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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019
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: 001-35355

MANNING & NAPIER, INC.
(Exact name of registrant as specified in its charter)

Delaware	**45-2609100**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
290 Woodcliff Drive Fairport, New York	**14450**
(Address of principal executive offices)	**(Zip Code)**

(585) 325-6880
Registrant's telephone number, including area code

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, $0.01 par value per share	MN	New York Stock Exchange

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, smaller reporting company, or an emerging growth company. See the 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 6, 2019
Class A common stock, $0.01 par value per share	15,620,595

TABLE OF CONTENTS

In this Quarterly Report on Form 10-Q, “we”, “our”, “us”, the “Company”, “Manning & Napier” and the “Registrant” refers to Manning & Napier, Inc. and, unless the context otherwise requires, its consolidated direct and indirect subsidiaries and predecessors.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Manning & Napier, Inc.
Consolidated Statements of Financial Condition
(U.S. dollars in thousands, except share data)

	June 30, 2019 (unaudited)	December 31, 2018
Assets		
Cash and cash equivalents	$ 57,169	$ 59,586
Accounts receivable	12,231	11,447
Investment securities	89,619	91,190
Prepaid expenses and other assets	5,849	5,221
Current assets, held for sale	237	—
Total current assets	165,105	167,444
Property and equipment, net	5,961	5,649
Operating lease right-of-use assets	20,067	—
Net deferred tax assets, non-current	20,460	20,795
Goodwill	4,829	4,829
Other long-term assets	4,138	3,842
Total assets	$ 220,560	$ 202,559
Liabilities		
Accounts payable	$ 1,712	$ 1,845
Accrued expenses and other liabilities	21,863	25,126
Deferred revenue	10,503	9,305
Current liabilities, held for sale	48	—
Total current liabilities	34,126	36,276
Operating lease liabilities, non-current	19,939	—
Amounts payable under tax receivable agreement, non-current	17,154	17,349
Other long-term liabilities	611	2,691
Total liabilities	71,830	56,316
Commitments and contingencies (Note 9)		
Shareholders' equity		
Class A common stock, $0.01 par value; 300,000,000 shares authorized; and 15,620,595 and 15,310,958 shares issued and outstanding at June 30, 2019 and December 31, 2018, respectively	156	153
Additional paid-in capital	198,304	198,604
Retained deficit	(38,372)	(38,865)
Accumulated other comprehensive income	(34)	(77)
Total shareholders' equity	160,054	159,815
Noncontrolling interests	(11,324)	(13,572)
Total shareholders' equity and noncontrolling interests	148,730	146,243
Total liabilities, shareholders' equity and noncontrolling interests	$ 220,560	$ 202,559

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

Manning & Napier, Inc.
Consolidated Statements of Operations
(U.S. dollars in thousands, except share data)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenues				
Management Fees				
Separately managed accounts	$ 21,738	$ 24,483	$ 43,213	$ 49,838
Mutual funds and collective investment trusts	7,403	11,030	15,631	22,010
Distribution and shareholder servicing	2,566	3,033	5,190	6,211
Custodial services	1,750	1,895	3,495	3,817
Other revenue	837	679	1,562	1,468
Total revenue	34,294	41,120	69,091	83,344
Expenses				
Compensation and related costs	20,161	21,689	41,609	45,462
Distribution, servicing and custody expenses	3,019	4,502	6,777	9,283
Other operating costs	8,639	8,579	16,946	15,033
Total operating expenses	31,819	34,770	65,332	69,778
Operating income	2,475	6,350	3,759	13,566
Non-operating income (loss)				
Interest expense	(10)	(21)	(13)	(30)
Interest and dividend income	837	374	1,646	876
Change in liability under tax receivable agreement	—	—	195	291
Net gains (losses) on investments	248	(21)	1,122	(270)
Total non-operating income	1,075	332	2,950	867
Income before provision for income taxes	3,550	6,682	6,709	14,433
Provision for income taxes	331	492	573	970
Net income attributable to controlling and noncontrolling interests	3,219	6,190	6,136	13,463
Less: net income attributable to noncontrolling interests	2,805	5,424	5,161	11,483
Net income attributable to Manning & Napier, Inc.	$ 414	$ 766	$ 975	$ 1,980
Net income per share available to Class A common stock				
Basic	$ 0.03	$ 0.05	$ 0.07	$ 0.13
Diluted	$ 0.03	$ 0.05	$ 0.06	$ 0.13
Weighted average shares of Class A common stock outstanding				
Basic	15,267,762	14,691,928	15,098,454	14,503,784
Diluted	15,613,939	14,709,403	78,317,986	14,530,398

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

Manning & Napier, Inc.
Consolidated Statements of Comprehensive Income
(U.S. dollars in thousands)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net income attributable to controlling and noncontrolling interests	$ 3,219	$ 6,190	$ 6,136	$ 13,463
Net unrealized holding gains (losses) on investment securities, net of tax	116	—	232	(147)
Reclassification adjustment for realized (gains) losses on investment securities included in net income	8	—	(6)	—
Comprehensive income	$ 3,343	$ 6,190	$ 6,362	$ 13,316
Less: Comprehensive income attributable to noncontrolling interests	2,907	5,424	5,344	11,363
Comprehensive income attributable to Manning & Napier, Inc.	$ 436	$ 766	$ 1,018	$ 1,953

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

Manning & Napier, Inc.
Consolidated Statements of Shareholders' Equity
(U.S. dollars in thousands, except share data)
(Unaudited)

	Common Stock – Class A		Additional Paid in Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Non Controlling Interests	Total
	Shares	Amount					
Three months ended June 30, 2019							
Balance—March 31, 2019	15,684,573	$ 157	$ 198,811	$ (38,516)	$ (56)	$ (11,488)	$ 148,908
Net income	—	—	—	414	—	2,805	3,219
Distributions to noncontrolling interests	—	—	—	—	—	(798)	(798)
Net changes in unrealized investment securities gains or losses	—	—	—	—	22	94	116
Common stock issued under equity compensation plan, net of forfeitures	(63,978)	(1)	1	—	—	—	—
Shares withheld to satisfy tax withholding requirements related to equity awards vested	—	—	(15)	—	—	(63)	(78)
Equity-based compensation	—	—	130	—	—	555	685
Dividends declared on Class A common stock - $0.02 per share	—	—	—	(270)	—	—	(270)
Impact of changes in ownership of Manning & Napier Group, LLC (Note 4)	—	—	(623)	—	—	(2,429)	(3,052)
Balance—June 30, 2019	15,620,595	$ 156	$ 198,304	$ (38,372)	$ (34)	$ (11,324)	$ 148,730
Six months ended June 30, 2019							
Balance—December 31, 2018	15,310,958	$ 153	$ 198,604	$ (38,865)	$ (77)	$ (13,572)	$ 146,243
Net income	—	—	—	975	—	5,161	6,136
Distributions to noncontrolling interests	—	—	—	—	—	(2,419)	(2,419)
Net changes in unrealized investment securities gains or losses	—	—	—	—	43	189	232
Common stock issued under equity compensation plan, net of forfeitures	309,637	3	(3)	—	—	—	—
Shares withheld to satisfy tax withholding requirements related to equity awards vested	—	—	(15)	—	—	(63)	(78)
Equity-based compensation	—	—	402	—	—	1,748	2,150
Dividends declared on Class A common stock - $0.04 per share	—	—	—	(558)	—	—	(558)
Cumulative effect of change in accounting principle, net of taxes (Note 8)	—	—	—	76	—	—	76
Impact of changes in ownership of Manning & Napier Group, LLC (Note 4)	—	—	(684)	—	—	(2,368)	(3,052)
Balance—June 30, 2019	15,620,595	$ 156	$ 198,304	$ (38,372)	$ (34)	$ (11,324)	$ 148,730

	Common Stock – Class A Shares	Common Stock – Class A Amount	Additional Paid in Capital	Retained Deficit	Accumulated Other Comprehensive Income (Loss)	Non Controlling Interests	Total
Three months ended June 30, 2018							
Balance—March 31, 2018	15,263,565	$ 153	$ 198,407	$ (38,165)	$ (113)	$ (20,200)	$ 140,082
Net income	—	—	—	766	—	5,424	6,190
Distributions to noncontrolling interests	—	—	—	—	—	(3,273)	(3,273)
Common stock issued under equity compensation plan, net of forfeitures	69,476	—	—	—	—	—	—
Equity-based compensation	—	—	89	—	—	397	486
Dividends declared on Class A common stock - $0.08 per share	—	—	—	(1,227)	—	—	(1,227)
Cumulative effect of change in accounting principle, net of taxes	—	—	—	—	—	—	—
Impact of changes in ownership of Manning & Napier Group, LLC	—	—	(8)	—	—	8	—
Balance—June 30, 2018	15,333,041	$ 153	$ 198,488	$ (38,626)	$ (113)	$ (17,644)	$ 142,258
Six months ended June 30, 2018							
Balance—December 31, 2017	15,039,347	$ 150	$ 198,641	$ (38,424)	$ (86)	$ (21,921)	$ 138,360
Net income	—	—	—	1,980	—	11,483	13,463
Distributions to noncontrolling interests	—	—	—	—	—	(8,181)	(8,181)
Net changes in unrealized investment securities gains or losses	—	—	—	—	(27)	(120)	(147)
Common stock issued under equity compensation plan, net of forfeitures	293,694	3	(3)	—	—	—	—
Equity-based compensation	—	—	297	—	—	1,342	1,639
Dividends declared on Class A common stock - $0.16 per share	—	—	—	(2,448)	—	—	(2,448)
Cumulative effect of change in accounting principle, net of taxes	—	—	—	266	—	1,224	1,490
Impact of changes in ownership of Manning & Napier Group, LLC	—	—	(447)	—	—	(1,471)	(1,918)
Balance—June 30, 2018	15,333,041	$ 153	$ 198,488	$ (38,626)	$ (113)	$ (17,644)	$ 142,258

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

Manning & Napier, Inc.
Consolidated Statements of Cash Flows
(U.S. dollars in thousands)
(Unaudited)

	Six months ended June 30, 2019	Six months ended June 30, 2018
Cash flows from operating activities:		
Net income attributable to controlling and noncontrolling interests	$ 6,136	$ 13,463
Adjustment to reconcile net income to net cash provided by operating activities:		
Equity-based compensation	2,150	1,639
Depreciation and amortization	796	957
Change in amounts payable under tax receivable agreement	(195)	(291)
Gain on sale of intangible assets	(116)	(2,509)
Net (gains) losses on investment securities	(1,122)	270
Deferred income taxes	410	721
(Increase) decrease in operating assets and increase (decrease) in operating liabilities:		
Accounts receivable	(788)	2,474
Prepaid expenses and other assets	(645)	197
Long-term assets	1,211	(617)
Accounts payable	(121)	755
Accrued expenses and other liabilities	(5,535)	(6,714)
Deferred revenue	1,198	(327)
Long-term liabilities	(1,327)	(348)
Net cash provided by operating activities	2,052	9,670
Cash flows from investing activities:		
Purchase of property and equipment	(1,084)	(1,265)
Sale of investments	4,734	1,615
Purchase of investments	(55,863)	(25,967)
Sale of intangible assets	116	2,509
Proceeds from maturity of investments	54,054	24,963
Net cash provided by investing activities	1,957	1,855
Cash flows from financing activities:		
Distributions to noncontrolling interests	(2,419)	(8,181)
Dividends paid on Class A common stock	(620)	(2,424)
Payment of shares withheld to satisfy withholding requirements	(78)	—
Payment of capital lease obligations	(61)	(66)
Purchase of Class A units of Manning & Napier Group, LLC	(3,052)	(1,918)
Net cash used in financing activities	(6,230)	(12,589)
Net decrease in cash and cash equivalents, including cash classified within current assets held for sale (Note 2)	(2,221)	(1,064)
Less: increase in cash classified within current assets held for sale	196	—
Net decrease in cash and cash equivalents	(2,417)	(1,064)
Cash and cash equivalents:		
Beginning of period	59,586	78,262
End of period	$ 57,169	$ 77,198

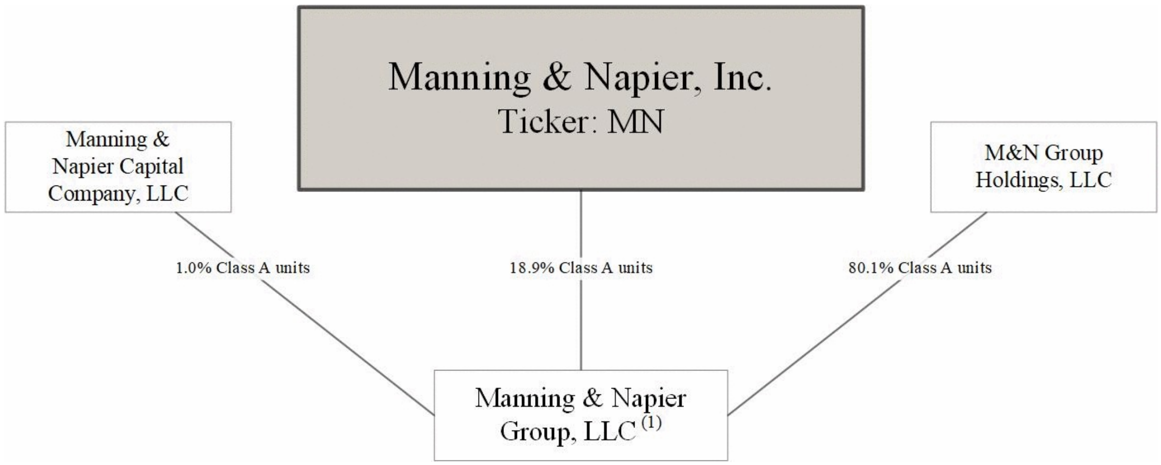
The accompanying notes are an integral part of these consolidated financial statements.

Manning & Napier, Inc.
Notes to Consolidated Financial Statements

Note 1—Organization and Nature of the Business

Manning & Napier, Inc. ("Manning & Napier" or the "Company") provides a broad range of investment solutions through separately managed accounts, mutual funds, and collective investment trust funds, as well as a variety of consultative services that complement its investment process. Founded in 1970, the Company offers equity, fixed income and alternative strategies, as well as a range of blended asset portfolios, including life cycle funds. Headquartered in Fairport, New York, the Company serves a diversified client base of high-net-worth individuals and institutions, including 401(k) plans, pension plans, Taft-Hartley plans, platforms, endowments and foundations.

The Company was incorporated in 2011 as a Delaware corporation, and is the sole managing member of Manning & Napier Group, LLC and its subsidiaries ("Manning & Napier Group"), a holding company for the investment management businesses conducted by its operating subsidiaries. The diagram below depicts the Company's organizational structure as of June 30, 2019.



(1) The consolidated operating subsidiaries of Manning & Napier Group include Manning & Napier Advisors, LLC ("MNA"), Perspective Partners LLC, Manning & Napier Information Services, LLC, Manning & Napier Investor Services, Inc., Exeter Trust Company and Rainier Investment Management, LLC ("Rainier").

Note 2—Summary of Significant Accounting Policies

Critical Accounting Policies

The Company's critical accounting policies and estimates are disclosed in its Annual Report on Form 10-K for the year ended December 31, 2018. The Company believes that the disclosures herein are adequate so that the information presented is not misleading; however, these financial statements should be read in conjunction with the financial statements and the notes thereto in the Company's Annual Report on Form 10-K for the year ended December 31, 2018. The financial data for the interim periods may not necessarily be indicative of results for future interim periods or for the full year.

Changes to the Company's accounting policies as a result of adoption ASU 2016-02, *Leases (Topic 842)* are discussed under "Leases" below and in Note 8.

Basis of Presentation

The accompanying unaudited consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and related rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for interim financial reporting and include all adjustments, consisting only of normal recurring adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim period.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates or assumptions that affect the reported amounts and disclosures in the consolidated financial statements. Actual results could differ from these estimates or assumptions.

Assets and Liabilities Held for Sale

On June 28, 2019, the Company entered into an agreement (the "Agreement") to sell all of the equity interests in its wholly-owned subsidiary, Perspective Partners, LLC ("PPI") to Manning Partners, LLC (Note 13). Manning Partners, LLC is wholly owned by the Chairman of the Company's Board of Directors. Closing of the sale pursuant to the Agreement is subject to customary closing conditions. This transaction does not meet the U.S. GAAP criteria to be reported as a discontinued operation, as it does not represent a strategic shift. The assets and liabilities of PPI are classified as held for sale as of June 30, 2019 and have been reported as such on the consolidated statements of financial condition. Assets held for sale as of June 30, 2019 consist of approximately $0.2 million of cash.

Principles of Consolidation

The Company consolidates all majority-owned subsidiaries. In addition, as of June 30, 2019, Manning & Napier holds an economic interest of approximately 18.9% in Manning & Napier Group but, as managing member, controls all of the business and affairs of Manning & Napier Group. As a result, the Company consolidates the financial results of Manning & Napier Group and records a noncontrolling interest on its consolidated statements of financial condition with respect to the remaining economic interest in Manning & Napier Group held by Manning & Napier Group Holdings, LLC (“M&N Group Holdings”) and Manning & Napier Capital Company, LLC (“MNCC”).

All material intercompany transactions have been eliminated in consolidation.

In accordance with Accounting Standards Update ("ASU") 2015-02, *Consolidation (Topic 810) – Amendments to the Consolidation Analysis*, the determination of whether a company is required to consolidate an entity is based on, among other things, an entity’s purpose and design, a company’s ability to direct the activities of the entity that most significantly impact the entity’s economic performance, and whether a company is obligated to absorb losses or receive benefits that could potentially be significant to the entity. The standard also requires ongoing assessments of whether a company is the primary beneficiary of a variable interest entity (“VIE”). When utilizing the voting interest entity ("VOE") model, controlling financial interest is generally defined as majority ownership of voting interests.

The Company provides seed capital to its investment teams to develop new strategies and services for its clients. The original seed investment may be held in a separately managed account, comprised solely of the Company's investments or within a mutual fund, where the Company's investments may represent all or only a portion of the total equity investment in the mutual fund. Pursuant to U.S. GAAP, the Company evaluates its investments in mutual funds on a regular basis and consolidates such mutual funds for which it holds a controlling financial interest. When no longer deemed to hold a controlling financial interest, the Company would deconsolidate the fund and classify the remaining investment as either an equity method investment or as trading securities, as applicable. As of June 30, 2019 and December 31, 2018, the Company did not have investments classified as an equity method investment.

The Company serves as the investment adviser for Manning & Napier Fund, Inc. series of mutual funds (the “Fund”), Exeter Trust Company Collective Investment Trusts (“CIT”) and Rainier Multiple Investment Trust. The Fund, CIT and Rainier Multiple Investment Trust are legal entities, the business and affairs of which are managed by their respective boards of directors. As a result, each of these entities is a VOE. The Company holds, in limited cases, direct investments in a mutual fund (which are made on the same terms as are available to other investors) and consolidates each of these entities where it has a controlling financial interest or a majority voting interest. The Company's investments in the Fund amounted to approximately $4.0 million as of June 30, 2019 and $3.6 million as of December 31, 2018. As of June 30, 2019 and December 31, 2018, the Company did not have a controlling financial interest in any mutual fund.

Revenue

Investment Management: Investment management fees are computed as a percentage of assets under management ("AUM"). The Company's performance obligation is a series of services that form part of a single performance obligation satisfied over time.

Separately managed accounts are paid in advance, typically for a semi-annual or quarterly period, or in arrears, typically for a monthly or quarterly period. When investment management fees are paid in advance, the Company defers the revenue as a contract liability and recognizes it over the applicable period. When investment management fees are paid in arrears, the Company estimates revenue and records a contract asset (accrued accounts receivable) based on AUM as of the most recent month end date.

Mutual funds and collective investment trust investment management revenue is calculated and earned daily based on AUM. Revenue is presented net of cash rebates and fees waived pursuant to contractual expense limitations of the funds. The Company also has agreements with third parties who provide recordkeeping and administrative services for employee benefit plans participating in the collective investment trusts. The Company is acting as an agent on behalf of the employee benefit plan sponsors, therefore, investment management revenue is recorded net of fees paid to third party service providers.

Distribution and shareholder servicing: The Company receives distribution and servicing fees for providing services to its affiliated mutual funds. Revenue is computed and earned daily based on a percentage of AUM. The performance obligation is a series of services that form part of a single performance obligation satisfied over time. The Company has agreements with third parties who provide distribution and administrative services for its mutual funds. The agreements are evaluated to determine whether revenue should be reported gross or net of payments to third-party service providers. The Company controls the services provided and acts as a principal in the relationship. Therefore, distribution and shareholder servicing revenue is recorded gross of fees paid to third parties.

Custodial services: Custodial service fees are calculated as a percentage of the client's market value with additional fees charged for certain transactions. For the safeguarding and administrative services that are subject to a percentage of market value fee, the Company's performance obligation is a series of services that form part of a single performance obligation satisfied over time. Revenue for transactions assigned a stand-alone selling price is recognized in the period which the transaction is executed. Custodial service fees are billed monthly in arrears. The Company has agreements with third parties who provide safeguarding, recordkeeping and administrative services for their clients. The Company controls the services provided and acts as a principal in the relationship. Therefore, custodial service revenue is recorded gross of fees paid to third parties.

Costs to Obtain a Contract

Incremental first year commissions directly associated with new separate account and collective investment trust contracts are capitalized and amortized on a straight-line basis over the estimated customer contract period of 7 years for separate accounts and 3 years for collective investment trust contracts. Refer to Note 3 for further discussion.

Cash and Cash Equivalents

The Company generally considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are primarily held in operating accounts at major financial institutions and also in money market securities. Cash equivalents are stated at cost, which approximates market value due to the short-term maturity of these investments. The fair value of cash equivalents has been classified as Level 1 in accordance with the fair value hierarchy.

Investment Securities

Investment securities are classified as either trading, equity method investments or available-for-sale and are carried at fair value. Fair value is determined based on quoted market prices in active markets for identical or similar instruments.

Investment securities classified as trading consist of equity securities, fixed income securities, and investments in mutual funds for which the Company provides advisory services. Realized and unrealized gains and losses on trading securities are recorded in net gains (losses) on investments in the consolidated statements of operations. At June 30, 2019, trading securities consist of investments held by the Company to provide initial cash seeding for product development purposes and investments to hedge economic exposure to market movements on its deferred compensation plan.

Investments classified as equity method investments represent seed investments in which the Company owns between 20-50% of the outstanding voting interests in the affiliated fund or when it is determined that the Company is able to exercise significant influence but not control over the investments. If the seed investment results in significant influence, but not control, the investment will be accounted for as an equity method investment. When using the equity method, the Company recognizes its share of the investee's net income or loss for the period which is recorded in net gains (losses) on investments in the consolidated statements of operations.

Investment securities classified as available-for-sale consist of U.S. Treasury notes and other short-term investments. Unrealized gains and losses on available-for-sale securities are excluded from earnings and are reported, net of deferred income tax, as a separate component of accumulated other comprehensive income in shareholders' equity until realized. The Company periodically reviews each individual security position that has an unrealized loss, or impairment, to determine if that impairment is other-than-temporary. If impairment is determined to be other-than-temporary, the carrying value of the security will be written down to fair value and the loss will be recognized in earnings. Realized gains and losses on sales of available-for-sale securities are computed on a specific identification basis and are recorded in net gains (losses) on investments in the consolidated statements of operations.

Property and Equipment

Property and equipment is presented net of accumulated depreciation of approximately $10.9 million and $11.3 million as of June 30, 2019 and December 31, 2018, respectively.

Goodwill and Intangible Assets

Goodwill represents the excess cost over the fair value of the identifiable net assets of acquired companies. Identifiable intangible assets generally represent the cost of client relationships and investment management agreements acquired as well as trademarks. Goodwill and indefinite-lived assets are tested for impairment annually or more frequently if events or circumstances indicate that the carrying value may not be recoverable. Intangible assets subject to amortization are tested for impairment whenever events or circumstances indicate that the carrying value may not be recoverable. Goodwill and intangible assets require significant management estimate and judgment, including the valuation and expected life determination in connection with the initial purchase price allocation and the ongoing evaluation for impairment.

Leases

The Company determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, accrued expenses and other liabilities and operating lease liabilities, non-current on its consolidated statements of financial condition. Finance leases are included in other long-term assets, accrued expenses and other liabilities, and other long-term liabilities on its consolidated statements of financial condition.

ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Operating lease ROU assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Company's leases do not provide an implicit rate, the Company uses its incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate, for each identified lease, is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term. The operating lease ROU asset is reduced for any lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that it will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Company has lease agreements with lease and non-lease components, which are combined for all classes of underlying assets.

Operating Segments

The Company operates in one segment, the investment management industry.

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-02, *Leases (Topic 842),* which is intended to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). In July 2018, the FASB issued ASU 2018-11, *Leases - Targeted Improvements*, which provides an optional transition method related to implementing the new lease standard. The Company adopted the new standard on its effective date of January 1, 2019. Refer to Note 8 for further discussion regarding the impact of adoption.

In February 2018, the FASB issued ASU No. 2018-02, *Income Statement - Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The ASU requires a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate as a result of the Tax Cuts and Jobs Act. The amount of the reclassification is the difference between the historical corporate income tax rate and the newly enacted 21% corporate income tax rate. The ASU will be effective for fiscal years beginning after December 15, 2018, with early adoption permitted. The Company's adoption of ASU 2018-02 on January 1, 2019 did not have a material impact on its consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

In January 2017, the FASB issued ASU 2017-04, *Intangibles - Goodwill and Other (Topic 350), Simplifying the Test for Goodwill Impairment*, which simplifies the accounting for goodwill impairments by eliminating step two from the goodwill impairment test. The ASU requires goodwill impairments to be measured on the basis of the fair value of the reporting unit relative to the reporting unit's carrying amount rather than on the basis of the implied amount of goodwill relative to the goodwill balance of the reporting unit. The ASU is effective for annual and interim impairment tests for periods beginning after December 15, 2019. Early adoption is allowed for annual and interim impairment tests occurring after January 1, 2017. The Company is evaluating the effect of adopting this new accounting standard.

Note 3—Revenue

Disaggregated Revenue

The following tables represent the Company’s separately managed account and mutual fund and collective investment trust investment management revenue by investment portfolio during the three and six months ended June 30, 2019 and June 30, 2018:

	Three months ended June 30, 2019			Three months ended June 30, 2018		
	Separately managed accounts	Mutual funds and collective investment trusts	Total	Separately managed accounts	Mutual funds and collective investment trusts	Total
			(in thousands)			
Blended Asset	$ 16,370	$ 4,423	$ 20,793	$ 18,010	$ 6,699	$ 24,709
Equity	4,767	2,946	7,713	5,831	4,222	10,053
Fixed Income	601	34	635	642	109	751
Total	$ 21,738	$ 7,403	$ 29,141	$ 24,483	$ 11,030	$ 35,513

	Six months ended June 30, 2019			Six months ended June 30, 2018		
	Separately managed accounts	Mutual funds and collective investment trusts	Total	Separately managed accounts	Mutual funds and collective investment trusts	Total
			(in thousands)			
Blended Asset	$ 32,641	$ 9,478	$ 42,119	$ 36,319	$ 13,151	$ 49,470
Equity	9,379	6,052	15,431	12,187	8,710	20,897
Fixed Income	1,193	101	1,294	1,332	149	1,481
Total	$ 43,213	$ 15,631	$ 58,844	$ 49,838	$ 22,010	$ 71,848

Accounts Receivable

Accounts receivable as of June 30, 2019 and December 31, 2018 consisted of the following:

	June 30, 2019	December 31, 2018
	(in thousands)	
Accounts receivable - third parties	$ 7,799	$ 5,342
Accounts receivable - affiliated mutual funds and collective investment trusts	4,432	6,105
Accounts receivable - current assets held for sale (Note 2)	4	—
Total accounts receivable	$ 12,235	$ 11,447

Accounts receivable represents the Company's unconditional rights to consideration arising from its performance under separately managed account, mutual fund and collective investment trust, distribution and shareholder servicing, and custodial service contracts. Accounts receivable balances do not include an allowance for doubtful accounts nor has any significant bad debt expense attributable to accounts receivable been recorded during the three or six months ended June 30, 2019 or 2018.

Advisory and Distribution Agreements

The Company earns investment advisory fees, distribution fees and administrative service fees under agreements with affiliated mutual funds and collective investment trusts. Fees earned for advisory and distribution services provided were approximately $10.2 million and $21.3 million for the three and six months ended June 30, 2019, respectively, and approximately $14.3 million and $28.8 million for the three and six months ended June 30, 2018, respectively, which represents greater than 25% of revenue in each period. The following provides amounts due from affiliated mutual funds and collective investment trusts reported within accounts receivable in the consolidated statements of financial condition as of June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
	(in thousands)	
Affiliated mutual funds	$ 3,056	$ 4,802
Affiliated collective investment trusts	1,376	1,303
Accounts receivable - affiliated mutual funds and collective investment trusts	$ 4,432	$ 6,105

Contract assets and liabilities

Accrued accounts receivable: Accrued accounts receivable represents the Company's contract asset for revenue that has been recognized in advance of billing separately managed account contracts. Consideration for the period billed in arrears is dependent on the client's AUM on a future billing date and therefore conditional as of the reporting period end. During the six months ended June 30, 2019, revenue was increased by less than $0.1 million for changes in transaction price. Accrued accounts receivable of approximately $0.3 million and $0.2 million is reported within prepaid expenses and other assets in the consolidated statements of financial condition as of June 30, 2019 and December 31, 2018, respectively.

Deferred revenue: Deferred revenue is recorded when consideration is received or unconditionally due in advance of providing services to the Company's customer. Revenue recognized during the six months ended June 30, 2019 that was included in deferred revenue at the beginning of the period was approximately $8.8 million.

Costs to obtain a contract: Incremental first year commissions directly associated with new separate account and collective investment trust contracts are capitalized and amortized straight-line over an estimated customer contract period of 7 years for separate accounts and 3 years for collective investment trust contracts. The total net asset as of both June 30, 2019 and December 31, 2018 was approximately $1.2 million. Amortization expense included in compensation and related costs totaled approximately $0.1 million and $0.2 million for the three and six months ended June 30, 2019 and 2018, respectively. An impairment loss of less than $0.1 million was recognized during the three and six months ended June 30, 2019 and 2018, respectively, related to contract acquisition costs for client contracts that canceled during the respective periods.

Note 4—Noncontrolling Interests

Manning & Napier holds an economic interest of approximately 18.9% in Manning & Napier Group, but as managing member controls all of the business and affairs of Manning & Napier Group. As a result, the Company consolidates the financial results of Manning & Napier Group and records a noncontrolling interest on its consolidated statements of financial condition with respect to the remaining approximately 81.1% economic interest in Manning & Napier Group held by M&N Group Holdings and MNCC. Net income attributable to noncontrolling interests on the statements of operations represents the portion of earnings attributable to the economic interest in Manning & Napier Group held by the noncontrolling interests.

The following provides a reconciliation from “Income before provision for income taxes” to “Net income attributable to Manning & Napier, Inc.”:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Income before provision for income taxes	$ 3,550	$ 6,682	$ 6,709	$ 14,433
Less: income (loss) before provision for income taxes of Manning & Napier, Inc. (1)	(10)	(12)	181	259
Income before provision for income taxes, as adjusted	3,560	6,694	6,528	14,174
Controlling interest percentage (2)	18.8%	18.2%	18.7%	18.2%
Net income attributable to controlling interest	669	1,221	1,221	2,573
Plus: income (loss) before provision for income taxes of Manning & Napier, Inc. (1)	(10)	(12)	181	259
Income before income taxes attributable to Manning & Napier, Inc.	659	1,209	1,402	2,832
Less: provision for income taxes of Manning & Napier, Inc.(3)	245	443	427	852
Net income attributable to Manning & Napier, Inc.	$ 414	$ 766	$ 975	$ 1,980

____

(1) Manning & Napier, Inc. incurs certain income or expenses that are only attributable to it and are therefore excluded from the net income attributable to noncontrolling interests.

(2) Income before provision for income taxes is allocated to the controlling interest based on the percentage of units of Manning & Napier Group held by Manning & Napier, Inc. The amount represents the Company's weighted ownership of Manning & Napier Group for the respective periods.

(3) The consolidated provision for income taxes is equal to the sum of (i) the provision for income taxes for entities other than Manning & Napier, Inc. and (ii) the provision for income taxes of Manning & Napier, Inc. which includes all U.S. federal and state income taxes. The consolidated provision for income taxes was $0.3 million and $0.6 million for the three and six months ended June 30, 2019, respectively, and $0.5 million and $1.0 million for the three and six months ended June 30, 2018, respectively.

As of June 30, 2019, a total of 62,034,200 units of Manning & Napier Group were held by the noncontrolling interests. Pursuant to the terms of the exchange agreement entered into at the time of the Company's initial public offering ("Exchange Agreement"), such units may be exchangeable for shares of the Company's Class A common stock. For any units exchanged, the Company will (i) pay an amount of cash equal to the number of units exchanged multiplied by the value of one share of the Company's Class A common stock less a market discount and expected expenses, or, at the Company's election, (ii) issue shares of the Company's Class A common stock on a one-for-one basis, subject to customary adjustments. As the Company receives units of Manning & Napier Group that are exchanged, the Company's ownership of Manning & Napier Group will increase.

During the six months ended June 30, 2019, M&N Group Holdings and MNCC exchanged a total of 1,315,521 Class A units of Manning & Napier Group for approximately $3.1 million in cash. Subsequent to the exchange the Class A units were retired, resulting in an increase in Manning & Napier's ownership in Manning & Napier Group. In addition, during the six months ended June 30, 2019, Class A common stock was issued under the Company's 2011 Equity Compensation Plan (the "Equity Plan") for which Manning & Napier, Inc. acquired an equivalent number of Class A units of Manning & Napier Group, net of forfeitures of unvested restricted stock awards.

The following is the impact to the Company's equity ownership interest in Manning & Napier Group for the six months ended June 30, 2019:

	Manning & Napier Group Class A Units Held			
	Manning & Napier	Noncontrolling Interests	Total	Manning & Napier Ownership %
As of December 31, 2018	14,126,736	63,349,721	77,476,457	18.2%
Class A Units issued	351,532	—	351,532	0.4%
Class A Units exchanged	—	(1,315,521)	(1,315,521)	0.3%
As of June 30, 2019	14,478,268	62,034,200	76,512,468	18.9%

Since the Company continues to have a controlling interest in Manning & Napier Group, the aforementioned changes in ownership of Manning & Napier Group were accounted for as equity transactions under ASC 810, *Consolidation*. Additional paid-in capital and noncontrolling interests in the Consolidated Statements of Financial Position are adjusted to reallocate the Company's historical equity to reflect the change in ownership of Manning & Napier Group.

At June 30, 2019 and December 31, 2018, the Company had recorded a liability of $17.8 million and $18.0 million, respectively, representing the estimated payments due to the selling unit holders under the tax receivable agreement ("TRA") entered into between Manning & Napier and the other holders of Class A Units of Manning & Napier Group. Of these amounts, $0.7 million were included in accrued expenses and other liabilities at both June 30, 2019 and December 31, 2018. The Company made no payments pursuant to the TRA during the six months ended June 30, 2019 and 2018.

Obligations pursuant to the TRA are obligations of Manning & Napier. They do not impact the noncontrolling interests. These obligations are not income tax obligations. Furthermore, the TRA has no impact on the allocation of the provision for income taxes to the Company's net income.

Note 5—Investment Securities

The following represents the Company's investment securities holdings as of June 30, 2019 and December 31, 2018:

	June 30, 2019			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Available-for-sale securities				
U.S. Treasury notes	$ 15,459	$ 175	$ —	$ 15,634
Fixed income securities	22,173	18	—	22,191
Short-term investments	42,386	—	—	42,386
				80,211
Trading securities				
Equity securities				5,442
Mutual funds				3,966
				9,408
Total investment securities				$ 89,619

	December 31, 2018			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
	(in thousands)			
Available-for-sale securities				
U.S. Treasury notes	$ 21,613	$ 36	$ —	$ 21,649
Fixed income securities	15,488	—	(75)	15,413
Short-term investments	45,879	—	—	45,879
				82,941
Trading securities				
Equity securities				4,683
Mutual funds				3,566
				8,249
Total investment securities				$ 91,190

Investment securities are classified as either trading or available-for-sale and are carried at fair value. Fair value is determined based on quoted market prices in active markets for identical or similar instruments.

Investment securities classified as trading consist of equity securities, fixed income securities and investments in mutual funds for which the Company provides advisory services. At June 30, 2019 and December 31, 2018, trading securities consist of investments held by the Company to provide initial cash seeding for product development purposes and investments in mutual funds to hedge economic exposure to market movements on its deferred compensation plan. The Company recognized approximately $1.1 million of net unrealized gains and $0.3 million of net unrealized losses related to investments classified as trading during the six months ended June 30, 2019 and 2018, respectively.

Investment securities classified as available-for-sale consist of U.S. Treasury notes, corporate bonds and other short-term investments to optimize cash management opportunities and for compliance with certain regulatory requirements. As of June 30, 2019 and December 31, 2018, approximately $0.6 million of these securities was considered restricted. The Company periodically reviews each individual security position that has an unrealized loss, or impairment, to determine if that impairment is other-than-temporary. No other-than-temporary impairment charges have been recognized by the Company during the six months ended June 30, 2019 and 2018.

Note 6—Fair Value Measurements

Fair value is defined as the price that the Company would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. A fair value hierarchy is provided that gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The following three-tier fair value hierarchy prioritizes the inputs used in measuring fair value:

- Level 1—observable inputs such as quoted prices in active markets for identical securities;
- Level 2—other significant observable inputs (including but not limited to quoted prices for similar securities, interest rates, prepayment rates, credit risk, etc.); and
- Level 3—significant unobservable inputs (including the Company's own assumptions in determining the fair value of investments).

The following provides the hierarchy of inputs used to derive the fair value of the Company's assets as of June 30, 2019 and December 31, 2018:

	June 30, 2019			
	Level 1	Level 2	Level 3	Totals
	(in thousands)			
Equity securities	$ 5,442	$ —	$ —	$ 5,442
Fixed income securities	—	22,191	—	22,191
Mutual funds	3,966	—	—	3,966
U.S. Treasury notes	—	15,634	—	15,634
Short-term investments	32,950	9,436	—	42,386
Total assets at fair value	$ 42,358	$ 47,261	$ —	$ 89,619
Contingent consideration liability	$ —	$ —	$ —	$ —
Total liabilities at fair value	$ —	$ —	$ —	$ —

	December 31, 2018			
	Level 1	Level 2	Level 3	Totals
	(in thousands)			
Equity securities	$ 4,683	$ —	$ —	$ 4,683
Fixed income securities	—	15,413	—	15,413
Mutual funds	3,566	—	—	3,566
U.S. Treasury notes	—	21,649	—	21,649
Short-term investments	43,914	1,965	—	45,879
Total assets at fair value	$ 52,163	$ 39,027	$ —	$ 91,190
Contingent consideration liability	$ —	$ —	$ —	$ —
Total liabilities at fair value	$ —	$ —	$ —	$ —

Short-term investments consists of certificate of deposits that are stated at cost, which approximate fair value due to the short maturity of the investments and U.S. Treasury bills.

Valuations of investments in fixed income securities, U.S. Treasury notes and U.S. Treasury bills can generally be obtained through independent pricing services. For most bond types, the pricing service utilizes matrix pricing, which considers one or more of the following factors: yield or price of bonds of comparable quality, coupon, maturity, current cash flows, type and current day trade information, as well as dealer supplied prices. These valuations are categorized as Level 2 in the hierarchy.

Contingent consideration was a component of the purchase price of Rainier in 2016 of additional cash payments of up to $32.5 million over the period ending December 31, 2019, contingent upon Rainier's achievement of certain financial targets. The fair value of the contingent consideration is calculated on a quarterly basis by forecasting Rainier's adjusted earnings before interest, taxes and amortization over the contingency period. There were no changes in contingent consideration liability measured at fair value using significant unobservable inputs (Level 3) for the six months ended June 30, 2019.

The Company's policy is to recognize transfers in and transfers out of the valuation levels as of the beginning of the reporting period. There were no transfers between valuation levels during the six months ended June 30, 2019.

Note 7—Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities as of June 30, 2019 and December 31, 2018 consisted of the following:

	June 30, 2019	December 31, 2018
	(in thousands)	
Accrued bonus and sales commissions	$ 12,518	$ 16,121
Accrued payroll and benefits	2,366	4,087
Accrued sub-transfer agent fees	555	1,451
Dividends payable	313	306
Amounts payable under tax receivable agreement	674	674
Short-term operating lease liabilities	2,791	—
Other accruals and liabilities	2,646	2,487
Total accrued expenses and other liabilities	$ 21,863	$ 25,126

During the year ended December 31, 2018, the Company commenced a voluntary employee retirement offering (the "offering"), available to employees meeting certain age and length-of-service requirements as well as business function criteria. Employees electing to participate in the offering were subject to approval by the Company, and received enhanced separation benefits. These employees are required to render service until their agreed upon termination date (which varies from person to person) in order to receive the benefits and as such, the liability will be recognized ratably over the applicable service period.

The Company estimates the total employee severance costs under the offering to be approximately $2.6 million, of which approximately $2.2 million was recognized during the year ended December 31, 2018. During the six months ended June 30, 2019, the Company recognized approximately $0.2 million of severance costs under the offering and approximately $0.8 million as a result of involuntary workforce reductions. Employee severance costs recognized are included in compensation and related costs in the consolidated statements of operations.

The following table summarizes the changes in accrued employee severance costs recognized by the Company during the six months ended June 30, 2019, as included in accrued expenses and other liabilities in the consolidated statements of financial condition:

	Six months ended June 30, 2019
	(in thousands)
Accrued employee severance costs as of December 31, 2018	$ 1,642
Employee severance costs recognized	1,011
Payment of employee severance costs	(2,068)
Accrued employee severance costs as of June 30, 2019	$ 585

Note 8—Leases

Adoption of ASU 2016-02, Leases (Topic 842)

On January 1, 2019, the Company adopted Topic 842 using the optional transition method. Consequently, financial information and disclosures for the reporting periods beginning after January 1, 2019 are presented under Topic 842, while prior period amounts are not adjusted and continue to be reported in accordance with the Company's historic accounting policies under Topic 840.

Topic 842 provides a number of optional practical expedients as part of the transition from Topic 840. The Company elected the ‘package of practical expedients’, which permits it to not reassess, under Topic 842, its prior conclusions about lease identification, lease classification and initial direct costs.

Topic 842 also provides practical expedients for an entity’s ongoing accounting under Topic 842. The Company elected the short-term lease recognition exemption for all leases that qualify, and elected the practical expedient to combine lease and non-lease components as a single combined lease component for all of its leases.

On adoption, the Company recognized lease liabilities of approximately $23.2 million and right-of-use assets for approximately $20.6 million, based on the present value of the remaining minimum rental payments under Topic 840 for operating leases that existed as of the date of adoption. In addition, the Company wrote-down approximately $2.6 million of unamortized deferred lease costs and tenant incentives previously recorded as deferred rent liability in the consolidated statements of financial condition as of December 31, 2018. The Company recognized an increase to opening shareholders' equity and noncontrolling interest of approximately $0.1 million, as of January 1, 2019, related to the deferred tax impacts of adopting Topic 842.

Leases

The Company has operating and finance leases for office space and certain equipment. For these leases, the office space or equipment is an explicitly identified asset within the contract. The Company has determined that it has obtained substantially all of the economic benefits from the use of the underlying asset and directs how and for what purpose the asset is used during the term of the contract.

The Company's leases have remaining lease terms ranging between approximately 1 year and 9 years. The Company's lease term on certain of its multi-year office space leases, including its headquarters, include options for the Company to extend those leases for periods ranging from an additional five to ten years. In addition, the Company has the option to reduce a portion of its square footage at certain times throughout the term of the lease for its headquarters. The Company determined it is not reasonably certain at this time it will exercise the options to extend these leases or will exercise the options to reduce its square footage; therefore, the payment amounts related to these lease term extensions and contraction options have been excluded from determining its right-of-use asset and lease liability.

Certain of the Company's operating leases for office space include variable lease payments, including non-lease components (such as utilities and operating expenses) that vary based on actual expenses and are adjusted on an annual basis. The Company concluded that these variable lease payments are in substance fixed payments and included the estimated variable payments in its determination of right-of-use assets and lease liabilities.

Changes in the lease terms, including renewal options and options to reduce its square footage, incremental borrowing rates, and/or variable lease payments, and the corresponding impact to the right-of-use assets and lease liabilities, are recognized in the period incurred.

Certain of the Company's operating leases have been subleased for which the Company will receive cash totaling approximately $3.4 million over the term of such leases. The lease terms for the three subleased operating leases end in 2019, 2021 and 2027.

The components of lease expense for the three and six months ended June 30, 2019 were as follows:

	Three months ended June 30, 2019	Six months ended June 30, 2019
	(in thousands)	
Finance lease expense		
Amortization of right-of-use assets	$ 30	$ 59
Interest on lease liabilities	2	5
Operating lease expense	934	1,857
Short-term lease expense	4	8
Variable lease expense	65	111
Sublease income	(174)	(297)
Total	$ 861	$ 1,743

Supplemental cash flow information related to leases for the three and six months ended June 30, 2019 were as follows:

	Three months ended June 30, 2019		Six months ended June 30, 2019	
	(in thousands)			
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from finance leases	$	3	$	5
Finance cash flows from finance leases	$	33	$	61
Operating cash flows from operating leases	$	1,159	$	1,953
Right-of-use assets obtained in exchange for new lease obligations:				
Finance leases	$	15	$	175
Operating leases	$	862	$	862

Supplemental balance sheet information related to leases as of June 30, 2019 was as follows:

(in thousands, except lease term and discount rate)	June 30, 2019	
Finance Leases		
Finance lease right-of-use assets (1)	$	268
Accrued expenses and other liabilities	$	120
Other long-term liabilities		162
Total finance lease liabilities	$	282
Operating Leases		
Operating lease right-of-use assets	$	20,067
Accrued expenses and other liabilities	$	2,791
Operating lease liabilities, non-current		19,939
Total operating lease liabilities	$	22,730
Weighted average remaining lease term		
Finance leases		2.98 years
Operating leases		7.76 years
Weighted average discount rate		
Finance leases		4.41%
Operating leases		5.14%

____

(1) Amounts included in other long-term assets within the consolidated statements of financial condition.

Maturities of lease liabilities were as follows:

Twelve month period ending June 30,	Finance Leases	Operating Leases
	(in thousands)	
2020	$ 131	$ 3,889
2021	75	3,887
2022	55	3,558
2023	28	3,272
2024	14	3,132
Thereafter	—	9,895
Total lease payments	303	27,633
Less imputed interest	(21)	(4,903)
Total lease liabilities	$ 282	$ 22,730

As of December 31, 2018, minimum rent payments relating to the office leases for each of the following five years and thereafter were as follows:

Year Ending December 31,	Minimum Payments
	(in thousands)
2019	$ 3,748
2020	3,780
2021	3,712
2022	3,668
2023	3,369
Thereafter	13,397
Total undiscounted lease payments	$ 31,674

Note 9—Commitments and Contingencies

The Company may from time to time enter into agreements that contain certain representations and warranties and which provide general indemnifications. The Company may also serve as a guarantor of such obligations. The Company's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Company that have not yet occurred. The Company expects any risk of liability associated with such guarantees to be remote.

Regulation

As an investment adviser to a variety of investment products, the Company and its affiliated broker-dealer are subject to routine reviews and inspections by the SEC and the Financial Industry Regulatory Authority, Inc. Additionally, the Company could be subject to non-routine reviews and inspections by the National Futures Association and U.S. Commodity Futures Trading Commission in regards to the Company's de minimis exposure to commodity interest investments in the mutual funds and collective investment trust vehicles it operates. From time to time the Company may also be subject to claims, or be involved in various legal proceedings, arising in the ordinary course of its business and other contingencies. The Company does not believe that the outcome of any of these reviews, inspections or other legal proceedings will have a material impact on its consolidated financial statements; however, litigation is subject to many uncertainties, and the outcome of individual litigated matters is difficult to predict. The Company will establish accruals for matters that are probable, can be reasonably estimated, and may take into account any related insurance recoveries to the extent of such recoveries. As of June 30, 2019 and December 31, 2018, the Company has not accrued for any such claims, legal proceedings, or other contingencies.

Note 10—Earnings per Common Share

Basic earnings per share ("basic EPS") is computed using the two-class method to determine net income available to Class A common stock. The two-class method includes an earnings allocation formula that determines earnings per share for each participating security according to dividends declared and undistributed earnings for the period. The Company's restricted Class A common shares granted under the Equity Plan have non-forfeitable dividend rights during their vesting period and are therefore considered participating securities under the two-class method. Under the two-class method, the Company's net income available to Class A common stock is reduced by the amount allocated to the unvested restricted Class A common stock. Basic EPS is calculated by dividing net income available to Class A common stock by the weighted average number of common shares outstanding during the period.

Diluted earnings per share ("diluted EPS") is computed under the more dilutive of either the treasury method or the two-class method. For the diluted calculation, the weighted average number of common shares outstanding during the period is increased by the assumed conversion into Class A common stock of the unvested equity awards and the exchangeable Class A units of Manning & Napier Group, to the extent that such conversion would dilute earnings per share.

The following is a reconciliation of the income and share data used in the basic and diluted EPS computations for the three and six months ended June 30, 2019 and 2018 under the two-class method:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(in thousands, except share data)			
Net income attributable to controlling and noncontrolling interests	$ 3,219	$ 6,190	$ 6,136	$ 13,463
Less: net income attributable to noncontrolling interests	2,805	5,424	5,161	11,483
Net income attributable to Manning & Napier, Inc.	$ 414	$ 766	$ 975	$ 1,980
Less: allocation to participating securities	(33)	47	(43)	95
Net income available to Class A common stock	$ 447	$ 719	$ 1,018	$ 1,885
Weighted average shares of Class A common stock outstanding - basic	15,267,762	14,691,928	15,098,454	14,503,784
Dilutive effect of unvested equity awards	346,177	17,475	305,895	26,614
Dilutive effect of exchangeable Class A Units	—	—	62,913,637	—
Weighted average shares of Class A common stock outstanding - diluted	15,613,939	14,709,403	78,317,986	14,530,398
Net income available to Class A common stock per share - basic	$ 0.03	$ 0.05	$ 0.07	$ 0.13
Net income available to Class A common stock per share - diluted	$ 0.03	$ 0.05	$ 0.06	$ 0.13

For the three and six-months ended June 30, 2019, 3,000,000 unvested performance-based stock options were excluded from the calculation of diluted EPS because the associated market condition had not yet been achieved.

For the three and six-months ended June 30, 2019, 961,060 and 1,211,060, respectively, unvested equity awards were excluded from the calculation of diluted EPS because the effect would have been anti-dilutive. For the three and six months ended June 30, 2018, 592,500 and 668,603, respectively, unvested equity awards were excluded from the calculation of diluted EPS because the effect would have been anti-dilutive.

Note 11—Equity Based Compensation

The Equity Plan was adopted by the Company's board of directors and approved by shareholders prior to the consummation of the Company's 2011 initial public offering. Under the Equity Plan, a total of 13,142,813 equity interests are authorized for issuance, and may be issued in the form of Class A common stock, restricted stock units, stock options, units of Manning & Napier Group, or certain classes of membership interests in the Company which may convert into units of Manning & Napier Group.

The following table summarizes activity related to awards of restricted stock and restricted stock units (collectively, "stock awards") activity under the Equity Plan for the six months ended June 30, 2019:

	Stock Awards	Weighted Average Grant Date Fair Value
Outstanding at January 1, 2019	1,602,337	$ 5.31
Granted	770,571	$ 2.38
Vested	(566,115)	$ 5.58
Forfeited	(45,000)	$ 11.03
Outstanding at June 30, 2019	1,761,793	$ 3.80

The weighted average fair value of stock awards granted during the six months ended June 30, 2019 was $2.38, based on the closing sale price of the Company's Class A common stock as reported on the New York Stock Exchange on the date of grant, and, if not entitled to dividends or dividend equivalents during the vesting period, reduced by the present value of such amounts expected to be paid on the underlying shares during the requisite service period.

For the three and six months ended June 30, 2019, the Company recorded approximately $0.5 million and $1.9 million, respectively, of compensation expense related to stock awards under the Equity Plan. For the three and six months ended June 30, 2018, the Company recorded approximately $0.5 million and $1.6 million, respectively, of compensation expense related to stock awards under the Equity Plan. The aggregate intrinsic value of stock awards that vested during the six months ended June 30, 2019 and 2018 was approximately $1.3 million and $1.7 million, respectively. As of June 30, 2019, there was unrecognized compensation expense of approximately $4.6 million related to stock awards, which the Company expects to recognize over a weighted average period of approximately 2.0 years.

In connection with the vesting of restricted stock units during the six-months ended June 30, 2019, the Company withheld a total of 38,978 shares of Class A common stock to satisfy approximately $0.1 million of employee income tax withholding requirements. These net share settlements had the effect of shares repurchased and retired by the Company, as they reduced the total number of Class A common shares outstanding.

A summary of activity under the Equity Plan related to stock option awards during the six months ended June 30, 2019 is presented below:

	Stock Option Awards	Weighted Average Exercise Price	Weighted Average Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at January 1, 2019	—	$ —		
Granted	3,500,000	$ 2.01		
Vested	—	$ —		
Forfeited	—	$ —		
Outstanding at June 30, 2019	3,500,000	$ 2.01	4.2	$ —
Exercisable at June 30, 2019	—	$ —		

For each of the three and six months ended June 30, 2019, the Company recorded approximately $0.2 million of compensation expense related to stock options under the Equity Plan. As of June 30, 2019, there was unrecognized compensation expense of approximately $1.2 million related to stock options, which the Company expects to recognize over a weighted average period of approximately 1.3 years.

During the six months ended June 30, 2019, the Company granted a total of 3,500,000 stock option awards under the Equity Plan, 3,000,000 of which are subject to the achievement of specified performance criteria ("performance options"). The performance options vest in installments, only if the closing price per share of the Company's Class A common stock as reported on the New York Stock Exchange exceeds a certain threshold for 20 consecutive days ("target price") prior to a specified date ("target date"). Target prices range from $3.25 to $7.75. Target dates by which each target price must be achieved range from three to seven years from the grant date. These performance options are considered to have a market condition, the effect of which is reflected in the grant date fair value of the award. As such, as long as the requisite service is rendered for these awards, compensation expense will be recognized regardless of whether the market condition is achieved. The fair value of these performance options was estimated using a Monte Carlo simulation model and the weighted average grant date fair value for the performance options granted was $0.38.

For stock option awards with service conditions only ("service-based options"), the Company determines the fair value of each option award on the date of grant using the Black-Scholes option pricing model. The weighted average grant date fair value of service-based options granted during the six months ended June 30, 2019 was $0.62, using the following assumptions:

Expected volatility	45.00%
Expected term (in years)	4.9 - 6.9
Risk-free interest rate	2.49% - 2.58%
Expected dividend yield	3.98%

Note 12—Income Taxes

The Company is comprised of entities that have elected to be treated as either a limited liability company ("LLC") or a “C-Corporation". As such, the entities functioning as LLCs are not liable for or able to benefit from U.S. federal and most state income taxes on their earnings, and earnings (losses) will be included in the personal income tax returns of each entity’s unit holders. The entities functioning as C-Corporations are liable for or able to benefit from U.S. federal and state and local income taxes on their earnings and losses, respectively.

The Company’s income tax provision and effective tax rate were as follows:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Income before provision for income taxes	$ 3,550	$ 6,682	$ 6,709	$ 14,433
Effective tax rate	9.3%	7.4%	8.5%	6.7%
Provision for income taxes	331	492	573	970
Provision for income taxes at statutory rate	746	1,403	1,409	3,031
Difference between tax at effective vs. statutory rate	$ (415)	$ (911)	$ (836)	$ (2,061)

For both the three and six months ended June 30, 2019 and 2018, the difference between the Company’s recorded provision and the provision that would result from applying the U.S. statutory rate of 21% is primarily attributable to the benefit resulting from the fact that a significant portion of the Company’s operations include a series of flow-through entities which are generally not subject to federal and most state income taxes. Accordingly, a portion of the Company’s earnings are not subject to corporate level taxes.

Note 13—Related Party Transactions

Sale of Subsidiary

On June 28, 2019, the Company entered into the Agreement to sell all of the equity interests in its wholly-owned subsidiary, PPI, to Manning Partners, LLC (“MP”). MP is wholly owned by the Chairman of the Company’s Board of Directors. Pursuant to the Agreement, Manning & Napier Group will sell PPI to MP in exchange for a purchase price consisting of payments based on historical expenses of PPI from September 1, 2018 until the date of closing, estimated to be approximately $3.2 million, and future revenue payments, as applicable. Closing of the sale pursuant to the Agreement is subject to customary closing conditions.

Transactions with noncontrolling members

From time to time, the Company may be asked to provide certain services, including accounting, legal and other administrative functions for the noncontrolling members of Manning & Napier Group. While immaterial, the Company has not received any reimbursement for such services.

The Company manages the personal funds of certain of the Company's executive officers and directors and/or their affiliated entities. Pursuant to the respective investment management agreements, in some instances the Company may waive or reduce its regular advisory fees for these accounts. The aggregate value of the fees earned and the value of fees waived was less than $0.1 million for each of the six months ended June 30, 2019 and 2018.

Affiliated fund transactions

The Company earns investment advisory fees, distribution fees and administrative service fees under agreements with affiliated mutual funds and collective investment trusts. Fees earned for advisory and distribution services provided were approximately $10.2 million and $21.3 million for the three and six months ended June 30, 2019, respectively, and approximately $14.3 million and $28.8 million for the three and six months ended June 30, 2018, respectively. Fees earned for administrative services provided were approximately $0.5 million and $1.1 million for the three and six months ended June 30, 2019, respectively, and approximately $0.5 million and $1.0 million for the three and six months ended June 30, 2018, respectively. See Note 3 for disclosure of amounts due from affiliated mutual funds and collective investment trusts.

The Company incurs certain expenses on behalf of the collective investment trusts and has contractually agreed to limit its fees and reimburse expenses to limit operating expenses incurred by certain affiliated fund series. The aggregate value of fees waived and expenses reimbursed to, or incurred for, affiliated mutual funds and collective investment trusts were approximately $1.7 million and $3.2 million for the three and six months ended June 30, 2019, respectively, and approximately $0.7 million and $2.4 million for the three and six months ended June 30, 2018, respectively. As of June 30, 2019 the Company had recorded a receivable of approximately $0.2 million for expenses paid on behalf of an affiliated mutual fund. These expenses are reimbursable to the Company under an agreement with the affiliated mutual fund, and are included within other long-term assets on the consolidated statements of financial condition.

Note 14—Subsequent Events

Distributions and dividends

On July 23, 2019, the Board of Directors approved a distribution from Manning & Napier Group to Manning & Napier and the noncontrolling interests of Manning & Napier Group. The amount of the distribution will be based on earnings for the quarter ending September 30, 2019. Concurrently, the Board of Directors declared a $0.02 per share dividend to the holders of Class A common stock. The dividend is payable on or about November 1, 2019 to shareholders of record as of October 15, 2019.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This report contains forward-looking statements within the meaning of 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"), which reflect our views with respect to, among other things, our operations and financial performance. Words like "believes," "expects," "may," "estimates," "will," "should," "could," "intends," "likely," "plans," or "anticipates" or the negative thereof or other variations thereon or comparable terminology, are used to identify forward-looking statements, although not all forward-looking statements contain these words. Although we believe that we are basing our expectations and beliefs on reasonable assumptions within the bounds of what we currently know about our business and operations, there can be no assurance that our actual results will not differ materially from what we expect or believe. Some of the factors that could cause our actual results to differ materially from our expectations or beliefs are disclosed in the "Risk Factors" section, as well as other sections, of our Annual Report on Form 10-K, which include, without limitation: changes in securities or financial markets or general economic conditions; a decline in the performance of our products; client sales and redemption activity; any loss of an executive officer or key personnel; changes in our business related to strategic acquisitions and other transactions; and changes of government policy or regulations. All forward-looking statements speak only as of the date on which they are made and we undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Overview

Our Business

We are an independent wealth management firm that provides a broad range of investment solutions through separately managed accounts, mutual funds, and collective investment trust funds, as well as a variety of consultative services that complement our investment process. Founded in 1970, we offer equity, fixed income and alternative strategies, as well as a range of blended asset portfolios, including life-cycle funds. We serve a diversified client base of high-net-worth individuals and institutions, including 401(k) plans, pension plans, Taft-Hartley plans, platforms, endowments and foundations. Our operations are based principally in the United States, with our headquarters located in Fairport, New York.

Market Developments

After a volatile 2018 culminated in one of the most significant drawdowns of the post-financial crisis era, financial markets have had a furious rally to start the New Year. US equities reached new all-time highs, international equities bounced back, and falling interest rates have boosted performance for fixed income investors as well.

We believe that underpinning the strong market for investors has been the twin tailwinds of easing geopolitical risks and shifting monetary policy expectations. Heading into 2019, tariffs and the trade war remained precarious. Since then, trade tensions between the U.S. and China have escalated, while resolutions have been found on several fronts, specifically including relations between the U.S. and Mexico, Japan, and the European Union.

Meanwhile, rising concerns over the future pace of global economic growth, as well as weak inflation readings, resulted in the yield curve inverting across most maturities and the market now forecasts several interest rate cuts between now and the end of the year.

These dynamics have led to a favorable market environment for nearly every asset class with some performing particularly well. Regarding fixed income, interest rates fell across the yield curve, allowing longer-dated bonds to outperform shorter-dated securities. Credit spreads remained tight by quarter's end despite a volatile ride throughout the period.

Although the post-financial crisis recovery has been relatively weak, we view the economy as later cycle. We do not feel that the most recent uptick in economic growth is sustainable and believe that as growth slows to a lower rate, market volatility may rise. Considering our outlook, we believe our clients are best served by utilizing an active investment approach.

Other Business Updates

On June 28, 2019, the Company, through Manning & Napier Group, entered into an agreement (the "Agreement") to sell its wholly-owned subsidiary Perspective Partners, LLC ("PPI"), to Manning Partners, LLC ("MP"). MP is wholly owned by William Manning, Chairman of the Company's Board of Directors. Pursuant to the Agreement, the purchase price will consist of payments based on historical expenses of PPI from September 1, 2018 until the date of closing, estimated to be approximately $3.2 million. Closing of the sale pursuant to the Agreement is subject to customary closing conditions and is expected to occur during the third quarter of 2019. Upon closing, the Company will no longer incur costs associated with PPI. During the three and six month periods ended June 30, 2019, the expenses related to PPI were approximately $0.6 million and $1.5 million, respectively.

Also included in 2019 second quarter results was approximately $0.5 million of employee severance charges incurred as part of our strategic review. The Company's headcount has decreased to 336 as of June 30, 2019 from 410 and 356 as of June 30, 2018 and March 31, 2019, respectively.

Our Solutions

We derive substantially all of our revenues from investment management fees earned from providing advisory services to separately managed accounts, mutual funds and collective investment trusts—including those offered by Manning & Napier Advisors, LLC ("MNA"), the Manning & Napier Fund, Inc., Exeter Trust Company, and Rainier Investment Management, LLC ("Rainier").

Our separate accounts are primarily distributed through our direct sales channel, where our client consultants form relationships with high-net-worth individuals, middle market institutions or large institutions that are working with a consultant. To a lesser extent, we also obtain a portion of our separate account distribution via third parties, either through our intermediary sales channel where national brokerage firm representatives or independent financial advisors select our separate account strategies for their clients, or through our platform/sub-advisor channel, where unaffiliated registered investment advisors approve our strategies for their product platforms. Our separate account strategies are a primary driver of our blended asset portfolios for high-net-worth, middle market institutional clients and financial intermediaries. In contrast, larger institutions and unaffiliated registered investment advisor platforms are a driver of our separate account equity portfolios.

Our mutual funds and collective investment trusts are distributed through financial intermediaries, including brokers, financial advisors, retirement plan advisors and platform relationships. We also distribute our mutual fund and collective investment trusts through our direct sales representatives, particularly within the defined contribution and institutional marketplace. Our mutual fund and collective investment trust strategies are an important driver of both our blended asset class and single asset class portfolios.

Our AUM was $21.3 billion as of June 30, 2019. The composition of our AUM by vehicle and portfolio is illustrated in the table below:

	June 30, 2019			
AUM - by investment vehicle and portfolio	**Blended Asset**	**Equity**	**Fixed Income**	**Total**
	(in millions)			
Separately managed accounts	$ 9,455.2	$ 4,358.1	$ 1,000.8	$ 14,814.1
Mutual funds and collective investment trusts	4,389.1	1,951.4	96.2	6,436.7
Total	$ 13,844.3	$ 6,309.5	$ 1,097.0	$ 21,250.8

Separately Managed Accounts

The composition of our separately managed accounts as of June 30, 2019, by channel and portfolio, is set forth in the table below:

	June 30, 2019			
	Blended Asset	Equity	Fixed Income	Total
	(dollars in millions)			
Separate account AUM				
Direct Channel	$ 7,245.9	$ 2,690.7	$ 882.6	$ 10,819.2
Intermediary Channel	2,195.7	562.6	118.2	2,876.5
Platform/Sub-advisor Channel	13.6	1,104.8	—	1,118.4
Total	$ 9,455.2	$ 4,358.1	$ 1,000.8	$ 14,814.1
Percentage of separate account AUM				
Direct Channel	49%	18%	6%	73%
Intermediary Channel	15%	4%	1%	20%
Platform/Sub-advisor Channel	0%	7%	—%	7%
Total	64%	29%	7%	100%
Percentage of portfolio by channel				
Direct Channel	77%	62%	88%	73%
Intermediary Channel	23%	13%	12%	19%
Platform/Sub-advisor Channel	0%	25%	—%	8%
Total	100%	100%	100%	100%
Percentage of channel by portfolio				
Direct Channel	67%	25%	8%	100%
Intermediary Channel	76%	20%	4%	100%
Platform/Sub-advisor Channel	1%	99%	—%	100%

Our separate accounts contributed 49% of our total gross client inflows for the six months ended June 30, 2019 and represented 70% of our total AUM as of June 30, 2019.

Our separate account business has historically been driven primarily by our direct sales channel, where sales representatives form a relationship with high-net-worth investors, middle market institutions, and large institutional clients working in conjunction with a consultant. The direct sales channel contributed 71% of the total gross client inflows for our separate account business for the six months ended June 30, 2019 and represented 73% of our total separate account AUM as of June 30, 2019. We anticipate this channel to continue to be the largest driver of new separate account business going forward, given their high-net-worth and middle market institutional client-type focus.

During the six months ended June 30, 2019, blended asset portfolios represented 69% of the separate account gross client inflows from the direct sales channel, while equity and fixed income portfolios represented 23% and 8%, respectively. As of June 30, 2019, blended asset and equity portfolios represented 67% and 25%, respectively, of total direct sales channel separate account AUM, while our fixed income portfolios were 8%. We expect our focus on individuals and middle market institutions to continue to drive interest in our separately managed account investment strategies.

To a lesser extent, we also obtain separate account business from third parties, including financial advisors or unaffiliated registered investment advisor programs or platforms. During the six months ended June 30, 2019, 9% of the total gross client inflows for separate accounts came from financial advisor representatives (intermediary sales channel), and an additional 20% came from registered investment advisor platforms (platform/sub-advisory channel). The intermediary and platform/sub-advisor sales channels collectively represented 27% of our total separate account AUM as of June 30, 2019.

New separate account business through the intermediary sales channel flowed into both our blended asset and equity portfolios. During the six months ended June 30, 2019, blended asset and equity portfolios represented 69% and 30%, respectively, of the separate account gross client inflows from the intermediary sales channel. As of June 30, 2019, 76% of our separate account AUM derived from financial advisors was allocated to blended asset portfolios, with 20% allocated to equity and 4% allocated to fixed income. We expect that equity and fixed income portfolios may see additional interest from financial advisors over time as more advisors structure a multi-strategy portfolio for their clients.

During the six months ended June 30, 2019, substantially all of our separate account gross client inflows from the platform/Sub-advisory sales channel were into equity portfolios. Gross client inflows through the platform/sub-advisor sales channel are primarily directed to our equity strategies, where we are filling a specific mandate within the investment program or platform product.

Our annualized separate account retention rate across all channels was 93% during the six months ended June 30, 2019, an increase from our historical retention rate, which was 91% for the rolling twelve months ended June 30, 2019.

Mutual Funds and Collective Investment Trusts

The composition of our mutual fund and collective investment trust AUM as of June 30, 2019, by portfolio, is set forth in the table below:

	June 30, 2019			
	Blended Asset	Equity	Fixed Income	Total
	(in millions)			
Mutual fund and collective investment trust AUM	$ 4,389.1	$ 1,951.4	$ 96.2	$ 6,436.7

Our mutual funds and collective investment trusts contributed 51% of our total gross client inflows for the six months ended June 30, 2019 and represented 30% of our total AUM as of June 30, 2019. As of June 30, 2019, our mutual fund and collective investment trust AUM consisted of 68% from blended asset portfolios, 30% from equity portfolios and 2% from fixed income portfolios, compared to 68%, 31% and 1% for blended asset, equity and fixed income portfolios as of June 30, 2018. During the six months ended June 30, 2019, 48%, 47% and 5% of the gross client inflows were attributable to blended assets, equity and fixed income portfolios, respectively.

Our mutual fund and collective investment trust business is driven by both financial intermediaries, as well as through our direct sales channel. Through our intermediary channel, we are focused on promoting our single-asset class and specialized strategies to our wealth and retirement plan advisors, who wish to use our strategies as a component of a larger portfolio. Additionally, our blended asset portfolios are used by advisors seeking a multi-asset class solution for their retail clients.

We also have relationships with consultants and manager research teams at platforms in order to distribute our funds within advisory programs, or through placement on platforms' approved lists of funds. To facilitate our relationships with intermediaries, we currently have approximately 250 dealer relationships. These relationships are important to our retail business as well as our 401(k) life cycle and institutional business.

Through the direct channel, our representatives promote our portfolios to large institutional clients with which we have direct relationships, as well as consultants. Additionally, we have relationships with middle market and large market defined contribution plan sponsors seeking to use our life cycle mutual funds and collective investment trusts as default options on their investment menu. In the direct channel, we may see additional interest in our mutual funds and collective investment trust strategies through both blended and single-asset class portfolios based on the needs of the clients.

Results of Operations

Below is a discussion of our consolidated results of operations for the three and six months ended June 30, 2019 and 2018.

Components of Results of Operations

Overview

An important factor influencing inflows and outflows of our AUM is the investment performance of our various investment approaches. Our stock selection strategies, absolute pricing discipline and active asset allocation generally result in specific absolute and relative return characteristics in different market environments. For example, during a fundamental-driven bull market when prices are rising alongside improving fundamentals, we are likely to experience positive absolute returns and competitive relative returns. However, in a more momentum-driven bull market, when prices become disconnected from underlying fundamentals, or narrow market environment where a small handful of stocks outperform the average stock, we are likely to experience positive absolute returns but lagging relative returns. Similarly, during a valuation-driven bear market, when markets experience a period of price correction following a momentum-driven bull market, we are likely to experience negative absolute returns but strong relative returns. However, in a momentum-driven bear market, which is typically characterized by broad price declines in a highly correlated market, we are likely to experience negative absolute returns and potentially lagging relative returns. Essentially, our approach is likely to do well when markets are driven by fundamentals, but lag when markets are driven primarily by momentum.

Other components impacting our operating results include:

- asset-based fee rates and changes in those rates;
- the composition of our AUM among various portfolios, vehicles and client types;
- changes in our variable costs, including incentive compensation and distribution, servicing and custody expenses, which are affected by our investment performance, level of our AUM and revenue; and
- fixed costs, including changes to base compensation, vendor-related costs and investment spending on new products.

Table of Contents

Assets Under Management and Investment Performance

The following table reflects the indicated components of our AUM for our investment vehicles for the three and six months ended June 30, 2019 and 2018:

	Separately managed accounts	Mutual funds and collective investment trusts	Total	Separately managed accounts	Mutual funds and collective investment trusts	Total
		(in millions)				
As of March 31, 2019	**$ 14,667.2**	**$ 6,470.6**	**$ 21,137.8**	69%	31%	100%
Gross client inflows (1)	301.2	249.2	550.4			
Gross client outflows (1)	(613.2)	(509.6)	(1,122.8)			
Market appreciation/(depreciation) & other (2)	458.9	226.5	685.4			
As of June 30, 2019	**$ 14,814.1**	**$ 6,436.7**	**$ 21,250.8**	70%	30%	100%
Average AUM for period	$ 14,647.1	$ 6,383.4	$ 21,030.5			
As of March 31, 2018	**$ 15,960.1**	**$ 7,473.4**	**$ 23,433.5**	68%	32%	100%
Gross client inflows (1)	331.1	349.7	680.8			
Gross client outflows (1)	(899.7)	(654.5)	(1,554.2)			
Market appreciation/(depreciation) & other (2)	214.4	63.2	277.6			
As of June 30, 2018	**$ 15,605.9**	**$ 7,231.8**	**$ 22,837.7**	68%	32%	100%
Average AUM for period	$ 15,689.8	$ 7,394.2	$ 23,084.0			

	Separately managed accounts	Mutual funds and collective investment trusts	Total	Separately managed accounts	Mutual funds and collective investment trusts	Total
		(in millions)				
As of December 31, 2018	**$ 13,792.1**	**$ 6,371.5**	**$ 20,163.6**	68%	32%	100%
Gross client inflows (1)	617.3	653.8	1,271.1			
Gross client outflows (1)	(1,278.1)	(1,417.6)	(2,695.7)			
Market appreciation/(depreciation) & other (2)	1,682.8	829.0	2,511.8			
As of June 30, 2019	**$ 14,814.1**	**$ 6,436.7**	**$ 21,250.8**	70%	30%	100%
Average AUM for period	$ 14,459.6	$ 6,361.7	$ 20,821.3			
As of December 31, 2017	**$ 16,856.6**	**$ 8,256.6**	**$ 25,113.2**	67%	33%	100%
Gross client inflows (1)	749.7	831.0	1,580.7			
Gross client outflows (1)	(2,225.5)	(1,685.5)	(3,911.0)			
Acquired/(disposed) assets	—	(251.6)	(251.6)			
Market appreciation/(depreciation) & other (2)	225.1	81.3	306.4			
As of June 30, 2018	**$ 15,605.9**	**$ 7,231.8**	**$ 22,837.7**	68%	32%	100%
Average AUM for period	$ 16,087.8	$ 7,640.0	$ 23,727.8			

____

(1) Transfers of client assets between portfolios are included in gross client inflows and gross client outflows.

(2) Market appreciation/(depreciation) and other includes investment gains/(losses) on assets under management, the impact of changes in foreign exchange rates and net flows from non-sales related activities including net reinvested dividends.

The following table reflects the indicated components of our AUM for our portfolios for the three and six months ended June 30, 2019 and 2018:

	Blended Asset	Equity	Fixed Income	Total	Blended Asset	Equity	Fixed Income	Total
		(in millions)						
As of March 31, 2019	**$ 13,834.7**	**$ 6,227.2**	**$ 1,075.9**	**$ 21,137.8**	66%	29%	5%	100%
Gross client inflows [(1)]	327.0	161.7	61.7	550.4				
Gross client outflows [(1)]	(745.7)	(308.2)	(68.9)	(1,122.8)				
Market appreciation/(depreciation) & other [(2)]	428.3	228.8	28.3	685.4				
As of June 30, 2019	**$ 13,844.3**	**$ 6,309.5**	**$ 1,097.0**	**$ 21,250.8**	65%	30%	5%	100%
Average AUM for period	$ 13,718.9	$ 6,200.7	$ 1,110.9	$ 21,030.5				
As of March 31, 2018	**$ 14,998.4**	**$ 7,214.2**	**$ 1,220.9**	**$ 23,433.5**	64%	31%	5%	100%
Gross client inflows [(1)]	432.6	231.2	17.0	680.8				
Gross client outflows [(1)]	(718.3)	(776.7)	(59.2)	(1,554.2)				
Market appreciation/(depreciation) & other [(2)]	265.2	2.7	9.7	277.6				
As of June 30, 2018	**$ 14,977.9**	**$ 6,671.4**	**$ 1,188.4**	**$ 22,837.7**	66%	29%	5%	100%
Average AUM for period	$ 14,973.6	$ 6,909.2	$ 1,201.2	$ 23,084.0				

	Blended Asset	Equity	Fixed Income	Total	Blended Asset	Equity	Fixed Income	Total
		(in millions)						
As of December 31, 2018	**$ 13,532.2**	**$ 5,501.9**	**$ 1,129.5**	**$ 20,163.6**	67%	27%	6%	100%
Gross client inflows (1)	629.1	541.0	101.0	1,271.1				
Gross client outflows (1)	(1,811.6)	(690.9)	(193.2)	(2,695.7)				
Market appreciation/(depreciation) & other [(2)]	1,494.6	957.5	59.7	2,511.8				
As of June 30, 2019	**$ 13,844.3**	**$ 6,309.5**	**$ 1,097.0**	**$ 21,250.8**	65%	30%	5%	100%
Average AUM for period	$ 13,661.0	$ 6,048.8	$ 1,111.5	$ 20,821.3				
As of December 31, 2017	**$ 15,666.6**	**$ 8,120.6**	**$ 1,326.0**	**$ 25,113.2**	63%	32%	5%	100%
Gross client inflows (1)	891.8	586.7	102.2	1,580.7				
Gross client outflows (1)	(1,821.0)	(1,843.2)	(246.8)	(3,911.0)				
Acquired/(disposed) assets	—	(251.6)	—	(251.6)				
Market appreciation/(depreciation) & other [(2)]	240.5	58.9	7.0	306.4				
As of June 30, 2018	**$ 14,977.9**	**$ 6,671.4**	**$ 1,188.4**	**$ 22,837.7**	66%	29%	5%	100%
Average AUM for period	$ 15,216.4	$ 7,262.9	$ 1,248.5	$ 23,727.8				

____

(1) Transfers of client assets between portfolios are included in gross client inflows and gross client outflows.
(2) Market appreciation/(depreciation) and other includes investment gains/(losses) on assets under management, the impact of changes in foreign exchange rates and net flows from non-sales related activities including net reinvested dividends.

The following table summarizes the annualized returns for several of our key investment strategies and relative benchmarks. Since inception and over long-term periods, we believe these strategies have earned attractive returns on both an absolute and relative basis. We recognize, however that some key strategies have mixed track records over the past several years. These strategies are used across separate account, mutual fund and collective investment trust vehicles, and represent approximately 76% of our AUM as of June 30, 2019.

Key Strategies	AUM as of June 30, 2019 (in millions)	Inception Date	Annualized Returns as of June 30, 2019 (2) One Year	Three Year	Five Year	Ten Year	Inception
Long-Term Growth (30%-80% Equity Exposure)	$ 5,790.0	1/1/1973	6.2%	7.6%	4.1%	8.4%	9.4%
Blended Index (3)			*7.8%*	*8.2%*	*5.9%*	*8.8%*	*8.8%*
Core Non-U.S. Equity	$ 2,076.5	10/1/1996	0.9%	6.6%	0.3%	5.8%	7.2%
Benchmark: ACWIxUS Index			*1.3%*	*9.4%*	*2.2%*	*6.5%*	*5.1%*
Growth with Reduced Volatility (20%-60% Equity Exposure)	$ 2,625.0	1/1/1973	5.9%	6.0%	3.4%	6.9%	8.7%
Blended Index (4)			*8.0%*	*6.6%*	*5.2%*	*7.6%*	*8.4%*
Equity-Oriented (70%-100% Equity Exposure)	$ 1,537.9	1/1/1993	7.0%	11.5%	6.0%	10.7%	9.9%
Blended Benchmark: 65% Russell 3000 / 20% ACWIxUS/ 15% Bloomberg Barclays U.S. Aggregate Bond			*7.5%*	*11.4%*	*7.6%*	*11.5%*	*8.6%*
Equity-Focused Blend (50%-90% Equity Exposure)	$ 963.8	4/1/2000	6.7%	8.9%	4.7%	9.3%	7.0%
Blended Benchmark: 53% Russell 3000 / 20% ACWIxUS/ 30% Bloomberg Barclays U.S. Aggregate Bond			*7.7%*	*9.8%*	*6.8%*	*10.2%*	*5.5%*
Core Equity-Unrestricted (90%-100% Equity Exposure)	$ 626.1	1/1/1995	7.8%	13.5%	7.1%	12.1%	11.1%
Blended Benchmark: 80% Russell 3000 / 20% ACWIxUS			*7.5%*	*13.1%*	*8.6%*	*13.1%*	*9.1%*
Core U.S. Equity	$ 438.9	7/1/2000	9.4%	15.3%	8.7%	12.8%	8.1%
Benchmark: Russell 3000			*9.0%*	*14.0%*	*10.2%*	*14.7%*	*6.1%*
Conservative Growth (5%-35% Equity Exposure)	$ 470.1	4/1/1992	5.5%	4.0%	2.5%	4.9%	5.9%
Blended Benchmark: 15% Russell 3000 / 5% ACWIxUS / 80% Bloomberg Barclays U.S. Intermediate Aggregate Bond			*7.1%*	*4.3%*	*3.7%*	*5.3%*	*6.1%*
Aggregate Fixed Income	$ 217.9	1/1/1984	7.4%	2.3%	2.6%	3.8%	7.1%
Benchmark: Bloomberg Barclays U.S. Aggregate Bond			*7.9%*	*2.3%*	*3.0%*	*3.9%*	*7.1%*
Rainier International Small Cap	$ 854.4	3/28/2012	(5.0)%	9.4%	6.8%	N/A (1)	11.8%
Benchmark: MSCI ACWIxUS Small Cap Index			*(5.9)%*	*7.8%*	*2.8%*	*N/A (1)*	*6.0%*
Disciplined Value	$ 480.5	11/1/2003	9.4%	12.1%	8.8%	12.7%	10.6%
Benchmark: Russell 1000 Value			*8.5%*	*10.2%*	*7.5%*	*13.2%*	*8.3%*

____

(1) Performance not available given the product's inception date.
(2) Key investment strategy returns are presented net of fees. Benchmark returns do not reflect any fees or expenses.
(3) Benchmark shown uses the 55/45 Blended Index from 01/01/1973-12/31/1987 and the 40/15/45 Blended Index from 01/01/1988-12/31/2018. The 55/45 Blended Index is represented by 55% S&P 500 Total Return Index ("S&P 500") and 45% Bloomberg Barclays U.S. Government/Credit Bond Index ("BGCB"). The 40/15/45 Blended Index is 40% Russell 3000 Index ("Russel 3000"), 15% MSCI ACWI ex USA Index ("ACWxUS"), and 45% Bloomberg Barclays U.S. Aggregate Bond Index ("BAB").
(4) Benchmark shown uses the 40/60 Blended Index from 01/01/1973-12/31/1987 and the 30/10/60 Blended Index from 01/01/1988-12/31/2018. The 40/60 Blended Index is represented by 40% S&P 500 and 60% BGCB. The 30/10/60 Blended Index is represented by 30% Russell 3000, 10% ACWxUS, and 60% BAB.

Revenue

Our revenues primarily consist of investment management fees earned from managing our clients' AUM. We earn our investment management fees as a percentage of our clients' AUM either as of a specified date or on a daily basis. Our investment management fees can fluctuate based on the average fee rate for our investment management products, which are affected by the composition of our AUM among various portfolios and investment vehicles.

We serve as the investment adviser for Manning & Napier Fund, Inc., Exeter Trust Company Collective Investment Trusts and Rainier Multiple Investment Trust. The mutual funds are open-end mutual funds that primarily offer no-load share classes designed to meet the needs of a range of institutional and other investors. Exeter Trust Company, an affiliated New Hampshire-chartered trust company and Rainier Multiple Investment Trust sponsor collective investment trusts for qualified retirement plans, including 401(k) plans. These mutual funds and collective investment trusts comprised $6.4 billion, or 30%, of our AUM as of June 30, 2019. MNA and Rainier also serve as the investment advisor to all of our separately managed accounts, managing $14.8 billion, or 70%, of our AUM as of June 30, 2019, including assets managed as a sub-advisor to pooled investment vehicles. For the period ended June 30, 2019 approximately 99% of our revenue was earned from clients located in the United States.

We earn distribution and servicing fees for providing services to our affiliated mutual funds. Revenue is computed and earned daily based on a percentage of AUM.

We earn custodial service fees for administrative and safeguarding services performed by Exeter Trust Company. Fees are calculated as a percentage of the client's market value with additional fees for certain transactions.

During the first quarter of 2019, we completed the effort to restructure fees for many of our mutual fund and collective trust vehicles. The impacts on our overall revenue margins and operating expenses are described below in the discussion of results for the three and six month periods ending June 30, 2019.

Operating Expenses

Our largest operating expenses are employee compensation and related costs, and to a lesser degree distribution, servicing and custody expenses, discussed further below, with a significant portion of these expenses varying in a direct relationship to our absolute and relative investment management performance, as well as AUM and revenues. We review our operating expenses in relation to the investment market environment and changes in our revenues. However, we are generally willing to make expenditures as necessary even when faced with declining rates of growth in revenues in order to support our investment products, our client service levels, strategic initiatives and our long-term value.

- *Compensation and related costs*. Employee compensation and related costs represent our largest expense, including employee salaries and benefits, incentive compensation to investment and sales professionals, compensation issued under our long-term incentive plan as well as equity compensation. These costs are affected by changes in the employee headcount, the mix of existing job descriptions, competitive factors, the addition of new skill sets and variations in the level of our AUM and revenues. In addition, these costs are impacted by the amount of compensation granted under our equity plan and the amount of deferred cash awards granted under our long-term incentive plan. Incentive compensation for our research team considers the cumulative impact of both absolute and relative investment performance over historical time periods, with more weight placed on the recent periods. As such, incentive compensation paid to our research team will vary, in part, based on absolute and relative investment performance.
- *Distribution, servicing and custody expenses*. Distribution, servicing and custody expense represent amounts paid to various intermediaries for distribution, shareholder servicing, administrative servicing and custodial services. These expenses generally increase or decrease in line with changes in our mutual fund and collective investment trust AUM or services performed by these intermediaries. During the first quarter of 2019, we completed the effort of restructuring fees across our mutual funds that began in 2017. Given the overall pressure on fees that all active managers are facing, we believe that bringing our fund fees to a more competitive level will enhance our ability to attract additional assets in the future. The financial impacts will include a reduction in the management fees on our existing business, as well as an offsetting reduction in related distribution, servicing and custody expenses.
- *Other operating costs*. Other operating costs include accounting, legal and other professional service fees, occupancy and facility costs, travel and entertainment expenses, insurance, market data service expenses and all other miscellaneous costs associated with managing the day-to-day operations of our business.

Non-Operating Income (Loss)

Non-operating income (loss) includes interest expense, interest and dividend income, changes in liability under the tax receivable agreement ("TRA") entered into between Manning & Napier and the other holders of Class A units of Manning & Napier Group, gains (losses) related to investment securities sales and changes in values of those investment securities designated as trading.

We expect the interest and investment components of non-operating income (loss) to fluctuate based on market conditions, the performance of our investments and the overall amount of our investments held by the Company to provide initial cash seeding for product development purposes and short-term investment for cash management opportunities.

Provision for Income Taxes

The Company is comprised of entities that have elected to be treated as either a limited liability company ("LLC") or a "C-Corporation". As such, the entities functioning as LLCs are not liable for or able to benefit from U.S. federal or most state and local income taxes on their earnings, and their earnings (losses) will be included in the personal income tax returns of each entity's unit holders. The entities functioning as C-Corporations are liable for or able to benefit from U.S. federal and state and local income taxes on their earnings and losses, respectively.

Noncontrolling Interests

Manning & Napier, Inc. holds an economic interest of approximately 18.9% in Manning & Napier Group as of June 30, 2019 but, as managing member, controls all of the business and affairs of Manning & Napier Group. As a result, the Company consolidates the financial results of Manning & Napier Group and records a noncontrolling interest in our consolidated financial statements. Net income attributable to noncontrolling interests on the consolidated statements of operations represents the portion of earnings attributable to the economic interest in Manning & Napier Group held by the noncontrolling interests.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018. Changes to our accounting policies as a result of adopting Topic 842 are discussed under "Leases" of Note 2, "Summary of Significant Accounting Policies" and under "Adoption of ASU 2016-02, Leases (Topic 842)" of Note 8, "Leases" to the Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

On June 28, 2019, through our wholly-owned subsidiary Manning & Napier Group, we entered into an agreement to sell all of the equity interests in our wholly-owned subsidiary, PPI, as discussed under "Assets and Liabilities Held for Sale" of Note 2 and under "Sale of Subsidiary" of Note 13 to the Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q. This transaction does not meet the U.S. GAAP criteria to be reported as a discontinued operation, as it does not represent a strategic shift.

This management's discussion and analysis should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2018 together with the consolidated financial statements and related notes and the other financial information that appear elsewhere in this report.

Recent Accounting Pronouncements

See Note 2, "Summary of Significant Accounting Policies - Recently Adopted Accounting Pronouncements" and "Recent Accounting Pronouncements Not Yet Adopted" to the Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q for additional information.

Table of Contents

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

Assets Under Management

The following table reflects changes in our AUM for the three months ended June 30, 2019 and 2018:

	Three months ended June 30,		Period-to-Period	
	2019	2018	$	%
	(in millions)			
Separately managed accounts				
Beginning assets under management	$ 14,667.2	$ 15,960.1	$ (1,292.9)	(8)%
Gross client inflows (1)	301.2	331.1	(29.9)	(9)%
Gross client outflows (1)	(613.2)	(899.7)	286.5	(32)%
Market appreciation (depreciation) & other (2)	458.9	214.4	244.5	*
Ending assets under management	$ 14,814.1	$ 15,605.9	$ (791.8)	(5)%
Average AUM for period	$ 14,647.1	$ 15,689.8		
Mutual funds and collective investment trusts				
Beginning assets under management	$ 6,470.6	$ 7,473.4	$ (1,002.8)	(13)%
Gross client inflows (1)	249.2	349.7	(100.5)	(29)%
Gross client outflows (1)	(509.6)	(654.5)	144.9	(22)%
Market appreciation (depreciation) & other (2)	226.5	63.2	163.3	*
Ending assets under management	$ 6,436.7	$ 7,231.8	$ (795.1)	(11)%
Average AUM for period	$ 6,383.4	$ 7,394.2		
Total assets under management				
Beginning assets under management	$ 21,137.8	$ 23,433.5	$ (2,295.7)	(10)%
Gross client inflows (1)	550.4	680.8	(130.4)	(19)%
Gross client outflows (1)	(1,122.8)	(1,554.2)	431.4	(28)%
Market appreciation (depreciation) & other (2)	685.4	277.6	407.8	*
Ending assets under management	$ 21,250.8	$ 22,837.7	$ (1,586.9)	(7)%
Average AUM for period	$ 21,030.5	$ 23,084.0		

____

(*) Percentage change not meaningful.
(1) Transfers of client assets between portfolios are included in gross client inflows and gross client outflows.
(2) Market appreciation/(depreciation) and other includes investment gains/(losses) on assets under management, the impact of changes in foreign exchange rates and net flows from non-sales related activities including net reinvested dividends.

Our total AUM decreased by $1.6 billion from $22.8 billion at June 30, 2018 to $21.3 billion at June 30, 2019. The decrease was attributable to net client outflows of $2.7 billion, partially offset by market appreciation of $1.1 billion. Net client outflows consisted of approximately $1.6 billion of net outflows for separate accounts and $1.0 billion for mutual funds and collective investment trusts. By portfolio, the rates of change in AUM from June 30, 2018 to June 30, 2019 consisted of a $0.4 billion, or 5% decrease in our equity portfolio, a $1.1 billion, or 8% decrease in our blended asset portfolio, and a decrease of $91.4 million, or 8% in our fixed income portfolio.

While many of our key strategies achieved recent competitive relative returns, we attribute our net cash outflows during the three months ended June 30, 2019 in part to challenging three and five year annualized returns in many of the strategies included in our blended asset and equity portfolios. We have experienced a decrease in the overall rate of outflows with gross outflows of approximately $1.1 billion during the quarter ended June 30, 2019, a 28% improvement from the quarter ended June 30, 2018. Gross outflows annualized as a percentage of our AUM, or turnover rate, for the three months ended June 30, 2019 was 21%. These outflow rates are more in line with the low-to-mid 20% range that we experienced prior to the difficult performance periods in 2014 and 2016. Starting in 2015 as performance headwinds increased, turnover rates increased to the high 30% to low 40% range. We believe the improvement in our turnover rate is further support that our overall servicing efforts, importantly including our value-added advisory services, are effective in supporting long-term relationships.

While we have experienced an improvement in the rate of outflows, the rate of gross client inflows has slowed to approximately $0.6 billion during the three months ended June 30, 2019, a 19% decrease from the quarter ended June 30, 2018. We believe that difficult long-term performance track records in some of our key strategies, coupled with the changes in our organization and macro trends towards passive investing have all played a role in this trend. We believe that by demonstrating stability in client AUM and in our organization, along with improving long-term track records and modernizing our platform, we will provide a foundation from which we can grow.

The total AUM increase of approximately $0.1 billion, to $21.3 billion at June 30, 2019 from $21.1 billion at March 31, 2019 was attributable to market appreciation of $0.7 billion, partially offset by net client cash outflows of $0.6 billion. Net client outflows consisted of approximately $0.3 billion for separate accounts while net client outflows in mutual fund and collective investment trust were $0.3 billion. The blended investment gain was 3.1% in separately managed accounts and 3.5% in mutual funds and collective investment trusts. By portfolio in that period, our AUM increased by $9.6 million in our blended asset portfolio, $82.3 million in our equity portfolio, and $21.1 million in our fixed income portfolio.

As of June 30, 2019, the composition of our AUM was 70% in separate accounts and 30% in mutual funds and collective investment trusts, compared to 68% in separate accounts and 32% in mutual funds and collective investment trusts at June 30, 2018. The composition of our AUM across portfolios at June 30, 2019 was 65% in blended assets, 30% in equity, and 5% in fixed income, compared to 66% in blended assets, 29% in equity, and 5% in fixed income at June 30, 2018.

For our separate accounts, gross client inflows of approximately $0.3 billion were offset by $0.6 billion of gross client outflows during the three months ended June 30, 2019. The $0.3 billion gross client inflows include approximately $0.2 billion into our blended asset portfolio and $0.1 billion into our equity portfolio. During the three months ended June 30, 2019, 75% of our separate account gross client inflows were derived from our direct sales channel. With regard to gross client outflows, cancellations were approximately $0.2 billion and withdrawals from existing accounts were approximately $0.4 billion. Outflows during the first quarter were 75%, 17% and 8% from blended, equity and fixed income portfolios, respectively. Our separate account clients redeemed assets at a rate of 17% during the quarter, compared to a 20% redemption rate over the trailing twelve months ended June 30, 2019. Our annualized separate account retention rate was 94% for the three months ended June 30, 2019 compared to 91% for the rolling twelve months ended June 30, 2019.

Gross client inflows of $0.2 billion were offset by gross client outflows of $0.5 billion for our mutual fund and collective investment trusts during the three months ended June 30, 2019. Gross client inflows into our blended asset life cycle vehicles, including both risk based and target date strategies, represented $0.2 billion, or 61%, of mutual fund and collective trust fund gross client inflows during the three months ended June 30, 2019. With regard to gross client outflows, $0.3 billion, or 56%, of mutual fund and collective investment trust gross client outflows were from blended asset mutual fund and collective trust products.

Table of Contents

The following table sets forth our results of operations and related data for the three months ended June 30, 2019 and 2018:

	Three months ended June 30,				Period-to-Period		
	2019		2018		$		%
	(in thousands, except share data)						
Revenues							
Management Fees							
Separately managed accounts	$	21,738	$	24,483	$	(2,745)	(11)%
Mutual funds and collective investment trusts		7,403		11,030		(3,627)	(33)%
Distribution and shareholder servicing		2,566		3,033		(467)	(15)%
Custodial services		1,750		1,895		(145)	(8)%
Other revenue		837		679		158	23 %
Total revenue		34,294		41,120		(6,826)	(17)%
Expenses							
Compensation and related costs		20,161		21,689		(1,528)	(7)%
Distribution, servicing and custody expenses		3,019		4,502		(1,483)	(33)%
Other operating costs		8,639		8,579		60	1 %
Total operating expenses		31,819		34,770		(2,951)	(8)%
Operating income		2,475		6,350		(3,875)	(61)%
Non-operating income (loss)							
Non-operating income (loss), net		1,075		332		743	*
Income before provision for income taxes		3,550		6,682		(3,132)	(47)%
Provision for income taxes		331		492		(161)	(33)%
Net income attributable to controlling and noncontrolling interests		3,219		6,190		(2,971)	(48)%
Less: net income attributable to noncontrolling interests		2,805		5,424		(2,619)	(48)%
Net income attributable to Manning & Napier, Inc.	$	414	$	766	$	(352)	(46)%
Per Share Data							
Net income per share available to Class A common stock							
Basic	$	0.03	$	0.05			
Diluted	$	0.03	$	0.05			
Weighted average shares of Class A common stock outstanding							
Basic		15,267,762		14,691,928			
Diluted		15,613,939		14,709,403			
Other financial and operating data							
Economic net income [(1)]	$	2,520	$	4,629	$	(2,109)	(46)%
Economic net income per adjusted share [(1)]	$	0.03	$	0.06			
Weighted average adjusted Class A common stock outstanding[(1)]		79,570,059		78,751,512			

____

(*) Percentage change not meaningful.

(1) See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Supplemental Non-GAAP Financial Information” for Manning & Napier’s reasons for including these measures not calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP") in this report in addition to a reconciliation of non-GAAP financial measures to GAAP measures for the periods indicated.

Revenues

Separately managed account revenue decreased by $2.7 million, or 11%, to $21.7 million for the three months ended June 30, 2019 from $24.5 million for the three months ended June 30, 2018. This decrease is driven primarily by a 7%, or $1.0 billion, decrease in our average separately managed account AUM for the three months ended June 30, 2019 compared to the three months ended June 30, 2018. On an annualized basis, our average separately managed account fee for the three months ended June 30, 2019 decreased slightly to 0.60% when compared to 0.63% for the three months ended June 30, 2018. For both periods our separately managed account standard fees ranged from 0.15% to 1.25% depending on investment objective and account size. As of both June 30, 2019 and June 30, 2018, the concentration of investments in our separately managed account assets were 64% blended assets, 29% equity and 7% fixed income.

Mutual fund and collective investment trust revenue decreased by $3.6 million, or 33%, to $7.4 million for the three months ended June 30, 2019 from $11.0 million for the three months ended June 30, 2018. This decrease is driven primarily by a 14%, or $1.0 billion, decrease in our average mutual fund and collective investment trust AUM for the three months ended June 30, 2019 compared to the three months ended June 30, 2018. In addition, our average fee on mutual fund and collective investment trust products decreased to 0.63% for the three months ended June 30, 2019 from 0.76% for the three months ended June 30, 2018. This decrease was primarily due to the restructuring of our funds that was completed during the first quarter of 2019. Our mutual fund and collective investment trust management fees ranged from 0.14% to 1.00%, depending on investment strategy, for the three months ended June 30, 2019 and 2018. As of June 30, 2019, the concentration of assets in our mutual fund and collective investment trusts was 68% blended assets, 30% equity and 2% fixed income, compared to 68% blended assets, 31% equity and 1% fixed income as of June 30, 2018.

Distribution and shareholder servicing revenue decreased by $0.5 million, or 15%, to $2.6 million for the three months ended June 30, 2019 from $3.0 million for the three months ended June 30, 2018. This decrease was driven by a reduction in mutual fund and collective trust average AUM of 14% for the same period.

Custodial services revenue decreased by $0.1 million, or 8%, to $1.8 million for the three months ended June 30, 2019 from $1.9 million for the three months ended June 30, 2018. The decrease primarily relates to decreases in our collective investment trust AUM.

Operating Expenses

Our operating expenses decreased by $3.0 million, or 8%, to $31.8 million for the three months ended June 30, 2019 from $34.8 million for the three months ended June 30, 2018.

Compensation and related costs decreased by $1.5 million, or 7%, to $20.2 million for the three months ended June 30, 2019 from $21.7 million for the three months ended June 30, 2018. This decrease in the current quarter compared to the second quarter of 2018 was driven by a 16% decrease in average workforce, partially offset by an increase in employee severance costs. When considered as a percentage of revenue, compensation and related costs for the three months ended June 30, 2019 was 59% compared to 53% for the three months ended June 30, 2018. Given the declines in our revenue, we anticipate that our compensation ratio as a percentage of revenue will remain elevated in the near term compared to prior periods.

Distribution, servicing and custody expenses decreased by $1.5 million, or 33%, to $3.0 million for the three months ended June 30, 2019 from $4.5 million for the three months ended June 30, 2018. The decrease was generally driven by a 14% decrease in mutual fund and collective investment trust average AUM for the three months ended June 30, 2019 compared to the three months ended June 30, 2018 as well as the elimination of certain distribution expenses following the restructuring of our mutual fund fees. As a percentage of mutual fund and collective investment trust average AUM, distribution, servicing and custody expense was 0.19% for the three months ended June 30, 2019, compared to 0.24% for the three months ended June 30, 2018.

Other operating costs for the three months ended June 30, 2019 and 2018 were $8.6 million. As a percentage of revenue, other operating costs were 25% for the three months ended June 30, 2019 and 21% for the three months ended June 30, 2018.

Non-Operating Income (Loss)

Non-operating income for the three months ended June 30, 2019 was $1.1 million, an increase of $0.7 million, from non-operating income of $0.3 million for the three months ended June 30, 2018. The following table reflects the components of non-operating income (loss) for the three months ended June 30, 2019 and 2018:

	Three months ended June 30,		Period-to-Period	
	2019	2018	$	%
	(in thousands)			
Non-operating income (loss)				
Interest expense	$ (10)	$ (21)	$ 11	(52)%
Interest and dividend income [1]	837	374	463	124 %
Change in liability under tax receivable agreement	—	—	—	— %
Net gains (losses) on investments [2]	248	(21)	269	*
Total non-operating income	$ 1,075	$ 332	$ 743	*

(*) Percentage change not meaningful.

(1) The increase in interest and dividend income for the three months ended June 30, 2019 compared to 2018 is attributable to an increase in investments, including U.S. Treasury notes and bills, corporate bonds and other short-term investments to optimize cash management opportunities, coupled with an increase in interest rates.

(2) Amounts represent net income on investments we held to provide initial cash seeding for product development purposes. The amount varies depending on the performance of our investments and the overall amount of our investments in seeded products.

Provision for Income Taxes

Our provision for income taxes was $0.3 million for the three months ended June 30, 2019, a decrease of approximately $0.2 million from $0.5 million for the three months ended June 30, 2018. The change was primarily driven by a decrease in taxable earnings compared to the prior year period.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Assets Under Management

The following table reflects changes in our AUM for the six months ended June 30, 2019 and 2018:

	Six months ended June 30,		Period-to-Period	
	2019	2018	$	%
	(in millions)			
Separately managed accounts				
Beginning assets under management	$ 13,792.1	$ 16,856.6	$ (3,064.5)	(18)%
Gross client inflows (1)	617.3	749.7	(132.4)	(18)%
Gross client outflows (1)	(1,278.1)	(2,225.5)	947.4	(43)%
Market appreciation (depreciation) & other (2)	1,682.8	225.1	1,457.7	*
Ending assets under management	$ 14,814.1	$ 15,605.9	$ (791.8)	(5)%
Average AUM for period	$ 14,459.6	$ 16,087.8		
Mutual funds and collective investment trusts				
Beginning assets under management	$ 6,371.5	$ 8,256.6	$ (1,885.1)	(23)%
Gross client inflows (1)	653.8	831.0	(177.2)	(21)%
Gross client outflows (1)	(1,417.6)	(1,685.5)	267.9	(16)%
Acquired/(disposed) assets	—	(251.6)	251.6	*
Market appreciation (depreciation) & other (2)	829.0	81.3	747.7	*
Ending assets under management	$ 6,436.7	$ 7,231.8	$ (795.1)	(11)%
Average AUM for period	$ 6,361.7	$ 7,640.0		
Total assets under management				
Beginning assets under management	$ 20,163.6	$ 25,113.2	$ (4,949.6)	(20)%
Gross client inflows (1)	1,271.1	1,580.7	(309.6)	(20)%
Gross client outflows (1)	(2,695.7)	(3,911.0)	1,215.3	(31)%
Acquired/(disposed) assets	—	(251.6)	251.6	*
Market appreciation (depreciation) & other (2)	2,511.8	306.4	2,205.4	*
Ending assets under management	$ 21,250.8	$ 22,837.7	$ (1,586.9)	(7)%
Average AUM for period	$ 20,821.3	$ 23,727.8		

(*) Percentage change not meaningful.
(1) Transfers of client assets between portfolios are included in gross client inflows and gross client outflows.
(2) Market appreciation/(depreciation) and other includes investment gains/(losses) on assets under management, the impact of changes in foreign exchange rates and net flows from non-sales related activities including net reinvested dividends.

Our total AUM decreased by $1.6 billion from $22.8 billion at June 30, 2018 to $21.3 billion at June 30, 2019. The decrease was attributable to net client outflows of $2.7 billion, partially offset by market appreciation of $1.1 billion. Net client outflows consisted of approximately $1.6 billion of net outflows for separate accounts and $1.0 billion for mutual funds and collective investment trusts. By portfolio, the rates of change in AUM from June 30, 2018 to June 30, 2019 consisted of a $0.4 billion, or 5% decrease in our equity portfolio, a $1.1 billion, or 8% decrease in our blended asset portfolio, and a decrease of $91.4 million, or 8% in our fixed income portfolio.

While many of our key strategies achieved recent competitive relative returns, we attribute our net cash outflows during the six months ended June 30, 2019 in part to challenging three and five year annualized returns in many of the strategies included in our blended asset and equity portfolios. We have experienced a decrease in the overall rate of outflows with gross outflows of approximately $2.7 billion during the six months ended June 30, 2019, a 31% improvement from the same period through June 30, 2018.

While we have experienced an improvement in the rate of outflows, the rate of gross client inflows has slowed to approximately $1.3 billion during the six months ended June 30, 2019, a 20% decrease compared to the same period in 2018. We believe that difficult long-term performance track records in some of our key strategies, coupled with the changes in our organization and macro trends towards passive investing have all played a role in this trend. We believe that by demonstrating stability in client AUM and in our organization, along with improving long-term track records and modernizing our platform, we will provide a foundation from which we can grow.

The total AUM increase of $1.1 billion, or 5%, to $21.3 billion at June 30, 2019 from $20.2 billion at December 31, 2018 was attributable to market appreciation of $2.5 billion, partially offset by net client cash outflows of $1.4 billion. Included in net client flows during the six months ended June 30, 2019 were net client outflows in separately managed accounts of approximately $0.7 billion and mutual funds and collective investment trusts of approximately $0.8 billion. The blended investment gain was 12.2% in separately managed accounts and 13.0% in mutual funds and collective investment trusts. By portfolio, our net $1.1 billion AUM increase was derived from an increase of $0.3 billion, or 2%, in our blended asset portfolio and $0.8 billion, or 15%, in our equity portfolio, offset by a decrease of $32.5 million, or 3%, in our fixed income portfolio.

As of June 30, 2019, the composition of our AUM was 70% in separate accounts and 30% in mutual funds and collective investment trusts, compared to 68% in separate accounts and 32% in mutual funds and collective investment trusts at June 30, 2018. The composition of our AUM across portfolios at June 30, 2019 was 65% in blended assets, 30% in equity, and 5% in fixed income, compared to 66% in blended assets, 29% in equity, and 5% in fixed income at June 30, 2018.

With regard to our separate accounts, gross client inflows of $0.6 billion were offset by approximately $1.3 billion of gross client outflows during the six months ended June 30, 2019. The $0.6 billion of gross client inflows included $0.3 billion into our blended asset portfolios, $0.2 billion into our equity portfolios and $0.1 billion into fixed income portfolios. During the six months ended June 30, 2019, 71% of our separate account gross client inflows were derived from our direct sales channel. Gross client outflows were split with 61% withdrawals from existing accounts and 39% representing client cancellations. Our blended asset portfolio experienced net client outflows of approximately $0.6 billion, while our equity portfolio experienced net client inflows of $22.8 million. In light of challenging relative returns, our separate account clients redeemed assets at a rate of 19% during the six months ended June 30, 2019, compared to a 20% redemption rate over the trailing twelve months ended June 30, 2019. The annualized separate account retention rate was 93% for the six months ended June 30, 2019, up slightly from 91% for the rolling twelve months ended June 30, 2019. We believe the improvement is further support that our overall servicing efforts, importantly including our value-added advisory services, are effective in supporting long-term relationships.

Net client outflows of $0.8 billion from our mutual fund and collective investment trusts included gross client inflows of $0.7 billion offset by gross client outflows of $1.4 billion during the six months ended June 30, 2019. Gross client inflows into our blended asset life cycle vehicles, including both risk based and target date strategies, represented $0.3 billion, or 48%, of mutual fund and collective trust fund gross client inflows during the six months ended June 30, 2019. With regard to gross client outflows, $0.9 billion, or 63%, of mutual fund and collective investment trust gross client outflows were from blended asset mutual fund and collective trust products.

The following table sets forth our results of operations and other data for the six months ended June 30, 2019 and 2018:

	Six months ended June 30,		Period-to-Period	
	2019	2018	$	%
	(in thousands, except share data)			
Revenues				
Management Fees				
Separately managed accounts	$ 43,213	$ 49,838	$ (6,625)	(13)%
Mutual funds and collective investment trusts	15,631	22,010	(6,379)	(29)%
Distribution and shareholder servicing	5,190	6,211	(1,021)	(16)%
Custodial services	3,495	3,817	(322)	(8)%
Other revenue	1,562	1,468	94	6 %
Total revenue	69,091	83,344	(14,253)	(17)%
Expenses				
Compensation and related costs	41,609	45,462	(3,853)	(8)%
Distribution, servicing and custody expenses	6,777	9,283	(2,506)	(27)%
Other operating costs	16,946	15,033	1,913	13 %
Total operating expenses	65,332	69,778	(4,446)	(6)%
Operating income	3,759	13,566	(9,807)	(72)%
Non-operating income (loss)				
Non-operating income (loss), net	2,950	867	2,083	*
Income before provision for income taxes	6,709	14,433	(7,724)	(54)%
Provision for income taxes	573	970	(397)	(41)%
Net income attributable to controlling and noncontrolling interests	6,136	13,463	(7,327)	(54)%
Less: net income attributable to noncontrolling interests	5,161	11,483	(6,322)	(55)%
Net income attributable to Manning & Napier, Inc.	$ 975	$ 1,980	$ (1,005)	(51)%
Per Share Data				
Net income per share available to Class A common stock				
Basic	$ 0.07	$ 0.13		
Diluted	$ 0.06	$ 0.13		
Weighted average shares of Class A common stock outstanding				
Basic	15,098,454	14,503,784		
Diluted	78,317,986	14,530,398		
Other financial and operating data				
Economic net income [(1)]	$ 4,763	$ 10,248	$ (5,485)	(54)%
Economic net income per adjusted share [(1)]	$ 0.06	$ 0.13		
Weighted average adjusted Class A common stock outstanding [(1)]	79,817,987	78,927,395		

____
(*) Percentage change not meaningful.
(1) See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Supplemental Non-GAAP Financial Information” for Manning & Napier’s reasons for including these non-GAAP measures in this report in addition to a reconciliation of non-GAAP financial measures to GAAP measures for the periods indicated.

Revenues

Separately managed account revenue decreased by $6.6 million, or 13%, to $43.2 million for the six months ended June 30, 2019 from $49.8 million for the six months ended June 30, 2018. This decrease is driven primarily by a 10% decrease in our average separately managed account AUM for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. Our average separately managed account fee for the six months ended June 30, 2019 decreased to 0.60% when compared to the 0.62% for the full year 2018. For the six months ended June 30, 2019 and 2018, our separately managed account standard fees ranged from 0.15% to 1.25% depending on investment objective and account size. As of June 30, 2019, the concentration of assets in our separately managed accounts was 64% blended assets, 29% equity and 7% fixed income, consistent with June 30, 2018.

Mutual fund and collective investment trust revenue decreased by $6.4 million, or 29%, to $15.6 million for the six months ended June 30, 2019 from $22.0 million for the six months ended June 30, 2018. This decrease is driven primarily by a 17%, or $1.3 billion, decrease in average mutual fund and collective investment trust AUM for the six months ended June 30, 2019 compared to the six months ended June 30, 2018. Our average fee on mutual fund and collective investment trust products decreased to 0.66% when compared to 0.73% for the full year 2018. The decrease was primarily due to the restructuring of our funds that was completed during the first quarter of 2019. Our mutual fund and collective investment trust management fees ranged from 0.14% to 1.00% depending on investment strategy, for the six months ended June 30, 2019 and 2018. As of June 30, 2019 the concentration of assets in our mutual fund and collective investment trusts was 68% blended assets, 30% equity and 2% fixed income, compared to 68% blended assets, 31% equity and 1% fixed income as of June 30, 2018.

Distribution and shareholder servicing revenue decreased by $1.0 million, or 16%, to $5.2 million for the six months ended June 30, 2019 from $6.2 million for the six months ended June 30, 2018. This decrease is driven by a reduction in mutual fund and collective investment trust average AUM of 17% for the same period.

Custodial services revenue decreased by $0.3 million, or 8%, to $3.5 million for the six months ended June 30, 2019 from $3.8 million for the six months ended June 30, 2018. The decrease primarily relates to decreases in our collective trust AUM.

Operating Expenses

Our operating expenses decreased by $4.4 million, or 6%, to $65.3 million for the six months ended June 30, 2019 from $69.8 million for the six months ended June 30, 2018.

Compensation and related costs decreased by $3.9 million, or 8%, to $41.6 million for the six months ended June 30, 2019 from $45.5 million for the six months ended June 30, 2018. The decrease was driven by a 15% reduction in average workforce as well as lower variable incentive costs for our sales team as a result of the reduction in AUM and revenue. This decrease was partially offset by an increase to share based compensation attributable to the timing and amount of equity awards granted and an increase in employee severance costs. When considered as a percentage of revenue, compensation and related costs for the six months ended June 30, 2019 was 60% compared to 55% for the six months ended June 30, 2018. Given the declines in our revenue, we anticipate that our compensation ratio as a percentage of revenue will remain elevated in the near term compared to prior periods.

Distribution, servicing and custody expenses decreased by $2.5 million, or 27%, to $6.8 million for the six months ended June 30, 2019 from $9.3 million for the six months ended June 30, 2018. The decrease was generally attributable to a 17% decrease in mutual fund and collective investment trust average AUM for the six months ended June 30, 2019 compared to the six months ended June 30, 2018, coupled with the completion of MNA's mutual fund fee restructure initiative during the first quarter of 2019, where a portion of these expenses are now borne by the mutual funds directly. As a percentage of mutual fund and collective investment trust average AUM, distribution, servicing and custody expense was 0.21% for the six months ended June 30, 2019, compared to 0.25% for the six months ended June 30, 2018.

Other operating costs increased by $1.9 million, or 13%, to $16.9 million for the six months ended June 30, 2019 from $15.0 million for the six months ended June 30, 2018. This increase is driven primarily by the $2.1 million gain reflected in the first quarter of 2018 related to the Company's sale of Rainier U.S. mutual funds, which offset other costs in the first quarter of 2018. As a percentage of revenue, other operating costs for the six months ended June 30, 2019 was 25% compared to 18% for six months ended June 30, 2018.

Non-Operating Income (Loss)

Non-operating income for the six months ended June 30, 2019 was $3.0 million, an increase of $2.1 million, from non-operating income of $0.9 million for the six months ended June 30, 2018. The following table reflects the components of non-operating income (loss) for the six months ended June 30, 2019 and 2018:

	Six months ended June 30,		Period-to-Period	
	2019	2018	$	%
	(in thousands)			
Non-operating income (loss)				
Interest expense	$ (13)	$ (30)	$ 17	(57)%
Interest and dividend income (1)	1,646	876	770	*
Change in liability under tax receivable agreement	195	291	(96)	(33)%
Net gains (losses) on investments (2)	1,122	(270)	1,392	*
Total non-operating income	$ 2,950	$ 867	$ 2,083	*

____

(*) Percentage change not meaningful.

(1) The increase in interest and dividend income for the six months ended June 30, 2019 compared to 2018 is attributable to an increase in investments, including U.S. Treasury notes and bills, corporate bonds and other short-term investments to optimize cash management opportunities, coupled with an increase in interest rates.

(2) Amounts represent net income on investments we held to provide initial cash seeding for product development purposes. The amount varies depending on the performance of our investments and the overall amount of our investments in seeded products.

Provision for Income Taxes

Our tax provision decreased by $0.4 million, or 41%, to $0.6 million for the six months ended June 30, 2019 from $1.0 million for the six months ended June 30, 2018. The change was primarily driven by a decrease in taxable earnings as compared to the prior year.

Supplemental Non-GAAP Financial Information

To provide investors with greater insight, promote transparency and allow for a more comprehensive understanding of the information used by management in its financial and operational decision-making, we supplement our consolidated statements of operations presented on a GAAP basis with non-GAAP financial measures of earnings.

Management uses economic net income and economic net income per adjusted share as financial measures to evaluate the profitability and efficiency of our business. Economic net income and economic net income per adjusted share are not presented in accordance with GAAP.

Economic net income is a non-GAAP measure of after-tax operating performance and equals the Company’s income before provision for income taxes less adjusted income taxes. Adjusted income taxes are estimated assuming the exchange of all outstanding units of Manning & Napier Group into Class A common stock on a one-to-one basis. Therefore, all income of Manning & Napier Group allocated to the units of Manning & Napier Group is treated as if it were allocated to us and represents an estimate of income tax expense at an effective rate of 29.0% and 30.7% for the three months ended June 30, 2019 and 2018, respectively, and 29.0% for both for the six months ended June 30, 2019 and 2018, reflecting assumed federal, state and local income taxes.

Economic net income per adjusted share is equal to economic net income divided by the weighted average adjusted Class A common shares outstanding. The number of weighted average adjusted Class A common shares outstanding for all periods presented is determined by assuming the weighted average exchangeable units of Manning & Napier Group, weighted average unvested stock units, weighted average unvested restricted stock awards, and weighted average vested stock options are converted into our outstanding Class A common stock as of the respective reporting date, on a one-to-one basis. Our management uses economic net income, among other financial data, to determine the earnings available to distribute as dividends to holders of its Class A common stock and to the holders of the units of Manning & Napier Group.

Non-GAAP measures are not a substitute for financial measures prepared in accordance with GAAP and therefore should not be used in isolation of, but in conjunction with, GAAP measures. Additionally, our non-GAAP measures may differ from similar measures used by other companies, even if similar terms are used to identify such measures.

The following table sets forth, for the periods indicated, our other financial and operating data:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(in thousands, except share data)			
Income before provision for income taxes	$ 3,550	$ 6,682	$ 6,709	$ 14,433
Economic net income (Non-GAAP)	$ 2,520	$ 4,629	$ 4,763	$ 10,248
Economic net income per adjusted share (Non-GAAP)	$ 0.03	$ 0.06	$ 0.06	$ 0.13
Weighted average adjusted Class A common stock outstanding (Non-GAAP)	79,570,059	78,751,512	79,817,987	78,927,395

The following table sets forth, for the periods indicated, a reconciliation of non-GAAP financial measures to GAAP measures:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
	(in thousands, except share data)			
Net income attributable to Manning & Napier, Inc.	**$ 414**	**$ 766**	**$ 975**	**$ 1,980**
Add back: Net income attributable to noncontrolling interests	2,805	5,424	5,161	11,483
Add back: Provision for income taxes	331	492	573	970
Income before provision for income taxes	**$ 3,550**	**$ 6,682**	**$ 6,709**	**$ 14,433**
Adjusted income taxes (Non-GAAP)	1,030	2,053	1,946	4,185
Economic net income (Non-GAAP)	**$ 2,520**	**$ 4,629**	**$ 4,763**	**$ 10,248**
Weighted average shares of Class A common stock outstanding - Basic	15,267,762	14,691,928	15,098,454	14,503,784
Assumed vesting, conversion or exchange of:				
Weighted average Manning & Napier Group, LLC units outstanding (noncontrolling interest)	62,482,345	63,349,721	62,913,637	63,632,363
Weighted average unvested restricted stock units and share awards	1,819,952	709,863	1,805,896	791,248
Weighted average vested stock options	—	—	—	—
Weighted average adjusted shares (Non-GAAP)	**79,570,059**	**78,751,512**	**79,817,987**	**78,927,395**
Economic net income per adjusted share (Non-GAAP)	**$ 0.03**	**$ 0.06**	**$ 0.06**	**$ 0.13**

Liquidity and Capital Resources

Historically, our cash and liquidity needs have been met primarily through cash generated by our operations. Our current financial condition is highly liquid, with a significant amount of our assets comprised of cash and cash equivalents, accounts receivable and investment securities held by us for the purpose of optimizing short-term cash management and providing initial cash seeding for product development purposes.

The following table sets forth certain key financial data relating to our liquidity and capital resources as of June 30, 2019 and December 31, 2018:

	June 30, 2019	December 31, 2018
	(in thousands)	
Cash and cash equivalents	$ 57,169	$ 59,586
Accounts receivable	$ 12,231	$ 11,447
Investment securities	$ 89,619	$ 91,190
Amounts payable under tax receivable agreement (1)	$ 17,828	$ 18,023
Contingent consideration liability (2)	$ —	$ —

____

(1) In light of numerous factors affecting our obligation to make such payments, the timing and amounts of any such actual payments are based on our best estimate as of June 30, 2019 and December 31, 2018, including our ability to realize the expected tax benefits. Actual payments may significantly differ from estimated payments.

(2) Represents the fair value of additional cash payments related to our acquisition of Rainier of up to $32.5 million over the period ending December 31, 2019, contingent upon Rainier's achievement of certain financial targets.

We have no material assets other than our ownership of Class A units of Manning & Napier Group and, accordingly, will depend on distributions from Manning & Napier Group to pay taxes and operating expenses, as well as any dividends we may pay. As managing member of Manning & Napier Group, we will determine the timing and amount of any distributions to be paid to its members. We intend to cause Manning & Napier Group to distribute cash to its members, including us, in an amount sufficient to cover taxes and operating expenses, including dividends, if any, declared by us. If we do cause Manning & Napier Group to make such distributions, M&N Group Holdings, MNCC and any other holders of units of Manning & Napier Group will be entitled to receive equivalent distributions on a pari passu basis.

In determining the sufficiency of liquidity and capital resources to fund our business, we regularly monitor our liquidity position, including among other things, cash, working capital, long-term liabilities, lease commitments and operating company distributions.

Pursuant to the terms of the exchange agreement entered into at the time of the Company's initial public offering, M&N Group Holdings and MNCC exchanged a total of 1,315,521 Class A units of Manning & Napier Group on May 2, 2019, for approximately $3.1 million in cash. Subsequent to the exchange, the Class A units were retired. As a result of the exchange and retirement, the Company's ownership of Manning & Napier Group increased to approximately 18.9%.

On June 28, 2019, the Company, through Manning & Napier Group, entered into an agreement (the “Agreement”) to sell all of the equity interests in its wholly-owned subsidiary, Perspective Partners, LLC (“PPI”), to Manning Partners, LLC (“MP”). MP is wholly owned by William Manning, Chairman of the Company’s Board of Directors. Pursuant to the Agreement, Group will sell PPI to MP in exchange for a purchase price consisting of payments based on historical expenses of PPI from September 1, 2018 until the date of closing, estimated to be approximately $3.2 million, and future revenue payments, as applicable. Closing of the sale pursuant to the Agreement is subject to customary closing conditions and is expected during the third quarter of 2019.

We believe cash on hand and cash generated from operations will be sufficient over the next twelve months to meet our working capital requirements. Further, we expect that cash on hand, including short-term investments and cash generated by operations will be sufficient to meet our liquidity needs for the foreseeable future.

Cash Flows

The following table sets forth our cash flows for the six months ended June 30, 2019 and 2018. Operating activities consist primarily of net income subject to adjustments for changes in operating assets and liabilities, equity-based compensation expense, changes in the liability under the TRA, deferred income tax expense, gain on sale of intangible assets and depreciation and amortization. Investing activities consist primarily of the purchase and sale of investments for the purpose of providing initial cash seeding for product development and cash management purposes, gain on sale of intangible assets and purchases of property and equipment. Financing activities consist primarily of distributions to noncontrolling interests, dividends paid on our Class A common stock, and purchases of Class A units held by noncontrolling interests of Manning & Napier Group.

	Six months ended June 30,	
	2019	2018
	(in thousands)	
Net cash provided by operating activities	$ 2,052	$ 9,670
Net cash provided by investing activities	1,957	1,855
Net cash used in financing activities	(6,230)	(12,589)
Net change in cash and cash equivalents	$ (2,221)	$ (1,064)

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

Operating Activities

Operating activities provided $2.1 million and $9.7 million of net cash for the six months ended June 30, 2019 and 2018, respectively. This overall $7.6 million decrease in net cash provided by operating activities for the six months ended June 30, 2019 compared to 2018 was primarily due to a decrease in net income after adjustment for non-cash items of approximately $6.2 million driven by lower revenues resulting primarily from the decrease in our average AUM. The reduction was also due to a decrease of approximately $1.4 million in operating assets and liabilities.

Investing Activities

Investing activities provided $2.0 million and $1.9 million of net cash for the six months ended June 30, 2019 and 2018, respectively. This change was driven by an increase in cash from investing activities of $2.3 million due to our funding of and timing of activity within our investment securities, offset by a decrease of $2.4 million in cash received from the sale of intangible assets during the six months ended June 30, 2019 compared to the same period in 2018. During the six months ended June 30, 2019, we received approximately $3.0 million, net, from the purchase and sale of certain securities for cash management purposes. During the six months ended June 30, 2019, we received less than $0.1 million of proceeds from the redemption of certain seeded portfolios. In addition, we received proceeds from the sale of intangible assets of approximately $0.1 million during the six months ended June 30, 2019, compared to $2.5 million in the same period of 2018. Our purchases of property and equipment was approximately $1.1 million during the six months ended June 30, 2019 compared to $1.3 million in the same period of 2018.

Financing Activities

Financing activities used $6.2 million and $12.6 million of net cash for the six months ended June 30, 2019 and 2018, respectively. This overall $6.4 million decrease in net cash used in financing activities was primarily the result of a reduction in distributions to noncontrolling interests of $5.8 million and dividends paid on Class A common stock of $1.8 million driven by lower income after adjustment for non-cash items in 2019 compared to 2018. The decrease in cash used in financing activities was partially offset by an increase of $1.1 million of cash used for the purchase of Class A units of Manning & Napier Group pursuant to the exchange agreement entered into at the time of our IPO of $3.1 million during the six months ended June 30, 2019 compared to $1.9 million in 2018. This increase was due to a higher number of units exchanged in 2019.

Dividends

On October 23, 2018, the Board of Directors declared a $0.02 per share dividend to the holders of Class A common stock. The dividend was paid on February 1, 2019 to shareholders of record as of January 15, 2019.

On March 5, 2019, the Board of Directors declared a $0.02 per share dividend to the holders of Class A common stock. The dividend was paid on May 1, 2019 to shareholders of record as of April 15, 2019.

On April 23, 2019, the Board of Directors declared a $0.02 per share dividend to the holders of Class A common stock. The dividend was paid on August 1, 2019 to shareholders of record as of July 15, 2019.

On July 23, 2019, the Board of Directors declared a $0.02 per share dividend to the holders of Class A common stock. The dividend is payable on or about November 1, 2019 to shareholders of record as of October 15, 2019.

We have historically paid quarterly cash dividends on our Class A common stock. We have funded such dividends and we believe any future dividends would be funded from our portion of distributions made by Manning & Napier Group, from its available cash generated from operations.

The declaration and payment of all future dividends, if any, will be at the sole discretion of our Board of Directors. In determining the amount of any future dividends, our Board of Directors will take into account:

- the financial results of Manning & Napier Group;
- our available cash, as well as anticipated cash requirements, including any debt servicing and payments required under the tax receivable agreement;
- our capital requirements and the capital requirements of our subsidiaries, including Manning & Napier Group;
- contractual, legal, tax and regulatory restrictions on, and implications of, the payment of dividends by us to our shareholders or distributions by Manning & Napier Group to us, including the obligation of Manning & Napier Group to make tax distributions to its unitholders, including us;
- general economic and business conditions; and
- any other factors that our Board of Directors may deem relevant.

We have no material assets other than our ownership of Class A units of Manning & Napier Group and, accordingly, will depend on distributions from Manning & Napier Group to fund any dividends we may pay. As managing member of Manning & Napier Group, we will determine the timing and amount of any distributions to be paid to its members, other than mandatory tax distributions required under Manning & Napier Group's operating agreement. We intend to cause Manning & Napier Group to distribute cash to its members, including us, in an amount sufficient to cover dividends, if any, declared by us. If we do cause Manning & Napier Group to make such distributions, M&N Group Holdings, MNCC and any other holders of units of Manning & Napier Group will be entitled to receive equivalent distributions on a pari passu basis.

Off Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of June 30, 2019.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a "smaller reporting company," we are not required to provide this information.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2019 pursuant to Rule 13a-15 under the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of June 30, 2019, our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) were effective to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended June 30, 2019 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1A. Risk Factors

We have set forth in Item 1A to our Annual Report on Form 10-K for the year ended December 31, 2018 risk factors relating to our business, our industry, our structure and our Class A common stock. Readers of this Quarterly Report on Form 10-Q are referred to such Item 1A for a more complete understanding of risks concerning our company. There have been no material changes in our risk factors since those published in such Form 10-K for the year ended December 31, 2018.

Item 6. Exhibits

Exhibit No.	Description
10.1	Form of Redemption Agreement between M&N Group Holdings, LLC and Manning & Napier Group, LLC, dated May 2, 2019 is incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 6, 2019.
10.2	Form of Redemption Agreement between Manning & Napier Capital Company, LLC and Manning & Napier Group, LLC, dated May 2, 2019 is incorporated herein by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 6, 2019.
10.3	Purchase Agreement, dated June 28, 2019, by and between Manning & Napier Group, LLC, Manning Partners, LLC and Perspective Partners, LLC
31.1	Certification of the Company’s Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Company’s Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Company’s Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Company’s Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	Materials from the Manning & Napier, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2019, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Financial Condition, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Shareholders’ Equity, (v) Consolidated Statements of Cash Flows, and (vi) related Notes to the Unaudited Consolidated Financial Statements.

SIGNATURES

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

MANNING & NAPIER, INC.

Dated: August 13, 2019	By:	/s/ Marc Mayer
		Marc Mayer Chief Executive Officer (principal executive officer)
		/s/ Paul J. Battaglia
		Paul J. Battaglia Chief Financial Officer (principal financial and accounting officer)

Exhibit 10.3

PURCHASE AGREEMENT

THIS PURCHASE AGREEMENT (this "***Agreement***") is made as of the 28th day of June, 2019 (the "***Effective Date***") by and among **MANNING & NAPIER GROUP, LLC**, a Delaware limited liability company ("***Seller***"), **MANNING PARTNERS, LLC**, a New York limited liability company ("***Buyer***"), and **PERSPECTIVE PARTNERS, LLC**, a New York limited liability company ("***PPI***").

WHEREAS, Seller is the registered and beneficial owner of one hundred percent (100%) of the issued and outstanding equity interests of PPI (the "***Securities***"); and

WHEREAS, Buyer desires to acquire from Seller, and Seller desires to sell to Buyer, all of the Securities upon the terms and conditions set forth in this Agreement;

NOW, THEREFORE, for good and valuable consideration, the parties agree as follows:

Article I.
PURCHASE AND SALE

Section 1.1 Purchase and Sale. At Closing (defined in Section 5.1), Buyer will purchase from Seller, and Seller will sell, transfer, assign, convey and deliver to Buyer, all of the Securities, free and clear of all liens, charges, encumbrances or third party rights, except for restrictions on transfer under the Securities Act of 1933, as amended, and state securities laws.

Section 1.2 Determination and Payment of Purchase Price.

(a) Within thirty (30) days after the Closing, Seller will provide to Buyer a written statement that is computed by Seller in accordance with its past practices as set forth on Schedule 1.2(a) (the "***Expense Statement***") detailing (i) the aggregate expenses or other amounts that PPI incurred or was allocated between September 1, 2018 and the Closing; (ii) the aggregate expenses or other amounts related to the DIAL software solution ("***DIAL***"), formerly owned by Manning & Napier Information Services, LLC ("***MNIS***") that were incurred or allocated by Seller or any of its affiliates, including Manning & Napier Advisors, LLC ("***MNA***") between September 1, 2018 and the transfer contemplated by Section 5.2(a)(viii); and (iii) the amount of unamortized prepaid expenses of PPI as well as those related to DIAL as of the Closing (together with Sections 1.2(a)(i) and (ii), the "***Expense Amount***").

(b) Buyer will (i) within five (5) business days after Seller delivers the Expense Statement to Buyer, pay Seller in immediately available funds the amount equal to the Expense Amount, and (ii) thereafter, from time to time, pay (or cause PPI to pay) Seller in immediately available funds the Revenue Payments (defined in Section 1.3(a)) in accordance with Section 1.3 (Sections 1.2(b)(i) and (ii), collectively, the "***Purchase Price***").

(c) Any reference in this Agreement to the business, assets or liabilities, contracts, rights or obligations, or employees of PPI (including in the representations and warranties set forth in Article II), whether or not specifically stated therein, shall be deemed to include the business of MNIS, and the assets and liabilities, contracts, rights and obligations, and employees thereof, as previously conducted by MNIS.

Section 1.3 Additional Payments.

(a) Amount. Following the Closing Date, Buyer will pay to Seller three percent (3%) of the total revenue of PPI less any fees owed to third parties unaffiliated with PPI or William Manning (the "***Net Revenue***") of PPI ("***Revenue Payments***"), which Net Revenue will be recognized in accordance with generally accepted accounting principles and consistent with the manner that PPI, Seller or its affiliates recognized such revenue prior to Closing, attributable to the proprietary technology of PPI, including but not limited to DIAL, as of September 1, 2018 (the "***Subject Technology***"). Notwithstanding the foregoing, Buyer will receive a credit of $100,000 against the Revenue Payments otherwise due hereunder for each of calendar years 2019, 2020, 2021 and 2022 (the "***Credit***"), representing an estimate of the prospective opportunity cost to PPI of certain exclusivity rights previously granted by MNIS to, and the prospective loss on certain commitments previously entered into by MNIS with, a third party. If an annual Credit is not fully used in any applicable year, the unused portion of the Credit will carry over to the following years, but in no event shall any Credit be applied after December 31, 2022. If, after the Closing, all or substantially all of the assets of PPI are transferred, sold, leased or exclusively licensed, or if a majority of the voting power of PPI is directly, indirectly or beneficially (including through a sale of the equity of Buyer) sold or transferred to a third party (each a "***Sale***"), Buyer will require the entity surviving the Sale or which acquired the rights in such assets to continue to pay the Revenue Payments in accordance with this Agreement and assume the obligations of PPI and Buyer hereunder. For the avoidance of doubt, for purposes of calculating any Revenue Payments due hereunder, there shall be excluded from the total net revenue of PPI the revenues attributable to any new proprietary technology developed by PPI independently of the Subject Technology after September 1, 2018. Any disagreement between Seller and Buyer regarding such allocation shall be resolved by binding arbitration pursuant to Section 1.3(e).

(b) Determination of Amount. As soon as practicable (but not later than sixty (60) calendar days after the end of each calendar year, Buyer will (or will cause PPI to) prepare and deliver to Seller a statement (each a "***Revenue Statement***") setting forth in reasonable detail Buyer's gross revenue, itemized by product, and Buyer's calculation of the total Net Revenue of PPI for the prior twelve (12) month period, the Revenue Payment for such twelve (12) month period and an aggregate reconciliation of the Revenue Payments against the Credit.

(c) Review and Audit Rights. During reasonable business hours and no more than once per year, Seller will be permitted to review Buyer's working papers related to the preparation of the Revenue Statements and will be provided with reasonable access to Buyer's and PPI's facilities and personnel to verify the completeness and accuracy of the same; provided, however, that Seller will pay for the cost of such review unless it is determined by binding arbitration in accordance with Section 1.3(e) that Buyer underreported the Revenue Payments by more than five percent (5%), in which case Buyer will pay such costs.

(d) Protest Notice. Whether or not as a result of an audit under Section 1.3(c), Seller may deliver written notice (a "***Protest Notice***") to Buyer of any disagreement with the Revenue

Statement. Such Protest Notice will (i) specify in reasonable detail the nature of any disagreement so asserted, and include, if applicable, supporting schedules, analyses, working papers and other documentation and (ii) include Seller's calculation of the Revenue Payment. Buyer will have thirty (30) calendar days after Buyer's receipt of a Protest Notice to dispute the same and, if it fails to dispute the Protest Notice in writing within such time period, then the Protest Notice will be deemed accepted and final and Buyer will make any payment required in connection therewith.

(e) Resolution. If Buyer and Seller are unable to resolve any disagreement over a Revenue Statement within thirty (30) calendar days after Buyer timely disputes a Protest Notice in writing, then the dispute will be referred to a panel of three (3) independent arbitrators (the "***Independent Arbitrator(s)***") expert in the licensing and other commercial exploitation of technology similar to that of PPI, one of whom shall be selected by Buyer, one of whom shall be selected by Seller, and the third of whom shall be selected by the other two, and at least one of whom shall be an independent accountant, for final arbitration within sixty (60) calendar days after submitting the matter to the Independent Arbitrator(s), which arbitration will be final and binding on Buyer and Seller. The Independent Arbitrator(s) will act as arbitrator to determine, based solely on the standards set forth in this Agreement and on written presentations by Buyer and Seller, and not by independent review, only those amounts still in dispute. With respect to each disputed item, the Independent Arbitrator(s)' determination, if not in accordance with the position of either Buyer or Seller, will not be in excess of the higher, nor less than the lower, of the amounts advocated by Buyer in the Revenue Statement or by Seller in the Protest Notice with respect to each disputed item. The costs of the Independent Arbitrator(s) will be allocated to and borne by Buyer and Seller based on the inverse of the percentage that the Independent Arbitrator(s)' determination (before such allocation) bears to the total amount of the total items in dispute (as originally submitted to the Independent Arbitrator(s)). For example, should the items in dispute total One Thousand Dollars ($1,000), and the Independent Arbitrator(s) award Six Hundred Dollars ($600) in favor of Buyer's position, sixty percent (60%) of the Independent Arbitrator(s)' costs would be borne by Seller, and forty percent (40%) of their costs would be borne by Buyer. Any determination of the Independent Arbitrator(s) pursuant to this Section 1.3(e) may be entered into and enforced in any court of competent jurisdiction.

(f) Payment. Within thirty (30) calendar days following the final determination of the amount of any Revenue Payment in accordance with this Section 1.3, Buyer will pay such amount to Seller by wire transfer of immediately available funds to an account designated in writing by Seller.

(g) Covenants. In addition to the implied covenants of good faith and fair dealing, Buyer will not, and will cause PPI (or any successor in interest to its business) after Closing to not, take any action or fail to take any action that causes or could reasonably be expected to cause revenue to be diverted away from PPI (or any successor in interest to its business) or that materially delays, or could reasonably be expected to materially delay, PPI from being able to recognize revenue.

ARTICLE II.
REPRESENTATIONS AND WARRANTIES OF SELLER

Seller represents and warrants to Buyer as follows:

Section 2.1 Power and Authority. Each of Seller and PPI has full power and authority to execute, deliver and perform this Agreement and each other agreement, certification or instrument required to be executed and delivered by Seller or PPI at Closing (the "***Seller Closing Documents***"). The execution, delivery and performance by Seller and PPI of this Agreement and each other Seller Closing Document has been duly and validly authorized by all necessary action.

Section 2.2 Approvals. Except as set forth on Schedule 2.2 (the "***Required Approvals***"), no consent, approval, waiver, authorization or novation is required to be obtained by Seller or PPI from, and no notice or filing is required to be given by Seller or PPI to, any individual, corporation, partnership, limited liability company, association, trust or any other entity or organization ("***Person***") or governmental entity in connection with the execution, delivery and performance by Seller and PPI of this Agreement and any other Seller Closing Document, and the consummation of the transactions contemplated by this Agreement, including the assignment to PPI of the assets and liabilities of MNIS pursuant to Section 5.1(a)(viii) (the "***Transaction***").

Section 2.3 Non-Contravention.

(a) The execution, delivery and performance by Seller and PPI of this Agreement and each Seller Closing Document, and the consummation of the Transaction, do not and will not violate any provision of the limited liability company operating agreement ("***LLC Agreement***") or other organizational documents of Seller or PPI.

(b) The execution, delivery and performance by Seller and PPI of this Agreement and each other Seller Closing Document, and the consummation of the Transaction, do not and will not: (i) conflict with, or result in the breach of, or constitute a default under, or result in the actual termination, cancellation or acceleration (whether after the giving of notice or the lapse of time or both) of any right or obligation of Seller or PPI under any agreement, contract, lease, arrangement, commitment or license to which Seller or PPI is a party; or (ii) violate or result in a breach of or constitute a default under any law or other restriction of any governmental entity to which Seller or PPI is subject or by which any of their respective assets are bound.

Section 2.4 Binding Effect. This Agreement and each other Seller Closing Document when executed and delivered by Seller does and will constitute valid and legally binding obligations of Seller enforceable against Seller in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting the enforcement of creditors' rights generally and to equitable principles limiting the availability of equitable remedies.

Section 2.5 Organization and Capitalization of Seller and PPI.

Seller is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware. PPI is a limited liability company duly organized, validly existing and in good standing under the laws of the State of New York. Seller is the owner of one hundred percent (100%) of the Securities, and the Securities represent one hundred percent (100%) of the issued and outstanding equity interests of PPI and there are no rights or options pursuant to which a third-party could acquire any equity interests in PPI. PPI has no subsidiaries and does not, directly or indirectly, hold any shares or other equity interest in, nor any right or obligation to make any contribution of capital to or acquire any such interest in, any Person.

Section 2.6 Compliance with Laws. The business of PPI has been and is being conducted in compliance in all material respects with all laws, and PPI has all material licenses, permits, orders, certificates and other authorizations and approvals of any governmental entity required under any applicable law to carry on its business as currently conducted. PPI is not in default under any of such licenses, permits, orders, certificates or other authorizations or approvals.

Section 2.7 Litigation and Claims. There is neither pending nor, to Seller's knowledge, threatened civil, criminal or administrative claim, action, suit, proceeding, arbitration or investigation by any Person or governmental entity on behalf of or against PPI, or on behalf of or against Seller or MNIS with respect to or relating to PPI or its business. PPI is not subject to any order, writ, judgment, award, injunction or decree of any governmental entity of competent jurisdiction or any arbitrator.

Section 2.8 Contracts.

(a) Seller has provided to Buyer true and complete copies of each material contract of PPI ("***Contract***") that is in written form together with all amendments and modifications thereof and material correspondence with respect thereto. Each of the Contracts constitutes the valid and legally binding obligation of PPI and, to Seller's knowledge, of the other parties thereto, and is enforceable in accordance with its terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application relating to or affecting the enforcement of creditors' rights generally and equitable principles limiting the availability of equitable remedies. Each of the Contracts constitutes the entire agreement of the respective parties thereto relating to the subject matter thereof. No act or omission has occurred or failed to occur that has not been either cured or waived, which, with the giving of notice, the lapse of time or both, would (i) constitute a default under any of the Contracts by PPI or, to Seller's knowledge, the other party thereto, or (ii) permit termination, modification or acceleration thereunder by PPI or, to Seller's knowledge, the other party thereto, and each of the Contracts is in full force and effect.

(b) None of the Contracts requires consent or waiver in connection with the consummation of the Transaction.

Section 2.9 Financial Statements. Seller has delivered to Buyer the unaudited balance sheet of PPI as of December 31, 2018 and the unaudited income statements of PPI and of the DIAL cost center for the 12-month period ended December 31, 2018 (collectively, the "***Financial Statements***"). The Financial Statements have been prepared in accordance with generally accepted accounting principles ("***GAAP***") applied on a consistent basis throughout the periods indicated. The Financial Statements fairly present in all material respects the financial condition and operating results of PPI and the DIAL cost center as of the dates, and for the periods, indicated, subject to normal year-end audit adjustments. Except as set forth in the

Financial Statements, PPI has no material liabilities or obligations, contingent or otherwise, whether or not of a type required to be reflected or reserved against on a balance sheet prepared in accordance with GAAP, other than liabilities incurred in the ordinary course of business subsequent to December 31, 2018.

Section 2.10 Tax Returns and Payments. There are no federal, state, county, local or foreign Taxes (as defined in Section 7.5) due and payable by or with respect to PPI which have not been timely paid. There have been no examinations or audits of any Tax returns or reports of or with respect to PPI by any applicable federal, state, county, local or foreign governmental agency. PPI, and Seller with respect to PPI, have duly and timely filed all federal, state, county, local and foreign Tax returns required to have been filed by them and there are in effect no waivers of applicable statutes of limitations with respect to Taxes for any year. There are no liens for Taxes upon any assets of PPI. PPI has no liability for the Taxes of any other person. PPI, and Seller with respect to PPI, have timely and properly withheld and paid all Taxes required to have been withheld and paid in connection with amounts paid or owing to any employee, member, independent contractor, creditor or other third party.

Section 2.11 Finders' Fees. There is no investment banker, broker, finder or other intermediary who (a) has been retained by or is authorized to act on behalf of Seller or PPI and (b) is entitled to any fee or commission from Seller or PPI in connection with the Transaction.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer represents and warrants to Seller as follows:

Section 3.1 Power and Authority of Buyer. Buyer is a limited liability company duly organized, validly existing and in good standing under the laws of the State of New York. Buyer has full power and authority to execute, deliver and perform this Agreement and each other agreement, certification or instrument required to be executed and delivered by Buyer at Closing (the "***Buyer Closing Documents***"). The execution, delivery and performance by Buyer of this Agreement and each other Buyer Closing Document have been duly and validly authorized by all necessary action on the part of Buyer.

Section 3.2 Approvals. No consent, approval, waiver, authorization or novation is required to be obtained by Buyer from, and no notice or filing is required to be given by Buyer to, any Person or governmental entity in connection with the execution, delivery and performance by Buyer of this Agreement and any other Buyer Closing Document, and the consummation of the Transaction.

Section 3.3 Non-Contravention. The execution, delivery and performance by Buyer of this Agreement and each other Buyer Closing Document, and the consummation of the Transaction, does not and will not: (a) violate any provision of the organizational documents of Buyer; (b) conflict with, or result in the breach of, or constitute a default under, or result in the actual or potential termination, cancellation or acceleration (whether after the filing of notice or the lapse of time or both) of any right or obligation of Buyer under, any agreement, contract, lease, arrangement, commitment or license to which Buyer is a party; or (c) violate or result in a breach of or constitute a default under any law, judgment, injunction, order, decree or other restriction of any governmental entity to which Buyer is subject.

Section 3.4 Binding Effect. This Agreement and each other Buyer Closing Document, when executed and delivered by Buyer, will constitute valid and legally binding obligations of Buyer, enforceable against Buyer in accordance with their respective terms, except as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws of general application relating to or affecting the enforcement of creditors' rights generally and to equitable principles limiting the availability of equitable remedies.

Section 3.5 Finders' Fees. There is no investment banker, broker, finder or other intermediary who: (a) has been retained by or is authorized to act on behalf of Buyer, and (b) is entitled to any fee or commission from Buyer in connection with the Transaction.

ARTICLE IV.
POST-CLOSING COVENANTS

Section 4.1 Confidentiality.

(a) At Closing, Seller shall deliver to Buyer or PPI copies of all material in Seller's possession or control to the extent relating to any confidential or proprietary information or trade secrets of PPI, including DIAL, and all other books and records of or relating to PPI, including DIAL. At all times after the Closing, Seller will treat as confidential and will safeguard any and all confidential and proprietary information and trade secrets of PPI, by using the same degree of care, but no less than a reasonable standard of care, to prevent the unauthorized use, dissemination or disclosure of such confidential and proprietary information and trade secrets as Seller used with respect thereto prior to Closing and uses thereafter with respect to its own confidential and proprietary information and trade secrets.

(b) Nothing contained in this Section 4.1 will in any way restrict or impair the right of Seller to use, disclose or otherwise deal with information which (i) is or becomes a matter of public knowledge through no fault of Seller, (ii) was already in Seller's possession at the time of disclosure of the information to Seller, and was not acquired, directly or indirectly, from PPI or from any Person under any obligation of confidentiality to the Seller, to PPI or to any other Person; *provided, however*, that with respect to the confidential and proprietary information and trade secrets of PPI existing prior to Closing, Seller will not be deemed to have been in possession of such confidential or proprietary information or trade secrets based on its prior knowledge of the same, (iii) is rightfully received by Seller from a Person having no duty of confidentiality to PPI, (iv) is independently developed by Seller, (v) is disclosed as required by any law after reasonable prior notice to the Buyer and a reasonable opportunity for Buyer or PPI to limit such disclosure or (vi) is disclosed by Seller with PPI's prior written consent.

Section 4.2 Public Disclosure. Except as may be required to comply with the requirements of any law or securities exchange, no party will issue or permit the issuance of any press release or similar public announcement or communication concerning the execution or performance of this Agreement unless specifically approved by the other parties in advance.

Section 4.3 Further Assurances; Actions. If at any time after Closing any further action is necessary or desirable to carry out the purposes of this Agreement, each of the parties will take such further action (including the execution and delivery of such further instruments and documents) as any other party may reasonably request.

Section 4.4 Future Commercial Agreement. Buyer and Seller may discuss (but are not obligated to enter into) a potential business relationship for Buyer and Seller to market PPI and/or DIAL-related products and services or for Seller and its affiliates and representatives to use such products and services internally. Although any such arrangement is subject to the negotiation and execution of definitive agreements before any party will be bound, the parties expect that the following terms would be included in any such future business relationship in the event of a merger or acquisition of Seller (directly or indirectly) with or by another entity, royalty-free licenses for the direct representatives of Seller and its affiliates would be limited to the number of such licenses granted prior to the date of such merger or acquisition.

Section 4.5 Employees.

(a) Prior to Closing, Buyer will establish retirement, medical, dental and health plans to be effective as of the Closing that, taken as a whole, are substantially similar to those provided to the Employees immediately prior to Closing. Such medical, dental and health plans will waive any eligibility period and preexisting condition limitations. Buyer will give all Employees continuing in the employment of PPI credit for all service with Seller, PPI or any of its affiliates and for any service credited by Seller or any of its affiliates under the employee benefit plans, programs and policies, and fringe benefit arrangements of the Buyer or PPI for purposes of eligibility, vesting, and, with respect to welfare plans, benefit accrual.

(b) For a period of one year following the Closing, Buyer will maintain (or cause PPI to maintain) employee compensation and benefits for Employees comparable in the aggregate to those in effect immediately prior to Closing.

(c) Nothing contained herein, express or implied, is intended to confer upon any Employee any rights to have continuing employment with Buyer or PPI for any period. No Person not a party hereto shall have any rights to enforce any term of this Agreement as a third-party beneficiary or otherwise.

(d) On and after the Closing Date, Buyer will comply in all respects with the group health plan continuation coverage requirements of COBRA with respect to any Employees continuing in the employment of PPI.

(e) Notwithstanding the foregoing, nothing contained herein will (i) be treated as an amendment to any particular employee benefit plan, (ii) other than as required by applicable Law, obligate Buyer or any of its affiliates to (A) maintain any particular benefit plan or (B) retain the employment of any particular employee, or (iii) give any third party the right to enforce any of the provisions of this Agreement.

Section 4.6 Tax Matters. Buyer shall be entitled to deduct and withhold any amounts it is required to deduct and withhold pursuant to any provision of the Internal Revenue Code of 1986, as amended (the "***Code***") or other law in connection with any payment made pursuant to the terms of this Agreement. Buyer, PPI and Seller agree to cooperate and use commercially reasonable efforts to seek to minimize any anticipated withholding Tax imposed in connection with this Agreement. Any amounts so withheld shall be treated for all purposes of this Agreement as having been paid to the Person otherwise entitled to receive such payments pursuant to this Agreement.

ARTICLE V.
CLOSING

Section 5.1 Closing Date. The closing of the transactions contemplated hereby (the "***Closing***") will take place at the offices of Harter Secrest & Emery LLP, 1600 Bausch & Lomb Place, Rochester, New York 14604 (including by means of facsimile, electronic mail or other electronic transmission), within five (5) business days following the satisfaction or, to the extent permitted hereunder, waiver of all conditions set forth in this Article V (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permitted hereunder, waiver of all such conditions), unless this Agreement has been terminated pursuant to its terms or unless another time or date is agreed to in writing by the parties hereto, and the actual date of the Closing is hereinafter referred to as the "***Closing Date***". Closing will be deemed effective as of 11:59 p.m. (local time) on the Closing Date.

Section 5.2 Closing Conditions.

(a) **Conditions to the Buyer's Obligations.** The obligation of Buyer to consummate the Closing under this Agreement is subject to the satisfaction (or waiver by Buyer), on or before the Closing, of each of the following conditions:

(i) The representations and warranties of Seller contained in this Agreement will be true and correct in all respects (in the case of any representation or warranty containing any materiality qualification) or in all material respects (in the case of any representation or warranty without any materiality qualification) at and as of the date hereof and on and as of the Closing Date, except for those representations and warranties that address matters as of any other particular date (in which case such representations and warranties will speak as of such particular date). Seller will have delivered to Buyer a certificate, dated as of the Closing Date, stating that the conditions specified in this Section 5.2(a)(i) have been satisfied.

(i) Seller will have performed and complied with in all material respects all of the covenants and agreements required to be performed by Seller under this Agreement at or prior to the Closing. Seller will have delivered to Buyer a certificate, dated as of the Closing Date, stating that the conditions specified in this Section 5.2(a)(ii) have been satisfied.

(ii) No judgment, decree or order will have been entered, and no litigation or arbitration will be pending or threatened seeking, to (1) prevent the performance of or declare unlawful this Agreement or the consummation of any of the transactions contemplated hereby, (2) cause such transactions to be rescinded or (3) obtain damages or other relief in connection with this Agreement or the consummation of the transactions contemplated hereby.

(iii) Seller will have delivered Buyer duly executed documents sufficient to transfer the Securities to Buyer.

(iv) Seller will have delivered to Buyer written resignations, effective as of the Closing and otherwise in form and substance reasonably satisfactory to Buyer, from each member of the board of managers of PPI.

(v) Seller will have delivered, or will cause MNA to deliver, to Buyer a duly executed standard solicitation agreement (the "***Solicitation Agreement***") by and between Buyer and MNA, in such form as agreed to by Buyer and Seller, in which MNA will agree to pay to Buyer ten percent (10%) of MNA's revenue derived from asset management business referred to MNA by Buyer.

(vi) Such employees of Seller or MNA, who have been dedicated to PPI and DIAL and who Seller and Buyer agree should be employees of PPI (or an affiliate of PPI) after Closing (the "***Employees***"), will have become employees of PPI (or an affiliate of PPI) (for which purpose Seller confirms that there are currently no employees whose responsibilities are divided between PPI and any other operations of Seller or its affiliates).

(vii) Seller will have assigned to PPI all or substantially all of the assets and liabilities of MNIS, including those related to DIAL, and Seller will have provided Buyer proof of the same, in such form as reasonably acceptable to the Buyer.

(viii) MNA and Buyer (or PPI) will have entered into a mutually agreeable month-to-month sublease agreement for space at 295 Woodcliff Drive, Fairport, NY 14450 for the PPI business (the "***Lease***") on substantially the terms set forth on Schedule 5.1(a)(ix).

(ix) Seller will have agreed to provide PPI reasonable post-Closing transition IT services to separate PPI from Seller's IT infrastructure and to support the IT requirements of PPI and its business (at a reasonable level of services), which services will last for no more than thirty (30) days after Closing, subject to an extension at the option of PPI for up to thirty (30) additional days, for which IT services Buyer will pay Seller its fully-burdened costs. For clarity, neither Seller nor any of its affiliates will have any obligation to provide any other services or assistance to Buyer or PPI, including, but not limited to, services or assistance related to finance, accounting, tax, insurance, legal and human resources.

(x) Seller will have delivered to Buyer such other agreements, certificates and documents as may be reasonably requested by Buyer to effectuate or evidence the transactions contemplated hereby.

(b) **Conditions to Seller's Obligations.** The obligation of Seller to consummate the Closing under this Agreement is subject to the satisfaction (or waiver by the Seller), on or before the Closing, of each of the following conditions:

(i) The representations and warranties of Buyer contained in this Agreement will be true and correct in all respects (in the case of any representation or warranty containing any materiality qualification) or in all material respects (in the case of any representation or warranty without any materiality qualification) at and as of the date hereof and on and as of the Closing Date, except for those representations and warranties that address matters as of any other particular date (in which case such representations and warranties will speak as of such particular date). Buyer will have delivered to Seller a certificate, dated as of the Closing Date, stating that the conditions specified in this Section 5.3(b)(i) have been satisfied.

(ii) Buyer will have performed and complied with in all material respects all of the covenants and agreements required to be performed by Buyer under this Agreement at or prior to the Closing. Buyer will have delivered to Seller a certificate, dated as of the Closing Date, stating that the conditions specified in this Section 5.3(b)(ii) have been satisfied.

(iii) No judgment, decree or order will have been entered, and no litigation or arbitration will be pending or threatened seeking, to (1) prevent the performance of or declare unlawful this Agreement or the consummation of any of the transactions contemplated hereby, (2) cause such transactions to be rescinded or (3) obtain damages or other relief in connection with this Agreement or the consummation of the transactions contemplated hereby.

(iv) Buyer will have delivered to Seller duly executed waivers, agreements or releases, in form and substance reasonably acceptable to Seller, pursuant to which William Manning disclaims any interest in or right to receive any portion of the Expense Amount or Revenue Payments.

(v) Buyer will have delivered to Seller or MNA the duly executed Solicitation Agreement.

(vi) Buyer will have delivered to Seller or MNA the duly executed Lease.

(vii) Buyer will have delivered to Seller such other agreements, certificates and documents as may be reasonably requested by Seller to effectuate or evidence the transactions contemplated hereby.

ARTICLE VI.
INDEMNIFICATION

Section 6.1 Buyer's Right to Indemnification. From and after Closing, and subject to the further provisions of this Article VI, Seller will indemnify, defend and hold harmless Buyer from, against and in respect of all damages, claims, losses, charges, actions, suits, proceedings, deficiencies, interest, penalties and reasonable costs and expenses associated therewith (including reasonable attorneys' fees, litigation costs, fines, penalties and expenses of investigation) (collectively, "***Losses***") imposed on, sustained, incurred or suffered by or asserted against Buyer, directly relating to or arising out of any of the following: (a) any fact or circumstance that constitutes a breach of any representation or warranty of Seller made in this Agreement, or (b) any act or omission that constitutes a breach of any covenant or agreement of Seller made in this Agreement.

Section 6.2 Seller's Right to Indemnification. From and after Closing and subject to the further provisions of this Article VI, Buyer will indemnify, defend and hold harmless Seller from, against and in respect of all Losses imposed on, sustained, incurred or suffered by or asserted against Seller, relating to or arising out of any of the following: (a) any fact or circumstance that constitutes a breach of any representation or warranty of Buyer made in this Agreement; (b) any act or omission that constitutes a breach of any covenant or agreement of Buyer made in this Agreement; and (c) the operation of the business of PPI at any time after Closing.

Section 6.3 Survival. All of the representations and warranties contained in Article II and in Article III will survive Closing and continue in full force and effect until eighteen (18) months following the Closing Date. All covenants of the parties shall survive indefinitely in accordance with their respective terms.

Section 6.4 Limitations. In no event will Seller be obligated to make payment in respect of Losses under Section 6.1(a) in excess of the Purchase Price actually paid to it, and in no event will Buyer be obligated to make payment in respect of Losses under Section 6.1(b) in excess of the Purchase Price. "***Losses***" will not include, either (a) special, exemplary, punitive, incidental or consequential damages or (b) lost or anticipated revenues or profits relating to the same. The limitations provided in this Section 6.4 shall not apply to any breach by either Seller or Buyer of its obligations to be performed following Closing under this Agreement or any other Seller Closing Document or Buyer Closing Document.

ARTICLE VII.
TAX MATTERS

Section 7.1 Taxes and Tax Indemnification.

(a) The parties agree that the transactions contemplated hereby will be treated an asset sale for federal and state tax purposes and they will make any elections necessary for such tax treatment.

(b) Seller will indemnify Buyer and hold Buyer harmless from and against any loss, claim, liability, expense or other damage attributable to (a) all Taxes (or the non-payment thereof) of Seller (including, for the avoidance of doubt, Taxes with respect to PPI) for all taxable periods ending before the Closing Date and the portion up to but not including the Closing Date for any taxable period that includes (but does not end on) the day before the Closing Date (the "***Pre-Closing Tax Period***"), and (b) any and all Taxes of any Person imposed on Seller or PPI as a transferee or successor, by contract or pursuant to any law, which Taxes relate to an event or transaction occurring before the Closing Date. Seller will reimburse Buyer for any Taxes that are the responsibility of Seller pursuant to this Section 7.1(a) within fifteen (15) days after payment of such Taxes by Buyer.

Section 7.2 Responsibility for Filing Tax Returns. Buyer will prepare or cause to be prepared and file or cause to be filed all Tax Returns for any period after the Closing Date.

Section 7.3 Cooperation on Tax Matters. Buyer and Seller will cooperate fully, as and to the extent reasonably requested by any other party, in connection with the filing of Tax Returns pursuant to Section 7.3, and any audit, litigation or other proceeding with respect to Taxes. Buyer and Seller will, upon the other party's request, use its best efforts to obtain any certificate or other document from any Person or governmental entity as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including with respect to the Transaction).

Section 7.4 Certain Taxes and Fees. All transfer, documentary, sales, use, stamp, registration and other such taxes, and all conveyance fees, recording charges and other fees and charges (including any penalties and interest) incurred in connection with the consummation of the Transaction will be paid by Buyer when due, and Buyer will, at its own expense, file all necessary Tax Returns and other documentation with respect to all such Taxes, fees and charges, and, if required by applicable law, Seller will join in the execution of any such Tax Returns and other documentation.

Section 7.5 Definitions. For purposes of this Agreement, (a) "***Tax***" or "***Taxes***" means any federal, state, county, local or foreign income, gross, receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental, customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated or other tax of any kind whatsoever, including any interest, penalty or addition thereto, whether disputed or not and including any obligations to indemnify or otherwise assume or succeed to the Tax liability of any other Person, and (b) "***Tax Return***" means any return, declaration, report, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

ARTICLE VIII.
TERMINATION

Section 8.1 Termination. This Agreement may be terminated at any time prior to the Closing:

(a) By the mutual written consent of Buyer and Seller;

(b) By Buyer without cause upon written notice to Seller prior to Closing;

(c) By Seller or Buyer upon written notice given to the other, if the Closing has not occurred on or before 5:00 p.m. local time on December 31, 2018; provided, however, that the right to terminate this Agreement pursuant to this Section 8.1(c) will not be available to any party whose knowing or willful failure to perform any of its obligations under this Agreement required to be performed by it at or prior to the Closing has been the cause of, or resulted in, the failure of the Closing to occur;

(d) By Seller or Buyer upon written notice given to the other, if there has been a breach by (i) Buyer, in the case of notice from the Seller, or (ii) Seller, in the case of notice from the Buyer, of any representation, warranty, covenant or agreement made by such parties in this Agreement such that the conditions to the Closing set forth in Sections 5.2(a)-(b), as applicable, would not be satisfied; provided that such breach (if curable) has not been cured within fifteen (15) calendar days after notice of the same; or

(e) By Seller or Buyer if any governmental authority of competent jurisdiction has issued a nonappealable final judgment, order, ruling, settlements, writ, injunction, assessment, citation or arbitration award or decree or taken any other nonappealable final action, in each case having the effect of restraining, enjoining or otherwise prohibiting the transactions contemplated hereby.

Section 8.2 Effect on Obligations. Termination of this Agreement pursuant to Section 8.1 will terminate all obligations of the parties hereunder, except for their obligations under this Article VIII and Articles VI and IX; provided, however, that unless this Agreement has been terminated pursuant to Section 8.1(c), termination of this Agreement will not relieve a breaching party (whether or not it is the terminating party) from any liability to the other party hereto arising from or related to its prior breach of any representations, warranties, covenants or agreements contained herein.

Section 8.3 Closing of Businesses. Buyer acknowledges that Seller intends to shut down and liquidate promptly the businesses of PPI and MNIS if the transactions contemplated hereby do not close for any reason.

ARTICLE IX.
MISCELLANEOUS

Section 9.1 Notices. All notices or other communications given hereunder will be in writing and will be deemed duly given: (a) when delivered personally to the recipient, (b) one (1) business day after being sent to the recipient by reputable overnight courier service (charges prepaid), (c) one (1) business day after being sent to the recipient by facsimile transmission or e-mail, or (d) four (4) business days after being mailed to the recipient by certified or registered mail, return receipt requested and postage prepaid, and addressed to the intended recipient as set forth below, or at such other address as may be provided by such party by notice given as herein provided:

If to Buyer or, after Closing, to PPI:	Manning Partners, LLC 290 Woodcliff Drive Fairport, New York 14450 Attention: Michelle Thomas Facsimile: (585) 325-5617 E-mail: mthomas@manning-napier.com
If to Seller or, before Closing, to PPI:	Manning & Napier Group, LLC 290 Woodcliff Drive Fairport, New York 14450 Attention: Corporate Secretary Facsimile: (585) 232-9079 E-mail: sturner@manning-napier.com

Section 9.2 Amendment; Waiver. Any provision of this Agreement may be amended only if such amendment is in writing and signed by Buyer and Seller. A party may waive any right held by that party without the consent of the other parties. No failure or delay by any party in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

Section 9.3 No Assignment or Benefit to Third Parties. No party may assign any of its rights or delegate any of its obligations under this Agreement, by operation of law or otherwise, without the prior written consent of the other parties, and any attempt to assign this Agreement without such consent will be null and void and of no force or effect. Nothing in this Agreement, express or implied, is intended to confer upon any Person other than Buyer, the Seller and PPI, and their respective permitted successors or permitted assigns, any rights or remedies under or by reason of this Agreement. Without limiting the generality of the foregoing, nothing in this Agreement creates any rights in any employees or groups of employees.

Section 9.4 Expenses. All costs and expenses incurred in connection with this Agreement and the Transaction, and the negotiations preceding them, will be borne by the party for whose benefit such costs and expenses were incurred.

Section 9.5 Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of laws.

Section 9.6 Submission to Jurisdiction. Each of the parties submits to the personal jurisdiction of any state or federal court sitting in Monroe County in the State of New York in any action or proceeding arising out of or relating to this Agreement and agrees that all claims in respect of the action or proceeding may be heard and determined in any such court. No party will bring any action or proceeding arising out of or relating to this Agreement in any other court.

Section 9.7 Severability. The provisions of this Agreement will be deemed severable, and the invalidity or unenforceability of any provision will not affect the validity or enforceability of the other provisions hereof.

Section 9.8 No Further Representations. Except for the specific and express representations and warranties made by a party in this Agreement, no party makes and has not made any representation or warranty, express or implied, at law or in equity, in respect of any matter. Each party hereby disclaims any representation or warranty made by any Person that is not contained in this Agreement, including any implied warranties of merchantability, fitness for a particular purpose, title and against infringement.

Section 9.9 Headings. The heading references herein are for convenience purposes only, do not constitute a part of this Agreement and will not be deemed to limit or affect any of the provisions hereof.

Section 9.10 Interpretation. In this Agreement, unless the express context otherwise requires: (a) the words "***herein***," "***hereof***" and "***hereunder***" and words of similar import refer to this Agreement as a whole and not to any particular provision of this Agreement; (b) references to "***Article***" or "***Section***" are to the respective Articles and Sections of this Agreement, and references to "***Schedule***" are to the respective Schedules annexed hereto; (c) references to a "***party***" means a party to this Agreement and include references to such party's permitted successors and permitted assigns; (d) references to a "***third party***" means a Person not party to this Agreement; (e) the terms "***Dollars***" and "***$***" means United States dollars; (f) terms defined in the singular have a comparable meaning when used in the plural, and vice versa; (g) the masculine pronoun includes the feminine and the neuter, and vice versa, as appropriate in the context; (h) wherever the word "***include***," "***includes***" or "***including***" is used in this Agreement, it will be deemed to be followed by the words "without limitation."

Section 9.11 Counterparts. This Agreement may be executed in one or more counterparts (including by means of facsimile or e-mail in .pdf or similar format), each of which will be deemed an original, and all of which together will constitute one and the same Agreement, notwithstanding that each party has not executed the same counterpart.

Section 9.12 Entire Agreement. This Agreement, including the Schedules hereto, contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral or written, with respect to such matters.

Section 9.13 Guaranty. PPI absolutely, unconditionally and irrevocably guarantees, as primary obligor and not merely as surety, the obligations of Buyer hereunder arising after Closing, including the punctual payment when due of all present and future obligations, liabilities, covenants and agreements required to be observed, performed, or paid by Buyer pursuant to this Agreement, including the payment of the Revenue Payment and indemnification under Article VI, and any costs, expenses and fees incurred by Seller in any way related to the enforcement or protection of Seller's rights hereunder.

[signature page follows]

IN WITNESS WHEREOF, the parties to this Agreement, intending to be legally bound hereby, have executed or caused this Agreement to be executed by their legally authorized representatives on the Effective Date.

MANNING & NAPIER GROUP, LLC

By: /s/ Sarah. C. Turner
Name: Sarah C. Turner
Title: Corporate Secretary

MANNING PARTNERS, LLC

By:/s/ William Manning
Name: William Manning
Title:

PERSPECTIVE PARTNERS, LLC

By:/s/ Michelle Thomas
Name: Michelle Thomas
Title: Authorized Representative

Exhibit 31.1

Certification
Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002

I, Marc Mayer, certify that:

1. I have reviewed this report on Form 10-Q of Manning & Napier, 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 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 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.

/s/ Marc Mayer

Marc Mayer
Chief Executive Officer
(principal executive officer)

Date: August 13, 2019

Exhibit 31.2

Certification
Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002

I, Paul J. Battaglia, certify that:

1. I have reviewed this report on Form 10-Q of Manning & Napier, 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 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 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.

/s/ Paul J. Battaglia

Paul J. Battaglia
Chief Financial Officer
(principal financial and accounting officer)

Date: August 13, 2019

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Marc Mayer, the Chief Executive Officer of Manning & Napier, Inc. (the "Company"), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

• The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Form 10-Q"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

• The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Marc Mayer

Marc Mayer
Chief Executive Officer
(principal executive officer)

Date: August 13, 2019

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Paul J. Battaglia, the Chief Financial Officer of Manning & Napier, Inc. (the “Company”), hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

• The Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

• The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Paul J. Battaglia

Paul J. Battaglia
Chief Financial Officer
(principal financial and accounting officer)

Date: August 13, 2019