directors or comparable governing bodies, regulating authorities and/or stockholders, partners, investors or members of such Public Fund or Private Fund, to the “assignment” (as defined in the Investment Advisers Act) or continuation of the Advisory Contract with such Public Fund or Private Fund in the same manner and on the same terms as set forth in Section 7.10 or 7.11, as applicable. Additionally, WCP and WCM shall notify in writing each Person who first becomes a stockholder, partner, investor or member in a Public Fund or Private Fund after the date of this Agreement and who does not receive the notification required by Section 7.10 or 7.11, as applicable, of the transactions contemplated hereby, which notice shall be sent within five Business Days after the date such Person first becomes a limited partner or other investor in such Public Fund or Private Fund.

(c) In connection with obtaining the Client consents and other actions required by Section 7.10 or 7.11, at all times prior to the Closing, WCP and WCM shall take reasonable steps to keep Buyer reasonably informed of the status of obtaining such Client consents and, upon Buyer’s request, make available to Buyer copies of all such executed Client consents and make available for Buyer’s inspection the originals of such consents and any related materials and other records relating to the Client consent process. In connection with obtaining the Client consents required by Section 7.11, the general forms of any notices or other materials to be distributed to Clients shall be in form and substance reasonably acceptable to Buyer.

7.13 Press Releases and Public Announcements. None of Sellers, Individual Equityholders, WCP or WCM, on the one hand, or Buyer, on the other hand, shall issue or cause the publication of any press release or other public announcement with respect to, or otherwise make any public statement concerning, the transactions contemplated hereby unless the parties have consented and mutually agreed as to the form, content and timing of such press release or public announcement; provided, however, that (i) any party may, without the prior consent of the other parties (but after notice to the other parties and allowance for a reasonable time to comment on such release or announcement in advance, to the extent practicable under the circumstances) issue or cause the publication of any press release or other public announcement to the extent required by applicable law, exchange rules or any applicable self-regulatory organization and (ii) Buyer and WCM shall be permitted to include a description of this Agreement and the transactions contemplated hereby in any registration statements filed pursuant to Section 7.10(f), and any related ancillary documents, and in any prospectus supplement delivered to stockholders of the Public Funds pursuant to Section 7.10(f) after the date of this Agreement.

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7.14 Non-Competition; Non-Solicitation.

(a) During the Restricted Period, each of the Individual Equityholders agrees, for the benefit of the confidential information, trade secrets, and goodwill of WCM, WCP, Buyer and their respective Affiliates, that, except to the extent such activities constitute a Permitted Activity, such Individual Equityholder shall not, directly or indirectly (whether individually or as owner, part owner, equityholder, partner, member, director, officer, trustee, employee, agent, consultant or in any other capacity, on behalf of himself or any other Person (other than for the benefit of WCM, WCP, Buyer or their respective Affiliates), in any geographic area in which WCM, WCP or their respective Affiliates have provided Investment Management Services, including, without limitation, any geographic area in which any Client was located at the time such Investment Management Services were provided, do or prepare to do any of the following:

(i) provide Investment Management Services or marketing or fundraising services in connection with (or otherwise relating to) any investment strategies engaged in by WCM, WCP or their respective Affiliates on the date of this Agreement, including levered or unlevered merger arbitrage or event-driven strategies;

(ii) provide Investment Management Services or marketing or fundraising services in connection with (or otherwise relating to) any other type of investment product or strategy substantially similar to any investment product or strategy (including any Private Fund or Public Fund) sponsored, promoted, offered or carried on by WCM, WCP or their respective Affiliates at any time following the date hereof and prior to the end of the Restricted Period; or

(iii) provide any other Investment Management Services or marketing services or other fundraising services in connection with Investment Management Services.

(b) In addition to (and not in limitation of) the provisions of Section 7.14(a), during the Restricted Period, each of the Individual Equityholders and Sellers (other than LPC) agrees, for the benefit of the confidential information, trade secrets, and goodwill of the WCM, WCP, Buyer and their respective Affiliates, that such Person shall not, directly or indirectly (whether individually or as owner, part owner, equityholder, partner, member, director, officer, trustee, employee, agent, consultant or in any other capacity, on behalf of itself or any other Person (other than for the benefit of the WCM, WCP, Buyer or their respective Affiliates)):

(i) perform Investment Management Services for any Person that is a Present Client, a Potential Client or a Past Client, or market Investment Management Services to any of the foregoing Persons;

(ii) solicit or induce (whether directly or indirectly) any Person for the purpose (which need not be the sole or primary purpose) of (A) causing any funds or accounts with respect to which any of WCM, WCP or their respective Affiliates provide Investment Management Services (including as a limited partner or other investor in any fund or other collective investment vehicle sponsored by WCM, WCP or their respective Affiliates) to be

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withdrawn from such management or other services, or (B) causing any Client (including any Potential Client) or Client Intermediary not to engage WCM, WCP or their respective Affiliates to provide Investment Management Services for any additional funds or accounts (or otherwise attempt to cause any of the foregoing to occur);

(iii) otherwise divert or take away (or seek to divert or take away) any funds or investment accounts with respect to which WCM, WCP or their respective Affiliates provide Investment Management Services;

(iv) contact or communicate with, whether directly or indirectly, any Past Clients, Present Clients, Potential Clients or Client Intermediaries in connection with providing Investment Management Services or marketing or other fundraising services to such Persons or, in the case of Client Intermediaries, their clients or customers;

(v) solicit, recruit or hire (or attempt to solicit, recruit or hire) any employee, member or partner of WCM, WCP or their respective Affiliates, or other Persons who have been members, partners or employees of WCM, WCP or their respective Affiliates during the 12-month period immediately preceding such solicitation, recruitment or hiring or attempt thereof; provided that, the following shall not prohibit Sellers from engaging in the foregoing: solicitation of an employee, member or partner of WCM, WCP or their respective Affiliates through the use of (A) general advertisements in publications which advertisements do not specifically target current or former employees, members or partners of WCM, WCP or their respective Affiliates or (B) the use of search firms that have not been directed by the Individual Equityholders or Sellers to contact such employees, members or partners of WCM, WCP or their respective Affiliates;

(vi) interfere with the relationship of WCM, WCP or their respective Affiliates with any Person who or which is employed by or otherwise engaged to perform services for, or any investor, supplier, licensee, licensor or other business relation of, any of WCM, WCP or their respective Affiliates; or

(vii) working together in any business or enterprise involving Investment Management Services or marketing services or other fundraising services in connection with Investment Management Services (in each case, other than the WCM, WCP or their respective Affiliates) with any Person who is or at any time was a partner, member or employee of any of WCM, WCP or their respective Affiliates.

(c) During the Restricted Period, LPC agrees, for the benefit of the confidential information, trade secrets, and goodwill of WCM, WCP, Buyer and their respective Affiliates, that LPC shall not, directly or indirectly, solicit, recruit or hire (or attempt to solicit, recruit or hire) any Person who was an employee, member or partner of WCM, WCP or their respective Affiliates as of the Closing Date; provided that the following shall not prohibit LPC from (i) engaging in the solicitation of an employee, member or partner of WCM, WCP or their respective Affiliates through the use of (x) general advertisements in publications which advertisements do not specifically target current or former employees, members or partners of

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WCM, WCP or their respective Affiliates, or (y) search firms that have not been directed by LPC or Sellers to contact such employees, members or partners of WCM, WCP or their respective Affiliates, or (ii) soliciting, recruiting or hiring (or attempting to solicit, recruit or hire) any such person who has been terminated by or otherwise becomes no longer affiliated with WCM, WCP or their respective Affiliates at least 12 months prior to the initiation of such solicitation, recruitment or hiring.

(d) Each Individual Equityholder and Seller acknowledges and agrees that the time, scope, geographic area and other provisions of this Section 7.14 have been specifically negotiated by sophisticated parties and absent each Individual Equityholder's and Seller's agreement to and compliance with the restrictions set forth in this Section 7.14, Buyer would not have entered into the transactions contemplated by this Agreement. The Restricted Period shall be extended with respect to any Individual Equityholder or Seller by each day that such Individual Equityholder or Seller is in breach of Section 7.14(a) and 7.14(b). Further, in the event that any of the Individual Equityholders breaches Section 7.14(a), the breaching Person shall forfeit his right to receive the Retention Payment Potential Amount, any Earnout Payment or any other consideration pursuant to this Agreement. The existence of any claim or cause of action by any Individual Equityholder or Seller against Buyer, or Buyer against any Individual Equityholder or Seller, as applicable, whether predicated on this Agreement or otherwise, will not constitute a defense to the enforcement by Buyer of the restrictive covenants contained in this Section 7.14.

(e) Each Individual Equityholder and Seller understands that a breach of this Section 7.14 is likely to cause Buyer and its Affiliates substantial and irrevocable damage and therefore, in the event of such breach, Buyer and its Affiliates, in addition to such other remedies which may be available, will be entitled to specific performance and other injunctive relief, without the posting of a bond. Each Individual Equityholder and Seller further acknowledges that a court may render an award extending the Restricted Period as one of the remedies in the event of an Individual Equityholder's or Seller's violation of this Section 7.14. Each Individual Equityholder and Seller agrees that if the Individual Equityholder or Seller violates this Section 7.14 or if Buyer is otherwise the prevailing party in an action commenced to enforce or interpret the terms of this Section 7.14, (i) the breaching Person shall forfeit its right to receive any Retention Payment or Earnout Payment (to the extent the same have not already been paid), (ii) Buyer and its Affiliates shall be entitled to withhold and cancel any other payments or other economic or other benefits to which the breaching Person otherwise would be entitled (whether pursuant to this Agreement, any Services Agreement or any other agreement, plan or policy), to offset damages resulting from such breach, subject to applicable law and (iii) in addition to all other remedies available to Buyer and its Affiliates at law, in equity, and under contract, the breaching Person shall be obligated to pay all Buyer and its Affiliates' costs of enforcement of this Agreement, including reasonable attorneys' fees and expenses.

7.15 Employee Service Credit. Buyer agrees that, for purposes of all employee benefit plans (including, but not limited to, all "employee benefit plans" within the meaning of ERISA Section 3(2)), and all policies and employee fringe benefit programs, including vacation or time-off policies and incentive or equity plans, of Buyer or any of its Affiliates in which the current

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employees of WCM may participate following the Closing, service credit shall be given to such employees for service previously credited with the Business prior to the Closing.

## ARTICLE VIII

### CONDITIONS PRECEDENT

8.1 Conditions to Obligations of Buyer. All obligations of Buyer at the Closing are subject to the fulfillment prior to or on the Closing Date of each of the following conditions, which may be waived, in writing, in whole or in part only by Buyer:

(a) Representations and Warranties.

(i) All representations and warranties of the Individual Equityholders, Sellers, WCP and WCM in Articles III, IV and V (other than the Fundamental Representations) shall be true, correct and complete (without giving effect to any materiality or Material Adverse Effect qualifiers in such representations and warranties) at and as of the Closing Date as though such representations and warranties were made at and as of such time, unless the facts causing such representation or warranty not to be true, correct or complete would not reasonably be expected to have a Material Adverse Effect, individually or in the aggregate, with respect to WCP or WCM.

(ii) The Fundamental Representations shall be true, correct and complete in all material respects (without giving effect to any materiality or Material Adverse Effect qualifiers in such representations and warranties) at and as of the Closing Date as though such representations and warranties were made at and as of such time (unless such representations and warranties refer to a specific date, in which case such representations and warranties shall be true and correct as of such date).

(b) Covenants. Sellers, the Individual Equityholders, WCP and WCM shall have in all material respects performed and complied with all covenants and agreements required by this Agreement to be performed or complied with by them prior to or on the Closing Date.

(c) Closing Revenue Run-Rate. The Closing Revenue Run-Rate shall not be less than 80% of the Base Revenue Run-Rate.

(d) Structuring Transactions. The structuring transactions described in Section 2.7 shall have been completed.

(e) Consents. Sellers, WCP and WCM shall have received all consents, authorizations, orders and approvals from the Governmental Authorities set forth on **Schedules 3.5, 4.4 and 5.4**, as applicable, and Buyer shall have received all consents, authorizations, orders and approvals from the Governmental Authorities set forth on **Schedule 6.4**, and no such consent, authorization, order or approval shall have been revoked.

(f) Third-Party Consents. Sellers, WCP and WCM shall have received all

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consents from and provided all notices to the third parties and under the Contracts set forth on *Schedule 8.1(f)*, and no such consent shall have been revoked.

(g) Services Agreements. Each of the Individual Equityholders shall have been a full-time employee of WCM in good standing through and including the Closing Date and the Services Agreements shall be in full force and effect, and neither Individual Equityholder shall have expressed an intention to terminate his employment with WCM or any of its Affiliates following the Closing.

(h) Antitrust. The waiting period under the HSR Act and any other applicable antitrust laws shall have terminated.

(i) TMF Approvals. The Sponsored Fund Conditions shall have been satisfied with respect to TMF.

(j) 401(k) Plan Termination. The Sellers shall have complied in all respects with Section 7.3(e).

(k) Deliveries. Sellers shall have made or stand willing and able to make all the deliveries to Buyer set forth in Section 9.2.

8.2 Conditions to Obligations of Sellers. All obligations of Sellers at the Closing are subject to the fulfillment prior to and at the Closing Date of each of the following conditions which may be waived, in writing, in whole or in part by Sellers:

(a) Representations and Warranties.

(i) All representations and warranties of Buyer contained in Article VI (other than the Fundamental Representations) shall be true, correct and complete (without giving effect to any materiality or Material Adverse Effect qualifiers in such representations and warranties) at and as of the Closing Date as though such representations and warranties were made at and as of such time, unless the facts causing such representation or warranty not to be true, correct or complete would not reasonably be expected to have a Material Adverse Effect, individually or in the aggregate, with respect to Buyer.

(ii) The Fundamental Representations shall be true, correct and complete in all material respects (without giving effect to any materiality or Material Adverse Effect qualifiers in such representations and warranties) at and as of the Closing Date as though such representations and warranties were made at and as of such time (unless such representations and warranties refer to a specific date, in which case such representations and warranties shall be true and correct as of such date).

(b) Covenants. Buyer shall have in all material respects performed and complied with all covenants and agreements required by this Agreement to be performed or complied with by Buyer prior to or on the Closing Date.

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(c) Closing Revenue Run-Rate. The Closing Revenue Run-Rate shall not be less than 80% of the Base Revenue Run-Rate (provided that the condition in this Section 8.2(c) shall not be applicable in the event that a material breach by WCP, WCM, the Individual Equityholders or Sellers of their covenants under this Agreement has been the primary cause of the condition set forth in this Section 8.2(c) not being fulfilled).

(d) Antitrust. The waiting period under the HSR Act and any other applicable antitrust laws shall have terminated.

(e) Consents. Buyer shall have received all consents, authorizations, orders and approvals from the Governmental Authorities set forth on Schedule 6.4 and Sellers, WCP and WCM shall have received all consents, authorizations, orders and approvals from the Governmental Authorities set forth on Schedules 3.5, 4.4 and 5.4, as applicable, and no such consent, authorization, order and approval shall have been revoked.

(f) Deliveries. Buyer shall have made or stand willing and able to make all the deliveries set forth in Section 9.3.

## ARTICLE IX

### CLOSING AND CLOSING DELIVERIES

9.1 Closing. Subject to the terms and conditions of this Agreement, the closing of the transactions contemplated by this Agreement (the "Closing") shall take place by conference call and electronic exchange of signature pages and documents on the date of the Closing (the "Closing Date"), which shall be on the first Business Day of the calendar month immediately following the calendar month in which the conditions in Article VIII have been satisfied or waived (other than those conditions that are to be satisfied on the Closing Date, provided that all are then capable of being satisfied on or before the Closing and are actually fulfilled or waived as of the Closing), or at such other place, date or time as may be mutually agreed upon in writing by Buyer and Sellers. All transfers hereunder will be deemed to have been made simultaneously and will become effective as of 12:01 a.m. New York City time on the Closing Date, regardless of the actual timing of the closing. Notwithstanding anything to the contrary contained herein, Buyer shall have a unilateral right to delay the Closing for a period not to exceed 60 days upon written notice given to Sellers within five days after the date on which the conditions in Article VIII have been satisfied or waived (other than those conditions that are to be satisfied on the Closing Date), in order for WCM or WCP to obtain additional Client consents or stockholder approvals outstanding at such time.

9.2 Deliveries by Sellers. Prior to or on the Closing Date, Sellers shall deliver to Buyer the following, in form and substance reasonably satisfactory to Buyer:

(a) Instruments of Conveyance and Transfer. All instruments and other documents required to effect the transfers and assignments to Buyer of good and marketable title

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to the Membership Interests free and clear of all Liens;

(b) Officers' Certificates. Certificates, dated as of the Closing Date, executed on behalf of Sellers by authorized officers certifying that the conditions set forth in Sections 8.1(a) and 8.1(b) have been satisfied;

(c) Escrow Agreement. A duly executed counterpart of the Escrow Agreement, executed by Sellers;

(d) Authorization and Approval Certificates. Certificates, dated as of the Closing Date and executed by a manager/general partner of each Seller, certifying that the resolutions, as attached to each such certificate, were duly adopted by the applicable Seller authorizing and approving the execution of this Agreement and the consummation of the transactions contemplated hereby and that such resolutions remain in full force and effect;

(e) Release of Claims. From each Seller and Individual Equityholder, a general release of claims against WCM and WCP in the form attached hereto as Exhibit C;

(f) Good Standing Certificates. Reasonably recent certificates (i) issued by the Secretary of State of Delaware certifying that each of WCM and WCP is in good standing in Delaware, and (ii) issued by the Secretary of State of New York certifying that each of WCM and WCP is in good standing in New York; and

(g) IRS Form W-9. From each Seller a properly completed and executed IRS Form W-9.

9.3 Deliveries by Buyer. Prior to or on the Closing Date, Buyer shall deliver to Sellers the following, in form and substance reasonably satisfactory to Sellers:

(a) Payment. The Closing Payment Amount as provided in Section 2.3(a);

(b) Closing Certificates. A certificate, dated as of the Closing Date, executed on behalf of Buyer by an authorized officer certifying that the conditions set forth in Sections 8.2(a) and 8.2(b) have been satisfied;

(c) Escrow Agreement. A duly executed counterpart of the Escrow Agreement, executed by Buyer; and

(d) Officer's Certificate. A certificate, dated as of the Closing Date, executed on behalf of Buyer by an authorized officer certifying that the resolutions, as attached to such certificate, were duly adopted by Buyer's board of directors or similar governing body, authorizing and approving the execution of this Agreement and the consummation of the transactions contemplated hereby and that such resolutions remain in full force and effect.

## ARTICLE X

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## TAX MATTERS

10.1 Responsibility for Filing Tax Returns and Paying Taxes. Sellers shall prepare and timely file (or cause to be prepared and timely filed), all Tax Returns relating to taxable income of WCP and WCM, as applicable, that is treated, for Tax purposes, as passed through to Sellers (each such Tax Return, a “Pass-through Income Tax Return”) required to be filed by WCP and WCM, as applicable, that includes any Pre-Closing Tax Period (and not filed as of the Closing Date). Each of WCP, WCM and Sellers shall permit Buyer to review and comment upon, at least 30 Business Days prior to the filing date, each such Tax Return to be filed by any of them (and shall reflect the reasonable comments of Buyer in such filings). Each Pass-through Income Tax Return shall be prepared in a manner consistent with the past practice of WCP and WCM, as applicable, unless otherwise required by applicable law.

10.2 Cooperation on Tax Matters. Sellers, on the one hand, and Buyer, on the other hand, shall: (a) assist in the preparation and timely filing of all Tax Returns of WCP and WCM; (b) assist in any proceeding with respect to the Tax Returns or Taxes of WCP and WCM; (c) retain and make available any information, records or other documents, and make employees available on a mutually convenient basis to provide additional information and explanation of any materials provided herein, relating to any Taxes or Tax Returns of WCP and WCM (including copies of Tax Returns and related work papers) with respect to any taxable periods beginning on or prior to the Closing Date, until seven years after the Closing Date; and (d) provide certificates or forms, and timely execute any Tax Returns, that may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby); provided that nothing in this Section 10.2 shall be construed to require Buyer to provide any information, records or other documents (or portions thereof) unrelated to WCP or WCM. Buyer, to the extent provided by Sellers, shall: (i) retain all books and records with respect to Tax matters pertinent to WCP or WCM and relating to any taxable period beginning before the Closing Date until seven years after the Closing Date, and abide by all record retention agreements entered into with any taxing authority; and (ii) give Sellers reasonable written notice prior to transferring to any Person who is not an Affiliate of such transferor, destroying or discarding any such books and records, in each case within seven years of the Closing Date, and will, if any Seller so requests, allow such Seller or its agents to take possession of such books and records.

10.3 Transfer Taxes. Buyer and Sellers each shall pay for 50% of any sales, use, transfer, real estate transfer, documentary, stamp, stock transfer or similar Tax imposed, as well as all conveyance fees, recording charges and other fees and charges levied (including penalties and interest) on WCP, WCM or Sellers as a result of the transactions contemplated hereby and any related penalties or interest (collectively, “Transfer Taxes”). WCM shall file any applicable Tax Returns for Transfer Taxes.

10.4 Tax Contests. Buyer shall promptly notify Sellers following receipt of notice of any audit, examination, notice of deficiency, administrative or court proceeding or other claim by any Governmental Authority in respect of any Taxes of WCP or WCM for which an

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indemnification claim would exist against Sellers pursuant to Section 12.3 (a “Tax Claim”); provided that no failure or delay of Buyer in providing such notice shall reduce or otherwise affect the obligations of Sellers pursuant to this Agreement, except to the extent that Sellers are materially and adversely prejudiced as a result of such failure or delay. Sellers shall have the right to control, at Sellers’ expense, any Tax Claim with respect to WCP or WCM solely to the extent it relates to a Pass-through Income Tax Return that includes any Pre-Closing Tax Period; provided that (a) Sellers shall keep Buyer reasonably informed and consult in good faith with Buyer with respect to any issue relating to such Tax Claim, (b) Sellers shall provide Buyer with copies of all correspondence, notices and other written material received from any Governmental Authority with respect to such Tax Claim and shall otherwise keep Buyer reasonably apprised of substantive developments with respect to such Tax Claim, (c) Sellers shall provide Buyer with a copy of, and a reasonable opportunity to review and comment on, all submissions made to a Governmental Authority in connection with such Tax Claim, (d) Buyer shall be entitled to participate in the defense of such Tax Claim at its sole cost and expense, and (e) Sellers shall not agree to a settlement or compromise thereof without the prior written consent of Buyer, which consent shall not be unreasonably withheld, conditioned or delayed, if such settlement or compromise could affect the Tax Liability of Buyer, WCP or WCM with respect to any taxable period (or portion thereof) beginning after the Closing Date. Buyer shall have the right to control any other Tax Claim with respect to WCP or WCM; provided that (i) Buyer shall keep Sellers reasonably informed and consult in good faith with Sellers with respect to any issue relating to such Tax Claim, (ii) Buyer shall provide Sellers with copies of all correspondence, notices and other written material received from any Governmental Authority with respect to such Tax Claim and shall otherwise keep Sellers reasonably apprised of substantive developments with respect to such Tax Claim, (iii) Buyer shall provide Sellers with a copy of, and a reasonable opportunity to review and comment on, all submissions made to a Governmental Authority in connection with such Tax Claim, (iv) Sellers shall be entitled to participate in the defense of such Tax Claim at their sole cost and expense, and (v) neither Buyer, WCP nor WCM shall agree to a settlement or compromise thereof without the prior written consent of Sellers, which consent shall not be unreasonably withheld, conditioned or delayed; provided, further, that for the avoidance of doubt, Buyer shall not be obligated to share (A) any portion of any documents, information, correspondence or other materials that do not relate to a Tax Claim and (B) any Tax Returns of Buyer or any of its Affiliates (other than Tax Returns of WCP or WCM for Pre-Closing Tax Periods).

10.5 Straddle Period Tax Allocation. For purposes of this Agreement, including Section 12.3, in the case of any Straddle Period, the Taxes allocable to the portion of such period ending on the Closing Date shall (a) in the case of any such Taxes based upon or related to income, gross receipts, payroll, sales and use, be deemed to be the amount of such Taxes that would be payable if the Tax year or period ended as of the close of business on the Closing Date (and for such purpose, the taxable period of any partnership, other pass-through entity or other entity with respect to which the taxable year does not end on the Closing Date in which a person holds a beneficial interest shall be deemed to terminate at such time), and (b) in the case of all other such Taxes, be deemed equal to the amount of such Taxes for the entire Straddle Period, multiplied by a fraction, the numerator of which is the number of calendar days in the portion of such taxable period ending on and including the Closing Date and the denominator of which is

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the number of calendar days in such entire taxable period.

10.6 Tax Refunds. Except to the extent (a) reflected as an asset in the calculation of the Closing Net Working Capital or otherwise taken into account in the calculation of the Closing Payment Amount payable to Sellers, or (b) attributable to a carryback of net operating losses or other Tax attributes from a taxable period, or portion thereof, beginning after the Closing Date, any refunds of Taxes of WCP or WCM that are actually received in cash for any Pre-Closing Tax Period shall be for the account of Sellers, and Buyer, WCP and WCM shall pay over to Sellers any such refund or the amount of any such credit for overpayment of Taxes in lieu of a Tax refund (net of costs, including Taxes, incurred in connection with obtaining and receiving such refund or credit); provided, however, that Sellers shall repay any portion of such refund of credit that Buyer, WCP or WCM is required to repay to the applicable Governmental Authority, together with any interest, penalties or other additional amounts imposed by such Governmental Authority.

10.7 Tax Treatment of Purchase; Allocation of the Purchase Consideration.

(a) The parties acknowledge and agree that, for U.S. federal income Tax purposes, Buyer's purchase of 100% of the limited liability company equity interests of each of WCM and WCP, respectively, will be governed by IRS Revenue Ruling 99-6, 1999-1 C.B. 432 (Situation 2), and, pursuant thereto, (i) with respect to Buyer, (x) each of WCM and WCP shall be deemed to make a liquidating distribution of its assets to Sellers, and (y) Buyer shall be deemed to acquire, by purchase, all such assets; and (ii) with respect to Sellers, Sellers shall be treated as selling partnership interests and shall report gain or loss, if any, resulting from the sale of their partnership interests in accordance with Section 741 of the Code. Each of Buyer and Sellers shall prepare and file all Tax Returns on a basis consistent with the foregoing and shall take no inconsistent position on any Tax Return, in any audit or similar proceeding before the IRS or any Governmental Authority.

(b) Buyer shall allocate the Closing Payment Amount (and the amount of liabilities treated as assumed pursuant to Section 1060 of the Code) (i) first, between WCP and WCM in accordance with the allocation of the payment of the Closing Payment Amount pursuant to Section 2.3(a) and (ii) then, among the assets of WCP and WCM, respectively, in accordance with Section 1060 of the Code (the "Allocation"). Buyer shall deliver such Allocation to Sellers for review at least 30 days after the final determination of Closing Net Working Capital pursuant to Section 2.4(b). Buyer shall consider in good faith any reasonable comments of Sellers with respect to the Allocation, which are received within 15 days after the delivery of the Allocation. Such Allocation shall be revised to reflect any additional payments to Buyer or Sellers pursuant to Sections 2.4, 2.5 and 2.6, to the extent not taken into account in the initial Allocation, using the same methodology employed in the initial Allocation. Buyer and Sellers shall file all Tax Returns (including IRS Form 8594) in a manner consistent with such Allocation and take no Tax position contrary to such Allocation unless required to do so pursuant to a "determination" within the meaning of Section 1313(a) of the Code.

10.8 Partnership Audit Rules. The Parties agree that (a) neither WCP nor WCM (nor

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either of their representatives) shall elect into the Partnership Tax Audit Rules with respect to any Pre-Closing Tax Period (b) Buyer, WCP and WCM shall cooperate to the extent permitted by Law to cause each of WCM and WCP to make a valid “push-out” election described in Section 6226(a) of the Code with respect to any Tax Claim and any years to which such Tax Claim applies (including furnishing any required statements and executing any required forms or other documents) and (c) each of WCP and WCM (or either of their representatives) will make such other elections with respect to any Pre-Closing Tax Periods such that any Tax liability resulting from any Tax Claims or other Tax audits shall be payable by the direct or indirect members of the applicable entity for the relevant Pre-Closing Tax Period at issue and not by such entity itself.

## ARTICLE XI

### TERMINATION

11.1 Termination Rights. This Agreement and, subject to the provisions of this Article XI, the obligations of the parties hereunder, may be terminated and the transactions contemplated hereby abandoned:

(a) by Buyer if the Closing has not occurred before 11:59 p.m. New York City time on the date that is eight months after the date hereof;

(b) by Buyer if Sellers or the Individual Equityholders have breached or failed to perform any representation, warranty, covenant or agreement contained in this Agreement such that any of the conditions set forth in Section 8.1 would not be satisfied, and have not cured such breach within ten Business Days after written notice to Sellers (provided that no cure period shall be required for a breach which by its nature cannot be cured);

(c) by Sellers if the Closing has not occurred before 11:59 p.m. New York City time on the date that is eight months after the date hereof;

(d) by Sellers if Buyer has breached or failed to perform any representation, warranty, covenant or agreement contained in this Agreement such that any of the conditions set forth in Section 8.2 would not be satisfied, and has not cured such breach within ten Business Days after written notice to Buyer (provided that no cure period shall be required for a breach which by its nature cannot be cured); or

(e) by Buyer or Sellers if there is in effect on the Closing Date any judgment, decree or order that would prevent or make unlawful the Closing hereunder.

Notwithstanding anything to the contrary contained herein, this Agreement may not be terminated by a party that is then in material breach of any provision of this Agreement. Termination of this Agreement pursuant to this Section 11.1 shall be effected by notice in writing to the other parties.

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11.2 Effect of Termination. If this Agreement is terminated pursuant to and in accordance with Section 11.1, the termination shall be without liability of any party, or of any Affiliate of such party, or any stockholder, director, trustee, member, manager, officer, employee, agent, consultant or representative, of such party or of any of its Affiliates, or of the Public Funds and any of its officers or trustees, to the other parties to this Agreement; provided, however, that (a) the terms of the confidentiality obligations referred to in Section 7.6 shall survive any termination of this Agreement, and (b) nothing herein shall relieve any party from liability for any intentional breach of any provision in this Agreement.

## ARTICLE XII

### SURVIVAL; INDEMNIFICATION

12.1 Survival. The representations, warranties and covenants contained in or made pursuant to this Agreement shall survive until their respective Cut-Off Dates.

12.2 Indemnification by Buyer. Subject to Section 12.6, after the Closing, Buyer shall defend, indemnify and hold harmless Sellers, and their respective directors, trustees, managers, members, limited partners, general partners, officers, employees, Affiliates and agents (the “Seller Indemnitees”) from any and all direct losses, liabilities, obligations, damages, deficiencies, actions, suits, proceedings, demands, assessments, orders, judgments, Taxes, fines, penalties, costs and expenses (including the reasonable fees, disbursements and expenses of attorneys, accountants and consultants) (whether or not arising out of third-party claims and including all reasonable amounts paid in investigation, defense or settlement of the foregoing) (“Losses”) sustained, suffered or incurred by or made against a Seller Indemnitee arising out of, related to or in connection with: (a) any breach of any representation or warranty of Buyer (other than Fundamental Representations) contained in this Agreement or (except to the extent relating to Fundamental Representations) any certificate delivered pursuant to this Agreement; (b) any breach of any Fundamental Representation of Buyer contained in this Agreement or (to the extent relating to Fundamental Representations) in any certificate delivered pursuant to this Agreement; or (c) the failure of Buyer to perform any covenant or agreement contained in this Agreement and, in each case of clause (a), (b) or (c) above, of which a Seller Indemnitee gives Buyer notice pursuant to Section 12.5(a) on or before the applicable Cut-Off Date; and (d) the successful enforcement by Seller Indemnitees of their indemnification rights pursuant to this Article XII.

12.3 Indemnification by Sellers. Subject to Section 12.6, after the Closing, Sellers, severally and not jointly and in accordance with their respective Purchase Consideration Percentages, shall defend, indemnify and hold harmless Buyer and its stockholders, directors, trustees, managers, members, limited partners, general partners, officers, employees, Affiliates and agents (the “Buyer Indemnitees”) from and against any and all Losses sustained, suffered or incurred by or made against a Buyer Indemnitee arising out of, related to or in connection with: (a) any breach of any representation or warranty of WCP or WCM (other than Fundamental Representations) contained in this Agreement or (except to the extent relating to Fundamental Representations) any certificate delivered pursuant to this Agreement; (b) any breach of any

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Fundamental Representation of WCP or WCM contained in this Agreement or (to the extent relating to Fundamental Representations) in any certificate delivered pursuant to this Agreement; (c) the failure of WCP or WCM to perform any covenant or agreement contained in this Agreement and, in the case of clause (a), (b) or (c) above, of which a Buyer Indemnitee gives Sellers notice pursuant to Section 12.5(a) on or before the applicable Cut-Off Date; (d) any claims, disputes or proceedings with respect to the allocation or payment among Sellers of any amounts hereunder; (e) any liabilities or obligations for any Taxes arising with respect to Sellers, the Individual Equityholders, WCP or WCM with respect to a Pre-Closing Tax Period; or (f) the successful enforcement by Buyer Indemnitees of their indemnification rights pursuant to this Article XII. Subject to Section 12.6, after the Closing, each Seller, severally and not jointly, shall defend, indemnify and hold harmless the Buyer Indemnitees from and against any and all Losses sustained, suffered or incurred by or made against a Buyer Indemnitee arising out of, related to or in connection with: (i) any breach of any representation or warranty of such Seller (other than Fundamental Representations) contained in this Agreement or (except to the extent relating to Fundamental Representations) any certificate delivered by such Seller pursuant to this Agreement; (ii) any breach of any Fundamental Representation of such Seller contained in this Agreement or (to the extent relating to Fundamental Representations) in any certificate delivered by such Seller pursuant to this Agreement; or (iii) the failure of such Seller to perform any covenant or agreement contained in this Agreement and, in each case of clause (i), (ii) or (iii) above, of which a Buyer Indemnitee gives such Seller notice pursuant to Section 12.5(a) on or before the applicable Cut-Off Date.

12.4 [Reserved].

12.5 Procedure for Indemnification. The procedure for seeking indemnification shall be as follows:

(a) The party claiming indemnification (the “Claimant”) shall promptly give notice to the party from whom indemnification is claimed (the “Indemnifying Party”) of any claim, whether between the parties or brought by a third party, specifying the factual basis for such claim and if known, the estimated amount of the claim. If the claim relates to an action, suit or proceeding filed by a third party against Claimant, such notice shall be given by Claimant within five Business Days after written notice of such action, suit or proceeding was given to Claimant. Such notice shall not affect any liability of the Indemnifying Party under the provisions for indemnification contained in this Agreement except to the extent that failure to give such notice materially prejudices the rights of the Indemnifying Party with respect to such actions or proceedings.

(b) Following receipt of notice from the Claimant of a claim for indemnification, the Indemnifying Party shall have 30 days to make such investigation of the claim as the Indemnifying Party deems necessary or desirable. For the purposes of such investigation, the Claimant shall make available to the Indemnifying Party and its authorized representative(s) the information relied upon by the Claimant to substantiate the claim. If the Claimant and the Indemnifying Party agree at or prior to the expiration of such 30-day period (or any mutually agreed upon extension thereof) to the validity and amount of such claim, the

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Indemnifying Party shall immediately pay to the Claimant the full amount of the claim. If the Claimant and the Indemnifying Party do not agree within such 30-day period (or any mutually agreed upon extension thereof), the Claimant may seek appropriate legal remedy.

(c) With respect to any claim by a third party as to which the Claimant is entitled to indemnification hereunder, the Indemnifying Party shall have the right, at its own expense, to assume control of the defense of such claim with counsel reasonably acceptable to the Claimant, and the Claimant shall reasonably cooperate with the Indemnifying Party, subject to reimbursement for actual out-of-pocket expenses incurred by the Claimant as a result of a request by the Indemnifying Party. If the Indemnifying Party elects to assume control of the defense of any third-party claim, the Indemnifying Party shall be deemed to have conceded that it is responsible to indemnify the Claimant for Losses relating to such claim (subject to the limitations in [Section 12.6](#)). Notwithstanding the election of the Indemnifying Party to assume the defense of such action, the Claimant shall have the right to employ separate counsel and to participate in the defense of such action at its own expense, except that the Indemnifying Party shall bear the reasonable fees, costs and expenses of separate counsel if: (i) the use of counsel chosen by the Indemnifying Party to represent the Claimant would present such counsel with a conflict of interest; (ii) the defendants in, or targets of, any such action include both the Indemnifying Party and the Claimant, and there may be legal defenses available to it which are different from or additional to those available to the Indemnifying Party (in which case the Indemnifying Party shall not have the right to direct the defense of such action on behalf of the Claimant); or (iii) the Indemnifying Party shall not have employed counsel satisfactory to the Claimant, in the exercise of the Claimant's reasonable judgment, to represent the Claimant within 15 Business Days after notice of the institution of such action. If the Indemnifying Party elects to defend any claim, the Claimant shall make available to the Indemnifying Party any books, records or other documents within its control that are necessary or appropriate for such defense, subject to attorney client privilege and confidentiality agreements. The Claimant, the Indemnifying Party and the Indemnifying Party's counsel (and, if applicable, the Claimant's counsel) shall cooperate (at no material cost to the Claimant other than the cost of Claimant's counsel) in the compromise of, or defense against, any such asserted liability. If the Indemnifying Party assumes the defense of such an action, no compromise or settlement thereof may be effected by the Indemnifying Party without the Claimant's consent unless (x) there is no finding or admission of any violation of the rights of any person by the Claimant and no effect on any other claims that may be made against the Claimant and (y) the sole relief provided is monetary damages that are paid in full by the Indemnifying Party. Notwithstanding the foregoing, the Indemnifying Party shall not, and shall not be entitled to, defend, contest or otherwise protect the Claimant for any third-party claim to the extent that such third party claim (1) seeks (or threatens to seek) an injunction or other equitable relief, (2) relates to any criminal proceeding or involves claims by any Governmental Authority or (3) seeks an amount in excess of the Cap.

(d) If a claim, whether between the parties or by a third party, requires immediate action, the parties will make every effort to reach a decision with respect thereto as expeditiously as possible.

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(e) The Claimant may not compromise any such claim without the prior written consent of the Indemnifying Party, which consent may not be unreasonably withheld, conditioned or delayed.

(f) The indemnification rights provided in Sections 12.2 and 12.3 shall extend to the stockholders, directors, trustees, managers, members, limited partners, general partners, officers, employees, Affiliates and agents of the Claimant, although for the purpose of the procedures set forth in this Section 12.5, any indemnification claims by such parties shall be made by and through the Claimant.

(g) This Article XII shall constitute the sole and exclusive remedy of Buyer for recovery of money damages after the Closing Date with respect to any breach by WCP, WCM, Sellers or the Individual Equityholders of any representations, warranties, covenants or agreements set forth in this Agreement or in any certificate delivered pursuant to this Agreement, other than for (i) claims under Article II, (ii) actions for specific performance or other equitable remedies and (iii) Losses resulting from fraud.

(h) On March 15, 2022, Buyer and Sellers shall instruct the Escrow Agent to release to Sellers, by wire transfer of immediately available funds in accordance with their respective Purchase Consideration Percentages and to the accounts set forth on Schedule 2.3, an amount equal to the greater of (i) zero dollars and (ii) the difference between (A) the amount then held in the Indemnity Escrow Account, and (B) the sum of 7.5% of the Base Purchase Consideration and the aggregate amount of Losses claimed by Buyer pursuant to claims made and not fully resolved prior to such date.

(i) On the date that is 18 months after the Closing Date, Buyer and Sellers shall instruct the Escrow Agent to release any remaining funds in the Indemnity Escrow Account (other than the aggregate amount of Losses claimed by Buyer pursuant to claims made and not fully resolved prior to such date) to Sellers, in accordance with their respective Purchase Consideration Percentages. Following such date, Buyer and Sellers shall instruct the Escrow Agent to release any funds remaining in the Indemnity Escrow Account pursuant to claims made and not fully resolved prior to such date to Sellers, in accordance with their respective Purchase Consideration Percentages, promptly following the date on which all such pending claims have been fully and finally resolved.

#### 12.6 Limitations.

(a) Except for intentional breaches, neither Buyer nor Sellers shall be liable to the other parties under clause (a) of Section 12.2 or clause (a) and clause (i) of Section 12.3 for any Losses until the aggregate amount of Losses otherwise due the Claimant exceeds the Basket, in which case the Indemnifying Party shall thereafter be liable for all Losses (including those incurred in reaching the Basket but subject to the Cap).

(b) The aggregate liability of the Indemnifying Parties under clause (a) of Section 12.2 or clause (a) and clause (i) of Section 12.3 (respectively, as applicable) shall not

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exceed the Cap, and the aggregate liability of any Seller under clause (a) and clause (i) of Section 12.3 shall not exceed such Seller's Purchase Consideration Percentage of the Cap. In addition, the aggregate liability of any Seller under this Article XII shall not exceed the actual amount of the Total Purchase Consideration actually received by such Seller under this Agreement. The aggregate liability of Buyer under this Article XII shall not exceed the amount of the Total Purchase Consideration required to be paid by Buyer.

(c) Buyer Indemnitees shall recover as Claimants under this Article XII in the following order of priority: (i) first, out of the Indemnity Escrow Account until all funds in the Indemnity Escrow Account have been fully depleted, and (ii) second, after the funds in the Indemnity Escrow Account have been fully depleted, directly from Sellers (severally and not jointly, in accordance with their respective Purchase Consideration Percentages), with payments to be effected by wire transfer of immediately available funds from Sellers to an account designated in writing by the Claimant; provided that after all funds in the Indemnity Escrow Account have been fully depleted, Buyer Indemnitees shall have the option, but not the obligation, to offset and reduce any payment due to Sellers (severally and not jointly, in accordance with their respective Purchase Consideration Percentages) under this Agreement for any Losses indemnifiable under this Article XII not in dispute by Sellers or awarded by a court of competent jurisdiction in a final, non-appealable proceeding.

(d) For all purposes of this Article XII, "Losses" shall be net of any insurance, indemnification, or other recoveries actually received by the Claimant from any third party as a result of such Losses (less any Taxes payable with respect to such amounts and less any premium increases attributable to such Losses).

(e) For purposes of calculating Losses arising from the breach of any representation or warranty made in this Agreement and for determining whether a breach of a representation or warranty has occurred, any limitation as to material, materiality, Material Adverse Effect or similar qualification contained in the representations and warranties will be disregarded and given no effect; provided, however, that the foregoing shall not apply to (i) Section 4.19(b) or Section 5.25(b) or (ii) the definitions of "Material Adverse Effect" and "Material Contract", in each case, for purposes of determining whether a breach of a representation or warranty has occurred.

(f) The fact that Buyer conducted a due diligence investigation or had knowledge of a breach or inaccuracy of a representation or warranty, or the nonperformance or breach of a covenant or agreement, shall not be a defense to any party's obligations under this Article XII.

(g) Notwithstanding any provision of this Agreement, no Claimant shall be entitled to indemnification pursuant to this Article XII for any punitive, speculative, remote, indirect, diminution in value, loss of business reputation or opportunity, or special damages except, in each case, to the extent any such Losses are the reasonably foreseeable consequence of the relevant breach or are components of any proceedings or awards of any third-party claims for which a Claimant is entitled to indemnification under this Agreement.

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(h) The Buyer Indemnitees shall not be entitled to indemnification for any Losses to the extent included in the Net Working Capital Adjustment Amount.

(i) Notwithstanding any provision of this Agreement, no Claimant shall bring any claim for indemnification against any Seller under this Article XII that relates to any breach by WCP or WCM of any representations, warranties or covenants set forth in this Agreement unless such Claimant brings such claim against all Sellers.

12.7 Treatment as Purchase Price Adjustment. The parties agree that any indemnification payment made pursuant to this Article XII shall be treated as an adjustment to the Total Purchase Consideration for Tax purposes, unless otherwise required by applicable law.

### ARTICLE XIII

#### MISCELLANEOUS

13.1 Notices. All notices, demands and requests required or permitted to be given under the provisions of this Agreement shall be in writing, delivered by personal delivery, sent by commercial delivery service or registered or certified mail, return receipt requested, or sent by electronic mail transmission, and shall be deemed to have been given on (a) the date of personal delivery or the date set forth in the records of the delivery service, or (b) on the date of transmission if sent via email to the email address given below, and addressed as follows:

If to Buyer: Virtus Partners, Inc.  
Attn: Wendy J. Hills  
One Financial Plaza  
Hartford, Connecticut 06103 Email: Wendy.Hills@virtus.com

with copies (which shall not constitute notice) to:

Goodwin Procter LLP  
Attn: Thomas J. LaFond  
100 Northern Avenue  
Boston, Massachusetts 02210  
Email: TLaFond@goodwinlaw.com

If to Sellers: c/o Westchester Capital Management  
Attn: Roy D. Behren and Michael T. Shannon  
100 Summit Lake Drive  
Valhalla, New York 10595  
Email: RBehren@mergerfund.com

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MShannon@mergerfund.com

and

LPC Westchester, LP  
Attn: Seth W. Brennan and Anthony H. Leness  
c/o Lincoln Peak Capital Management, LLC  
177 Huntington Avenue, 19<sup>th</sup> Floor  
Boston, Massachusetts 02115  
Email: seth@lincolnpeakcapital.com  
tony@lincolnpeakcapital.com  
westchester@lincolnpeakcapital.com

with copies (which shall not constitute notice) to:

Berkowitz, Trager & Trager, LLC  
Attn: Steven T. Gersh  
8 Wright Street, 2<sup>nd</sup> Floor  
Westport, Connecticut 06880  
Email: stg@bertralaw.com

and

Morgan, Lewis & Bockius LLP  
Attn: Robert Goldbaum and Nathan Pusey  
101 Park Avenue  
New York, New York 10178  
Email: robert.goldbaum@morganlewis.com  
nathan.pusey@morganlewis.com

or to any such other or additional persons and addresses as the parties may from time to time designate in a writing delivered in accordance with this Section 13.1.

13.2 Benefit and Binding Effect. No party hereto may assign this Agreement without the prior written consent of the other parties hereto, except that Buyer may assign some or all of its rights, but not its obligations, under this Agreement to an Affiliate of Buyer; provided that such assignee agrees in writing to be bound by the provisions of this Agreement and Buyer remains liable for all of its obligations arising under this Agreement. This Agreement is for the sole benefit of and shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of any other person.

13.3 Governing Law; Jurisdiction. This Agreement shall be governed, construed and enforced in accordance with the substantive laws of (without regard to conflict of law principles), and the sole forum for the judicial resolution of any dispute arising under this Agreement shall be, the State of New York. Each party irrevocably agrees that any legal action or proceeding

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arising out of or relating to this Agreement brought by the other party or its successors or assigns shall be brought and determined in any State or federal court sitting in the County of Westchester, the State of New York (or, if such court lacks subject matter jurisdiction, in any appropriate New York State or federal court), and each party hereby irrevocably submits to the exclusive jurisdiction of the aforesaid courts for itself and with respect to its property, generally and unconditionally, with regard to any such action or proceeding arising out of or relating to this Agreement. Each party agrees not to commence any action, suit or proceeding relating thereto except in the courts described above, other than actions in any court of competent jurisdiction to enforce any judgment, decree or award rendered by any such court in as described herein. Each party further agrees that notice as provided herein shall constitute sufficient service of process and each party further waives any argument that such service is insufficient.

13.4 Waiver of Jury Trial. EACH PARTY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES, AND UNDERSTANDS THAT EACH OTHER PARTY IS RELYING THEREON, ANY PRESENT OR FUTURE RIGHT TO A TRIAL BY JURY IN ANY CASE OR CONTROVERSY IN WHICH ANY PARTY TO THIS AGREEMENT IS OR BECOMES SUBJECT, WHICH CASE OR CONTROVERSY ARISES OUT OF, OR IS IN RESPECT TO, THIS AGREEMENT OR THE PERFORMANCE HEREOF. EACH PARTY HERETO HEREBY FURTHER WAIVES TRIAL BY JURY IN ANY IN ANY CASE OR CONTROVERSY BROUGHT BY ANY PARTY AGAINST ANY LENDER PARTY IN ANY MATTER WHATSOEVER ARISING OUT OF OR IN RESPECT TO THIS AGREEMENT OR THE PERFORMANCE HEREOF.

13.5 Headings. The headings herein are included for ease of reference only and shall not control or affect the meaning or construction of the provisions of this Agreement.

13.6 Gender and Rules of Construction. All references in this Agreement to the masculine gender shall include the feminine and neuter genders, and vice versa, and all references to the singular shall include the plural, and vice versa. Any reference to any Section, Schedule, Appendix or Exhibit contained in this Agreement shall refer to such Section, Schedule, Appendix or Exhibit as set forth in or attached to this Agreement, notwithstanding use of or failure to use the term “hereof,” “hereto” or “herein” in connection with such reference. The parties acknowledge that this Agreement is the result of arm’s-length negotiations between sophisticated parties, each afforded representation by legal counsel. Each and every provision of this Agreement shall be construed as though both parties participated equally in the drafting of the same, and any rule of construction that a document shall be construed against the drafting party shall not be applicable to this Agreement.

13.7 Entire Agreement; Amendments. This Agreement, all Schedules and Exhibits hereto, and all documents and certificates to be delivered by the parties pursuant hereto collectively represent the entire understanding and agreement among Sellers, WCP, WCM and Buyer with respect to the subject matter hereof. This Agreement supersedes all prior negotiations between Buyer and Sellers and all letters of intent and other writings relating to such negotiations (provided that the Confidentiality Agreement shall survive until the earlier of the Closing or expiration in accordance with its terms, at which time it shall expire). This

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Agreement shall not be amended, supplemented or modified except by an agreement in writing that makes specific reference to this Agreement and that is signed by all parties hereto.

13.8 No Third-Party Beneficiaries. Except for Article XII, nothing in this Agreement, express or implied, is intended to or shall confer upon any Person, other than the parties hereto or their respective successors and permitted assigns, any rights, remedies or liabilities under or by reason of this Agreement.

13.9 Counterparts. This Agreement may be executed (including by facsimile or electronic transmission) in any number of counterparts, and each such counterpart will be deemed to be an original instrument, but all such counterparts together will constitute but one agreement. The exchange of a fully executed Agreement (in counterparts or otherwise) by electronic mail in “portable document format” (“.pdf”) form, or by any other electronic means intended to preserve the original graphic and pictorial appearance of a document, shall be sufficient to bind the parties to the terms and conditions of this Agreement.

13.10 Guaranty. As a condition and material inducement to the willingness of Buyer to enter into this Agreement and the other Transaction Documents, Michael T. Shannon with respect to MTSWCM Holdings, and Roy D. Behren with respect to RDBWCM Holdings, hereby absolutely, unconditionally and irrevocably guarantee to Buyer (a) the performance of any indemnification obligations of MTSWCM Holdings and RDBWCM Holdings, respectively, set forth in Section 12.3, and (b) the performance of any covenant or agreement of MTSWCM Holdings and RDBWCM Holdings, respectively, contained in this Agreement (the “Obligations”), in each case, as, when and to the extent that any such Obligations become due and payable or required to be performed subject to the terms and conditions set forth in this Agreement. Each of the Individual Equityholders hereby acknowledges and agrees that the guaranty set forth in this Section 13.10 is a present and continuing guaranty of payment and not of collectability, and that Buyer shall not be required to prosecute collection, enforcement or other remedies against MTSWCM Holdings, RDBWCM Holdings or any other Person, or to enforce or resort to any other rights or remedies hereunder, before such Individual Equityholder is required to satisfy, pay or perform in full all applicable Obligations. The Individual Equityholders agree that if, for any reason, MTSWCM Holdings and/or RDBWCM Holdings, respectively, shall fail or be unable to satisfy, pay or perform, punctually and fully, any of its Obligations, the applicable Individual Equityholder shall fully satisfy, pay or perform (or cause to be satisfied, paid or performed) all such Obligations immediately upon written demand. Each of the Individual Equityholders acknowledges and agrees that the Obligations and all of the obligations of such Individual Equityholder pursuant to this Section 13.10 shall be primary obligations, shall not be subject to any counterclaim, set-off, abatement, deferment or defense based upon any claim that such Individual Equityholder or any other Person may have against Buyer or any other Person, and shall remain in full force and effect without regard to, and shall not be released, discharged or affected in any way by, any circumstance or condition (whether or not such Individual Equityholders shall have any knowledge thereof).

*[Balance of Page Intentionally Blank; Signature Pages Follow.]*

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IN WITNESS WHEREOF, this Membership Interest Purchase Agreement has been executed by Buyer, Sellers, Individual Equityholders, WCP and WCM as of the date first above written.

**BUYER:**

VIRTUS PARTNERS, INC.

By: Aylward /s/ George R.  
Officer and President Chief Executive

*[Signature Page Continues on Next Page]*

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**SELLERS:**

MTSWCM HOLDINGS, LLC

By: Shannon /s/ Michael T.  
Shannon, Manager Michael T.

RDBWCM HOLDINGS, LLC

By: \_\_\_\_\_ /s/ Roy D. Behren  
Manager Roy D. Behren,

LPC WESTCHESTER, LP

By: LLC LPC Westchester,  
By: \_\_\_\_\_ /s/ Seth Brennan  
Authorized Person Seth Brennan,

**INDIVIDUAL EQUITYHOLDERS:**

By: Shannon /s/ Michael T.  
Shannon Michael T.

By: \_\_\_\_\_ /s/ Roy D. Behren  
Roy D. Behren

*[Signature Page Continues on Next Page]*

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**WCM:**

WESTCHESTER CAPITAL MANAGEMENT, LLC

By: \_\_\_\_\_ /s/ Roy D. Behren  
Manager Roy D. Behren,

By: Shannon /s/ Michael T.  
\_\_\_\_\_  
Shannon, Manager Michael T.

**WCP:**

WESTCHESTER CAPITAL PARTNERS, LLC

By: \_\_\_\_\_ /s/ Roy D. Behren  
Manager Roy D. Behren,

By: Shannon /s/ Michael T.  
\_\_\_\_\_  
Shannon, Manager Michael T.

July 26, 2019

Wendy Hills  
8912 Rosewood Drive  
Prairie Village, KS 66207

Dear Wendy:

We are pleased to extend an offer of employment for the position<sup>1</sup> of Executive Vice-President, Chief Legal Officer, General Counsel and Secretary with Virtus Investment Partners. Your hire date is anticipated to be September 16, 2019. The structure of your offer is as follows:

**Base Salary**

An annualized base salary of \$350,000, paid on a semi-monthly basis in the amount of \$14,583.34 per period.

**Annual Incentive**

You will be eligible to participate in the Executive Officer annual incentive plan. Your target award for the annual incentive will be \$800,000. For 2019, your award amount will be guaranteed based on the target level, prorated based on your start date. The 2019 Annual Incentive awards are anticipated to be paid on or about March 15, 2020. For the 2020 plan year, which begins January 1, 2020, you will continue to participate in the annual incentive plan at the target level of \$800,000. Actual awards are based on both company and individual performance against pre-established goals and objectives, some quantitative and others qualitative in nature. You must be actively employed and in good standing at the time of payout in order to receive an annual incentive payment.

**Long Term Incentive**

Beginning with the 2020 plan year, you will also be eligible to participate in the Long Term Incentive Plan (LTIP) with a target award of \$450,000. Half of the award will be granted in Performance Share Units (PSUs) with three-year cliff vesting. The other half of the award will be granted in Restricted Stock Units (RSUs) that ratably vest over three years. Your first LTIP award will be granted on or about March 15, 2020. The grant will be subject to the terms and conditions of the plan document and your grant agreement. You must be actively employed and in good standing at the time of payout in order to receive any incentive payment.

**Sign-On Cash Award**

You will receive a cash sign-on bonus of \$100,000, due and payable on the pay period following 90 days of employment. You will be required to repay this amount if you voluntarily terminate your employment or are involuntarily terminated for cause, as defined in the Executive Severance Plan, within twelve months of employment.

**Sign-On Equity Awards**

Effective at the close of business on your actual date of hire, you will be awarded a sign-on equity grant with an approximate value of \$300,000 in the form of RSU's with a 3-year cliff vesting period. Again, the terms of the plan and grant documents will control.

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<sup>1</sup> This is a full-time, salary exempt position, which means you will not be eligible for overtime pay for hours worked in excess of 40.

**Benefit Plans**

You will be eligible to participate in our benefit plans including: vacation, paid holiday, medical, dental, vision, disability, group term life insurance, Employee Stock Purchase Plan and the Savings and Investment Plan, a 401(k) retirement plan, among other programs. The Company retains the right to change benefit plans at any time. Upon your hire we will arrange for your orientation which will include a complete review of benefit programs.

Beginning in 2020, you will be eligible to earn up to 22 days of vacation annually. For the remainder of 2019, you will be eligible to accrue 10 days of which 5 days may be carried over to be used in 2020.

**Relocation**

In order to facilitate your relocation, you will receive a one-time bonus of \$75,000 to cover moving and related expenses. This payment will be made to you within 30 days following your date of hire. Should you fail to relocate within one year of your date of hire, you will be required to repay this amount to the Company.

**At Will Employment and Severance**

Your employment with the Company will be "at-will." We will recommend to the Board of Directors that you be included as a participant in the Executive Severance Plan that is in place for Executive Officers of the company. A copy of the plan will be provided under separate cover.

This Offer Letter includes the attached Addendum, which states additional terms and conditions that are deemed a material part of this offer of employment. Our offer of employment is made in good faith; however, it is contingent upon the successful fulfillment of our employment screening process, which includes a background investigation. If you accept this offer of employment, please initial all pages and sign the Addendum and Acceptance of Employment Offer below and return it by confidential fax to (860) 241-1097 or via email scan to [mardelle.pena@virtus.com](mailto:mardelle.pena@virtus.com) no later than August 1, 2019.

Wendy, we look forward to you joining our team. Please contact me at (860) 263-4830 if you have any questions.

Sincerely,

/s/ Mardelle W. Peña

Mardelle W. Peña

Executive Vice President, Human Resources



**OFFER LETTER ADDENDUM AND ACCEPTANCE OF EMPLOYMENT OFFER**

I hereby accept employment with Virtus Investment Partners (“the Company”) based on the conditions described in this offer letter. I also understand that the representations in this letter and in my meetings with the Company should not be construed in any manner as a proposed contract for any fixed term. I hereby confirm that I am entirely free to accept employment by the Company, on the terms set forth herein, without any legal

or contractual restrictions or limitations on my ability to accept employment, express or implied, from or with respect to any prior employers including limitations such as restrictive or non-competition covenants, non-solicitation restrictions, so-called “garden leaves” or “paid notice periods.”

I understand that failure to disclose any contractual or legal restrictions or limitations that could impair or affect my ability to commence employment on my scheduled start date or to fully discharge my undertakings to the Company thereafter would constitute grounds for disciplinary action by the Company up to and including termination. I further understand that I am employed as an at-will employee, meaning the Company or I may terminate my employment at any time with or without cause.

I also understand that a condition of employment includes the acknowledgement and signing of the Company’s Code of Conduct, Conflict of Interest, and Confidentiality agreements and any other forms and processes as required by the Company’s Compliance Department. I understand that I may not use or disclose confidential information of my prior employer or any other person in connection with my employment with the Company. I certify that I have used due diligence to locate any and all commitments made by me to my prior employer with respect to the protection of its trade secrets and confidential information, and I have reviewed all such commitments. I further certify that I do not possess any materials containing my prior employer’s trade secrets and/or confidential information, and I have not and will not disclose or use any such trade secrets and/or confidential information about which I have personal knowledge.

I understand that any questions I may have regarding the details of this offer should be addressed with my manager and/or Human Resources.

I understand that according to federal law, all individuals who are hired must, as a condition of employment, produce certain documentation to verify their identity and work authorization. As a consequence, I understand that any offer of employment will be contingent on my ability to produce the required documentation within the time period stated by law.

/s/ Wendy J. Hills  
NAME

August 1, 2019  
Date

Image as PDF & Email to: [Mardelle.pena@virtus.com](mailto:Mardelle.pena@virtus.com) or fax directly & confidentially to 860-241-1097

## Virtus Investment Partners, Inc. Subsidiary List

Name	Jurisdiction
Ceredex Value Advisors LLC	Delaware
Duff & Phelps Investment Management Co.	Illinois
ETFis Holdings LLC	Delaware
Kayne Anderson Rudnick Investment Management, LLC	California
Newfleet Asset Management, LLC	Delaware
NFJ Investment Group, LLC	Delaware
Rampart Investment Management Company, LLC	Delaware
Seix Investment Advisors LLC	Delaware
SGIA, LLC	Delaware
Silvant Capital Management LLC	Delaware
Sustainable Growth Advisers, LP	Delaware
Virtus Alternative Investment Advisers, Inc.	Connecticut
Virtus ETF Advisers LLC	Delaware
Virtus ETF Solutions LLC	Delaware
Virtus Fund Advisers, LLC	Delaware
Virtus Fund Services, LLC	Delaware
Virtus Intermediate Holdings LLC	Delaware
Virtus Investment Advisers, Inc.	Massachusetts
Virtus Investment Partners International Ltd.	United Kingdom
Virtus Partners, Inc.	Delaware
Virtus Shared Services, LLC	Delaware
VP Distributors, LLC	Delaware
Zweig Advisers, LLC	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-236738 on Form S-3 and Registration Statement No. 333-233500 on Form S-8 of our report dated February 26, 2021 relating to the financial statements of Virtus Investment Partners, Inc. and the effectiveness of Virtus Investment Partners, Inc.'s internal control over financial reporting, appearing in this Annual Report on Form 10-K of Virtus Investment Partners, Inc. for the year ended December 31, 2020.

/s/ DELOITTE & TOUCHE LLP

Hartford, Connecticut  
February 26, 2021

## CERTIFICATION UNDER SECTION 302

I, George R. Aylward, certify that:

1. I have reviewed this annual report on Form 10-K of Virtus Investment Partners, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2021

/s/ GEORGE R. AYLWARD

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**George R. Aylward**  
**President, Chief Executive Officer and Director**  
**(Principal Executive Officer)**

## CERTIFICATION UNDER SECTION 302

I, Michael A. Angerthal, certify that:

1. I have reviewed this annual report on Form 10-K of Virtus Investment Partners, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 26, 2021

/s/ MICHAEL A. ANGERTHAL

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**Michael A. Angerthal**  
Executive Vice President, Chief Financial Officer  
(Principal Financial Officer and Principal Accounting Officer)

**CERTIFICATIONS OF CEO AND CFO PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with this Annual Report on Form 10-K of Virtus Investment Partners, Inc. (the "Company") for the period ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 26, 2021

/s/ GEORGE R. AYLWARD

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**George R. Aylward**  
**President, Chief Executive Officer and Director**  
**(Principal Executive Officer)**

/s/ MICHAEL A. ANGERTHAL

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**Michael A. Angerthal**  
**Executive Vice President, Chief Financial Officer**  
**(Principal Financial Officer and**  
**Principal Accounting Officer)**