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

FORM 10-K

☒ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the Fiscal Year Ended December 31, 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 001-33761

PZENA INVESTMENT MANAGEMENT, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-8999751**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

320 Park Avenue
New York, New York 10022
(Address of Principal Executive Offices)
Registrant's telephone number, including area code: **(212) 355-1600**

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, par value $.01 per share	PZN	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See 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	☐

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

The aggregate market value of the common equity held by non-affiliates of the registrant as of June 30, 2019, the last business day of its most recently completed second fiscal quarter, was approximately $153.5 million based on the closing sale price of $8.59 per share of Class A common stock of the registrant on such date on the New York Stock Exchange. For purposes of this calculation only, it is assumed that the affiliates of the registrant include only directors and executive officers of the registrant.

As of March 6, 2020, there were 17,447,680 outstanding shares of the registrant's Class A common stock, par value $0.01 per share.

As of March 6, 2020, there were 54,194,168 outstanding shares of the registrant's Class B common stock, par value $0.000001 per share.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive proxy statement relating to its 2020 annual meeting of shareholders (the "2020 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2020 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, or Annual Report, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 27E of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements provide our current views, expectations, or forecasts, of future events and performance and include statements about our expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not historical facts. Words or phrases such as “anticipate,” “believe,” “continue,” “ongoing,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project” or similar words or phrases, or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

Forward-looking statements are subject to known and unknown risks and uncertainties, including but not limited to those noted below and described in Part I, Item 1A — "Risk Factors" of this Annual Report, and are based on assumptions and estimates. If one or more of these risks or uncertainties materialize, or if one or more of our assumptions or estimates prove incorrect, our actual results could differ materially from those expected or implied by the forward-looking statements. Accordingly, you should not unduly rely on any forward-looking statements. The forward-looking statements in this Annual Report, speak only as of the date of this Annual Report. There may be additional risks, uncertainties and factors that we do not currently view as material or that are not known. We undertake no obligation to publicly revise any forward-looking statements to reflect circumstances or events after the date of this Annual Report, or to reflect the occurrence of unanticipated events. You should, however, review the factors and risks we describe in the reports we will file from time to time with the Securities and Exchange Commission, (the “SEC”), after the date of this Annual Report.

Forward-looking statements include, but are not limited to, statements about:

- our ability to respond to global economic, market, business and geopolitical conditions;
- our anticipated future results of operations and operating cash flows;
- our successful formulation and execution of business strategies and investment policies;
- our financing plans and the availability of short- or long-term borrowing, or equity financing;
- our competitive position and the effects of competition on our business;
- our ability to identify and capture potential growth opportunities available to us;
- the recruitment and retention of our employees;
- our expected levels of compensation for our employees;
- expectations relating to dividend payments and our ability to make such payments;
- our potential operating performance, achievements, efficiency and cost reduction efforts;
- our expected tax rate;
- changes in interest rates;
- our expectation with respect to the economy, capital markets, the market for asset management services and other industry trends; and
- the impact of future legislation and regulation, and changes in existing legislation and regulation, on our business.

Preliminary Notes

In this Annual Report, "we," "our," "us," and "the Company" refer to Pzena Investment Management, Inc. and its consolidated subsidiaries.

All rights in the Russell 1000® Value Index, Russell Mid Cap® Value Index, Russell 2000® Value Index vest in the relevant London Stock Exchange Group plc ("LSE Group") company which owns the relevant Index. "Russell®" is a trade mark of the relevant LSE Group company and is used by any other LSE Group company under license.

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The S&P 500 Index is licensed from Standard & Poor's Financial Services LLC, which is the source of the performance statistics of this index.

PART I

ITEM 1. BUSINESS

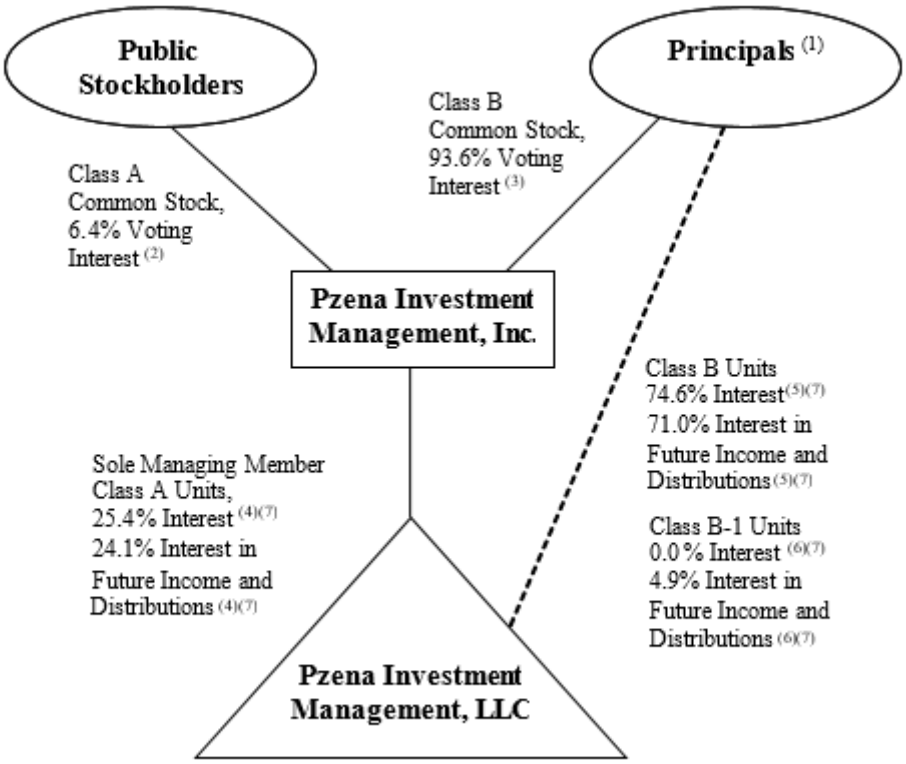
Overview

Pzena Investment Management, Inc. was formed in 2007 and is the sole managing member of Pzena Investment Management, LLC, which is our operating company. Founded in 1995, Pzena Investment Management, LLC is a value-oriented investment management company. We believe that we have established a positive, team-oriented culture that enables us to attract and retain highly qualified people. Since our inception, over twenty years ago, we have built a diverse, global client base of respected and sophisticated institutional investors, select third-party distributed mutual funds for which we act as sub-investment adviser, and funds for which we act as investment adviser.

Equity interests in Pzena Investment Management, LLC are comprised of Class A, Class B, and Class B-1 membership units. Class A and Class B membership units each have an identical economic interest in the operating company. Class B-1 membership units, first issued on December 31, 2019, are entitled to receive distributions and will participate in additional value only to the extent there has been appreciation subsequent to the issuance of the Class B-1 membership unit. As a holding company, we hold all of the Class A membership units and recognize income generated from our economic interest in our operating company's net income. The Class B membership units of the operating company are held by employees and certain outside members. The Class B-1 membership units of the operating company are held by employees. For each Class A membership unit held, we have issued one corresponding share of Class A common stock, par value $0.01 per share, which entitles the holder to one vote per share. For each Class B membership unit, we have issued one corresponding share of Class B common stock, par value $0.000001 per share, which entitles the holder to five votes per share without dividend rights, as described below in the graphic illustration. Class B-1 membership units have not been issued corresponding shares and do not have voting rights. As of December 31, 2019, we owned approximately 25.4% of the economic interest in the December 31, 2019 value of our operating company and our Class A shareholders held approximately 6.4% of our outstanding voting interests. As of December 31, 2019, we owned 24.1% of the right to the future income and distributions of the operating company. The percentages presented above are subject to continued changes including, but not limited to, issuances of awards, exercise of options and exchanges of Class B-1 membership units for Class A common stock.

Pzena Investment Management, Inc. also serves as the general partner of Pzena Investment Management, LP, a partnership formed with the objective of aggregating employee ownership in one entity. Certain of the owners of shares of Class B stock and Class B membership units have contributed such interests to Pzena Investment Management, LP in exchange for membership interests therein. Pzena Investment Management, LP may only vote such shares of Class B stock and Class B membership units in accordance with its operating agreement, which provides for a preliminary vote of the limited partners thereof to direct such voting.

The graphic below illustrates our holding company structure and ownership as of December 31, 2019.



(1) As of December 31, 2019, the Class B and Class B-1 members of Pzena Investment Management, LLC, (collectively, the "Principals") other than us, consisted of:

- Richard S. Pzena, John P. Goetz, and William L. Lipsey, our founders, and their estate planning vehicles, who collectively held, through direct and indirect interests, approximately 49.9% of the economic interests in the December 31, 2019 value of Pzena Investment Management, LLC and 47.4% of the future income and distributions.
- 44 of our other employee members and their estate planning vehicles, who collectively held, through direct and indirect interests, approximately 6.0% of the economic interests in the December 31, 2019 value of Pzena Investment Management, LLC and 10.7% of the future income and distributions.
- Certain other members of our operating company, including one of our directors and his related entities, and former employees, who collectively held, through direct and indirect interests, approximately 18.7% of the economic interests in the value of Pzena Investment Management, LLC and 17.8% of the future income and distributions.

(2) Each share of Class A common stock is entitled to one vote per share.

(3) Each share of Class B common stock is entitled to five votes per share for so long as the number of shares of Class B common stock outstanding represents at least 20% of all shares of common stock outstanding. Holders of Class B common stock have the right to receive the par value of the Class B common stock held by them upon our liquidation, dissolution or winding up, but do not share in dividends.

(4) As of December 31, 2019, we held 18,398,211 Class A units of Pzena Investment Management, LLC, which represented approximately 25.4% of the economic interest in the December 31, 2019 value of Pzena Investment Management, LLC and the right to receive 24.1% of the future income and distributions.

(5) As of December 31, 2019, the principals collectively held 51,302,126 Class B units of Pzena Investment Management, LLC, which represented 74.6% of the economic interest in the December 31, 2019 value of the Pzena Investment Management, LLC and the right to receive 71.0% of the future income and distributions.

(6) As of December 31, 2019, the principals collectively held 3,683,073 Class B-1 units of Pzena Investment Management, LLC, which represented 0.0% of the economic interest in the December 31, 2019 value of the Pzena Investment Management, LLC and the right to receive 4.9% of the future income and distributions.

(7) Pursuant to the operating agreement of our operating company, each vested Class B unit is exchangeable for a share of the Company's Class A common stock, subject to certain timing and volume restrictions. When a vested Class B unit is exchanged for a share of Class A common stock, or is forfeited, a corresponding share of the Company's Class B common stock will automatically be redeemed and cancelled. When a share of Class A common stock or Class B unit is repurchased and retired, a corresponding membership unit or share of Class B common stock is redeemed and cancelled, respectively. Conversely, to the extent that we issue shares of Class A common stock, or additional Class B units pursuant to our equity incentive plans, the corresponding Class A membership units or shares of Class B common stock will be issued, respectively. Class B-1 units, upon the end of the holder's employment, are exchanged for shares of Class A common stock in an amount based upon the appreciation in price of the Class A common stock from the date of grant to the date of exchange.

We utilize a classic value approach to investing and seek to make investments in good businesses at low prices, which requires:

- willingness to invest in companies before their stock prices reflect signs of business improvement, and
- significant patience, based upon our understanding of the business' fundamentals, and our long-term investment horizon.

Our approach and process aim to achieve attractive returns over the long term. We manage assets in value-oriented investment strategies reflecting varying degrees of portfolio concentrations across a wide range of market capitalizations in both U.S. and non-U.S. capital markets.

Our assets under management, ("AUM"), was $41.2 billion at December 31, 2019, and we managed money on behalf of institutions, acted as sub-investment adviser to a variety of SEC-registered mutual funds and non-U.S. funds as well as investment adviser to Pzena SEC-registered mutual funds, certain private placement funds, and non-U.S. funds.

Our operating company is led by a committee, consisting, as of December 31, 2019, of our Chief Executive Officer (CEO), Mr. Richard S. Pzena; each of our Presidents, Messrs. John P. Goetz and William L. Lipsey; our Chief Operating Officer (COO), Mr. Gary J. Bachman; our Executive Vice President, Ms. Caroline Cai; and our Chief Information & Operations Officer and Chief Information Security Officer, Mr. Evan Fire (the "Executive Committee").

Our Competitive Strengths

We believe that the following are our competitive strengths:

- ***Focus on Investment Excellence.*** We recognize that we must achieve investment excellence in order to attain long-term business success. All of our business decisions, including the design of our investment process and our willingness to limit AUM in our investment strategies, are focused on producing attractive long-term investment results. We believe that our long-term investment performance, together with our willingness to close our strategies to new investors in order to optimize the prospects for future performance, has contributed to our positive reputation among our clients and the institutional consultants who advise them.

- ***Consistency of Investment Process.*** Since our inception over twenty years ago, we have utilized a classic value investment approach and a systematic, disciplined investment process to construct portfolios for our investment strategies in U.S. and non-U.S. markets across all market capitalizations. The consistency of our process has allowed us to leverage the same investment team to launch new strategies. We believe that our consistent investment process has resulted in our strong brand recognition in the investment community.

- ***Diverse and High Quality Client Base.*** We believe that we have developed a favorable reputation in the institutional investment community. This is evidenced by our strong relationships with institutional investors, investment consultants, and mutual fund providers, as well as the diversity and sophistication of our investors. For more information concerning our client base, see "Our Client Relationships and Distribution Approach" below.

- ***Experienced Investment Professionals and a Team-Oriented Approach.*** We believe that our greatest asset is the experience of the individuals on our team. For more information on our investment team, see "Our Investment Team" below.

- ***Employee Retention.*** We have focused on building an environment that we believe is attractive to talented investment professionals. Important among our practices are our team-oriented approach to investment decisions, rotation of coverage areas among individuals, and our culture of employee ownership.

- ***Culture of Ownership.*** We believe the key contributors to our success should have significant ownership of our business. Since our inception, we have communicated to all our employees that they have the opportunity to become members of our operating company. As of December 31, 2019, we had 47 employee members positioned within all of our functional areas. We believe this ownership model results in a shared sense of purpose with our clients and their advisers. We intend to continue fostering a culture of ownership through our equity incentive plans, which are designed to align our team's interests with those of our stockholders and clients. We believe this culture of ownership contributes to our team orientation and connection with clients.

Our Business Strategy

The key to our success is continued long-term investment performance. In conjunction with this, we believe the following strategies will enable us to grow our business over time:

- ***Unwavering Focus on Classic Value Investing.*** We view our unwavering focus on long-term classic value investment excellence to be the key driver of our business success.

- ***Capitalize on Growth Opportunities Created By Our Global Strategies.*** Among both institutional and retail investors industry-wide, over the past few years, there have been increasing levels of investments in portfolios including non-U.S. equities. As of December 31, 2019, the total AUM in our Global Value strategies, International Value strategies, Emerging Markets Value strategies, European Value strategies, and other Global & non-U.S. strategies was $24.5 billion, or 59.5% of our overall AUM. Our global capability provides opportunity for implementation of our strategies around the world.

- ***Work with Our Strong Consultant Relationships.*** We believe that we have built strong relationships with the leading investment consulting firms who advise potential institutional clients. Historically, new accounts sourced through consultant-led searches have been a large driver of our inflows and are expected to be a major component of our future inflows. We estimate that approximately 70% of all retirement plan assets are advised by investment consultants, with a relatively small number of these consultants representing a significant majority of these relationships. As a result of a consistent servicing effort over our history, we have built strong relationships with consulting firms that we believe are the most important. New accounts sourced through consultant-led searches have been a large driver of our historical growth and are expected to be a major component of our future growth. As of December 31, 2019, our largest consultant relationship represented approximately 9.4% of our AUM.

- ***Expand Our Non-U.S. Client Base.*** In recent years, we have increased our efforts to develop our non-U.S. client base. Through our strong relationships with global consultants, we have been able to accelerate the development of our relationships with their non-U.S. branches. Over time, we aim to achieve growth of this client base through these relationships and by directly calling on the world's largest institutional investors. We have also sought to expand our non-U.S. base through our relationships with non-U.S. mutual funds and other investment fund advisers. In addition to our headquarters in the United States, we have a business development and client service office in London as well as a representative office in Melbourne. To date, our marketing efforts have resulted in client relationships in sixteen non-U.S. countries, including Australia, the United Kingdom, Luxembourg, Canada, Ireland, Japan, and South Africa. As of December 31, 2019, we managed $14.2 billion on behalf of non-U.S. clients.

- ***Provide Access To Our Strategies Through a Range of Investment Vehicles and Distribution Channels.*** Our clients access our investment strategies through a range of investment vehicles and distribution channels, including separately managed accounts, mutual funds that we sub-advise, and certain private placement vehicles and non-U.S. funds. We also offer five SEC-registered Pzena mutual funds for which we act as investment adviser. For more information concerning access to our strategies and our distribution approach, see "Our Client Relationships and Distribution Approach" below.

- ***Employ Global Team to Serve Clients and Prospects.*** Our business development and client service professionals are critical to our business, as noted below under "Business Development and Client Service Teams," and are generally focused geographically covering both our institutional and intermediary distribution efforts. In addition to our headquarters in the United States and representative office in Melbourne, we have four dedicated professionals located in our London office.

- ***Corporate Environmental and Social Responsibility.*** As a global investment management organization, we are committed to adopting and implementing responsible investment principles in a manner that is consistent with our fiduciary responsibilities to our clients. Throughout the firm's history, we have recognized the importance of considering environmental, social and governance (ESG) issues as part of a robust investment process. Assessing the potential impact of ESG issues on a company is therefore critical to our investment process. In addition, we believe our communication with the management of companies we invest in and the voting of proxies for those companies should be managed with the same care as all other elements of the investment process. Through our engagement with management, and our proxy voting, we seek to exert a constructive, long-term oriented influence on the trajectory of the company.

  Our commitment to incorporating ESG into our investment approach drives us to enhance the way we look at ESG factors. For example, in the beginning of 2018, we became a signatory to the Principles for Responsible Investment (PRI), which is a leading global responsible investment network of investment managers, service providers and asset owners.

Our Investment Team

We have built an investment team that is well-suited to implement our classic value investment strategy. The members of our investment team have a diverse set of backgrounds, including former corporate management, private equity, management consulting, accounting, and Wall Street professionals. Their diverse business backgrounds are instrumental in enabling us to make investments in companies where we would be comfortable owning the entire business for a three- to five-year period. We look beyond temporary earnings shortfalls that result in stock price declines, which may lead others to forego investment opportunities, if we believe the long-term fundamentals of a company remain attractive.

As of December 31, 2019, we had a 27-member investment team. Each member serves as a research analyst, and certain members of the team also have portfolio management responsibilities. There are generally three portfolio managers for each investment strategy. These managers have joint decision-making responsibility, and each has "veto authority" over all decisions regarding the relevant portfolio. Research analysts have sector and company-level research responsibilities which span all of our investment strategies, including those with a non-U.S. focus. In order to facilitate the professional development of our team, and to keep a fresh perspective on the companies in our investment portfolios, our research analysts generally rotate industry coverage every three to four years.

We follow a collaborative, consensus-oriented approach to making investment decisions, such that all members of our investment team, irrespective of their seniority, can play a significant role in this decision-making process. We hold weekly research review meetings attended by all portfolio managers and relevant research analysts, and that are open to other employees, at which we openly discuss and debate our findings regarding the normalized earnings power of potential portfolio companies. In addition, we hold daily morning meetings, attended by our portfolio managers, research analysts, portfolio implementation, and client service personnel, in order to review developments in our holdings and set a trading strategy for the day. These meetings are critical for sharing relevant developments and analysis of the companies in our portfolios. We believe that our collaborative culture is attractive to our investment professionals.

Our Investment Strategies

As of December 31, 2019, our approximately $41.2 billion in AUM was invested in a variety of value-oriented investment strategies, representing differing degrees of concentration, and capitalization segments of U.S. and non-U.S. markets. See "Item 7 — Management's Discussion and Analysis of Financial Condition & Results of Operations — Operating Results — Assets Under Management and Flows" for additional details about our strategies.

The following table identifies our current U.S. and non-U.S. investment strategies, and the allocation of our AUM among them, as of December 31, 2019 and 2018:

Strategy	As of December 31, 2019	2018
U.S. Value Strategies	(in billions)	
Large Cap Value	$ 10.1	$ 9.0
Mid Cap Value	3.7	2.3
Small Cap Value	1.8	1.2
Value	0.9	1.8
Other U.S. Strategies	0.2	0.2
Global and Non-U.S. Strategies		
Global Value	8.9	6.0
International Value	6.9	5.7
Emerging Markets Value	5.3	4.0
European Value	3.0	2.9
Other Global and Non-U.S. Strategies	0.4	0.3
Total	**$ 41.2**	**$ 33.4**

We follow the same investment process for each of these strategies. Our investment strategies are distinguished by the market capitalization ranges from which we select securities for their portfolios, which we refer to as each strategy's investment universe, as well as the regions in which we invest. In addition, the number of holdings typically found in the portfolios of each of our investment strategies may vary depending on the degree of concentration in the portfolio, with our Focused Value strategies generally reflecting fewer holdings than our Value strategies.

Our largest investment strategies as of December 31, 2019 are further described below. This strategy detail is representative of our Value and Focused Value strategies, and variations thereof.

U.S. Strategies

Large Cap Value. These strategies reflect a portfolio composed of approximately 30 to 80 stocks drawn generally from a universe of 500 of the largest U.S. listed companies, based on market capitalization.

Mid Cap Value. These strategies reflect a portfolio composed of approximately 30 to 80 stocks drawn generally from a universe of U.S. listed companies ranked from the 201st to 1,200th largest, based on market capitalization.

Small Cap Value. These strategies reflect a portfolio composed of approximately 40 to 50 stocks drawn generally from a universe of U.S. listed companies ranked from the 1,001st to 3,000th largest, based on market capitalization.

Value. This strategy reflects a portfolio composed of a portfolio of approximately 30 to 40 stocks drawn generally from a universe of 1,000 of the largest U.S. listed companies, based on market capitalization.

Global and Non-U.S. Strategies

Global Value. These strategies reflect a portfolio composed of approximately 40 to 95 stocks drawn generally from a universe of 2,000 of the largest companies across the world, based on market capitalization.

International Value. These strategies reflect a portfolio composed of approximately 30 to 80 stocks drawn generally from a universe of 1,500 of the largest companies across the world, excluding the United States, based on market capitalization.

Emerging Markets Value. These strategies reflect a portfolio composed of approximately 40 to 80 stocks drawn generally from a universe of 1,500 of the largest emerging market companies, based on market capitalization.

European Value. These strategies reflect a portfolio composed of approximately 40 to 50 stocks drawn generally from a universe of 750 of the largest European companies, based on market capitalization.

We believe that our ability to retain and grow assets has been, and will continue to be, driven primarily by delivering attractive long-term investment results to our clients. We have therefore prioritized, and will continue to prioritize, investment performance over asset accumulation. Where we have deemed it necessary, we have, at times, closed certain products to new investors in order to preserve capacity to effectively implement our concentrated investment strategies for the benefit of existing clients. Currently, all of our investment strategies are open to new investors.

Our Strategy Development Approach

Historically, a component of our growth has been the development of new strategies. Prior to incubating a new strategy, we perform in-depth research on the potential market for the product, as well as its overall compatibility with our investment expertise. This process involves analysis by our client team, as well as by our investment professionals. We will only launch a new product if we believe that it can add value to a client's investment portfolio. Prior to marketing a new strategy, we generally incubate the product for a period of one to five years, so that we can test and refine our investment strategy and process before actively marketing the product to our clients.

Our Investment Performance

Since we are long-term fundamental investors, we believe that our investment strategies yield the most benefits and are best evaluated, over a long-term timeframe. For more information on our performance, see "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Operating Results — Assets Under Management and Flows."

Our Client Relationships and Distribution Approach

We believe that strong relationships with our clients are critical to our ability to succeed and to grow our AUM. In building these relationships, we have focused our efforts where we can efficiently access and service large pools of sophisticated clients with our team of dedicated business development and client service professionals.

We distribute our products primarily through the efforts of our business development and client service team, who communicate directly with our clients and with the consultants who serve them, as well as through the marketing programs of our sub-investment advisory partners and intermediary distribution partners. Since our objective is to attract long-term investors with an investment horizon in excess of three years, our business development and client service efforts focus on educating our investors and intermediary distribution partners regarding our disciplined classic value investment process and philosophy.

Our business development and client service team is responsible for:

- identifying, developing relationships with, and marketing to prospective clients;
- providing ongoing service to existing accounts;
- responding to requests for investment management proposals;
- developing and maintaining relationships with independent consultants;
- developing and maintaining relationships with intermediary partners to grow retail distribution capabilities;
- addressing all ongoing client needs, including periodic updates and reporting requirements; and
- developing direct relationships with clients sourced through consultant-led searches.

Our business development and client service team is actively engaged with our research team to ensure our clients receive content-based information. We introduce members of our research and portfolio management team into client portfolio reviews to ensure that our clients are exposed to the full breadth of our investment resources. We also provide quarterly reports to our clients in order to share our investment perspectives. We additionally meet and hold conference calls regularly with clients to share perspectives on the portfolio and the current investment environment.

Distribution Channels

We manage assets in three principal distribution channels. A summary of selected financial data attributable to our operations for each distribution channel is included in "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations." The following table provides information regarding the composition of our total assets under management by distribution channel:

	As of December 31,	
Assets Under Management	**2019**	**2018**
	(in billions)	
Separately Managed Accounts	$ 16.4	$ 12.6
Sub-Advised Accounts	22.4	18.8
Pzena Funds	2.4	2.0
Total	$ 41.2	$ 33.4

Separately Managed Accounts

Since our inception, we have directly offered institutional investment products to public and corporate pension funds, endowments, foundations, high net worth individuals and their investment vehicles. We continue to develop direct relationships with the largest institutional investors and consultants around the world.

Sub-Advised Accounts

We have established relationships with mutual fund and fund providers globally, that offer us opportunities to efficiently access market segments through sub-investment advisory roles. The funds that we sub-advise are either multi-manager funds, in which we manage only a portion of the fund's portfolio, or funds for which we are the sole sub-adviser.

Pzena Funds

U.S. investors that do not meet our minimum account size for a separate account, or who otherwise prefer to invest through a mutual fund, can invest in certain of our strategies through our Pzena mutual funds. We act as the investment adviser to five Pzena mutual funds that offer no-load, open-end share classes designed to meet the needs of a range of investor types.

In addition, we offer investors outside of the U.S. the ability to invest in our strategies through Pzena Value Funds plc and its respective sub-funds, a family of Irish-based UCITS funds for which we serve as investment manager and promoter. Pzena Value Funds plc began operations in 2005 and offers shares to non-U.S. investors. We currently offer a sub-fund corresponding to our Emerging Markets Focused Value, Global Value, Global Focused Value, and Large Cap Value strategies.

In the U.S., we offer access to many of our U.S., global and non-U.S. strategies through private placement vehicles and collective investment trusts.

Advisory Fees

We earn advisory fees on our separately managed and sub-advised accounts, as well as funds for which we act as the sole investment adviser.

On our separately managed accounts, we are paid fees according to a schedule which varies by investment strategy. The substantial majority of these accounts pay us management fees pursuant to a schedule in which the rate we earn on the AUM declines as the amount of AUM increases.

With respect to our sub-advised accounts, as of December 31, 2019, we sub-advised eighteen SEC-registered mutual funds that each have an initial two-year term and are thereafter subject to annual renewal by each fund's board of directors pursuant to the Investment Company Act of 1940, as amended (the "Investment Company Act"). Thirteen of these eighteen sub-investment advisory agreements are beyond their initial two-year terms as of December 31, 2019. In addition, we sub-advise thirty non-U.S. funds. Under these agreements, we are generally paid a management fee according to a schedule, pursuant to which the rate we earn on the AUM declines as the amount of AUM increases. Certain of these funds pay us fixed-rate management fees. Due to the substantially larger account size of certain of these accounts, the average advisory fees we earn on them, as a percentage of AUM, are lower than the advisory fees we earn on our separately managed accounts.

Advisory fees we earn on separately managed accounts and Pzena funds are generally based on the value of AUM at a specific date on a quarterly basis. Certain of our separately managed accounts, sub-advised accounts, and Pzena funds are calculated based on the average of the monthly or daily market value of the account. Advisory fees are also generally adjusted for any cash flows into or out of a portfolio, where the cash flow represents greater than 10% of the value of the portfolio. While a specific group of accounts may use the same fee rate, the calculation methodology may differ, as described above.

Certain of our clients pay us performance fees according to the performance of their accounts relative to certain agreed-upon benchmarks, which results in a lower base fee, but allows for us to earn higher fees if the relevant investment strategy outperforms the agreed-upon benchmark. Some performance-based fee arrangements include high-water mark provisions, which generally provide that if a client account underperforms relative to its performance target, it must gain back such underperformance before we can collect future performance-based fees. Fulcrum fee arrangements related to one client relationship require a reduction in the base fee, or allow for a performance fee if the relevant investment strategy underperforms or outperforms, respectively, the agreed-upon benchmark.

Competition

We compete in all aspects of our business with a large number of investment management firms, commercial banks, broker-dealers, insurance companies, and other financial institutions.

In order to grow our business, we must be able to compete effectively to maintain existing AUM and attract additional AUM. Historically, we have competed for AUM principally on the basis of:

- the performance of our investment strategies;
- our clients' perceptions of our drive, focus, and alignment of our interests with theirs;
- the quality of the service we provide to our clients and the duration of our relationships with them;
- our brand recognition and reputation within the investing community;
- the range of strategies and investment vehicles we offer; and
- the level of advisory fees we charge for our investment management services.

Our ability to continue to compete effectively will also depend upon our ability to attract highly qualified investment professionals and retain our existing employees.

Employees

At December 31, 2019, we had 115 full-time employees, including 27 investment professionals and 14 business development and client service professionals.

Cybersecurity

We maintain our information technology infrastructure with a focus on business efficiency, continuity, security and controls. The information technology environment is designed to oversee and maintain all aspects of information security risk to ensure the confidentiality and integrity of information assets. We regularly perform evaluations of our security program and continue to invest in our capabilities to keep clients, employees, and critical assets safe. The Chief Information & Operations Officer and Chief Information Security Officer ("CIOO/CISO") is ultimately responsible for our cybersecurity program which includes the implementation of controls aligned with industry guidelines and applicable statutes and regulations to identify threats, detect attacks and protect these information assets. We have implemented security monitoring capabilities designed to alert us to suspicious activity and developed an incident response program that includes periodic testing and is designed to restore business operations as quickly and as orderly as possible in the event of a breach. In addition, employees participate in ongoing mandatory trainings and receive communications regarding the cybersecurity environment to increase awareness throughout the firm.

Regulatory Environment and Compliance

Our business is subject to extensive regulation in the United States at both the federal and state level, as well as by self-regulatory organizations. Under these laws and regulations, agencies that regulate investment advisers have broad administrative powers, including the power to limit, restrict, or prohibit an investment adviser from carrying on its business in the event that it fails to comply with such laws and regulations. Possible sanctions that may be imposed include the suspension of individual employees, limitations on engaging in certain lines of business for specified periods of time, revocation of investment adviser and other registrations, censures and fines. Our business is also subject to foreign regulation, as discussed below.

SEC Regulation

Our operating company, Pzena Investment Management, LLC, is registered as an investment adviser with the SEC. As a registered investment adviser, it is subject to the requirements of the Investment Advisers Act of 1940, as amended, (the "Investment Advisers Act"), and the SEC's regulations thereunder, as well as to examination by the SEC's staff. The Investment Advisers Act imposes substantive regulation on virtually all aspects of Pzena Investment Management, LLC's business and its relationships with its clients. As an investment adviser, Pzena Investment Management, LLC owes fiduciary duties to its clients, which relate to conflicts of interest, client recommendations and other fundamental matters. Applicable requirements relate to, among other things, engaging in transactions with clients, maintaining an effective compliance program, performance fees, solicitation arrangements, advertising, recordkeeping, reporting, and disclosure requirements.

Certain U.S. funds for which Pzena Investment Management, LLC acts as the sub-investment adviser and five of the U.S. funds for which Pzena Investment Management, LLC acts as investment adviser, are registered with the SEC under the Investment Company Act. The Investment Company Act imposes additional obligations, including detailed operational requirements for both the funds and their advisers. Moreover, the Investment Company Act requires that an investment adviser's contract with a registered fund may be terminated by the fund on not more than 60 days' notice, and is subject to annual renewal by the fund's board after an initial two-year term.

Both the Investment Advisers Act and the Investment Company Act regulate the "assignment" of advisory contracts by the investment adviser. The SEC is authorized to institute proceedings and impose sanctions for violations of the Investment Advisers Act and the Investment Company Act, ranging from fines and censures to termination of an investment adviser's registration.

Pzena Financial Services, LLC, our SEC registered broker-dealer subsidiary, is subject to the SEC's Uniform Net Capital Rule, which requires that at least a minimum part of a registered broker-dealer's assets be kept in relatively liquid form. At December 31, 2019, Pzena Financial Services, LLC had net capital of $428,608, which was $416,620 in excess of its net capital requirement of $11,988.

ERISA-Related Regulation

With respect to our benefit plan clients, Pzena Investment Management, LLC is a “fiduciary” under the Employment Retirement Act of 1974, (“ERISA”), and is therefore subject to ERISA, and to regulations promulgated thereunder. ERISA and applicable provisions of the Internal Revenue Code impose certain duties on persons who are fiduciaries under ERISA, prohibit certain transactions involving ERISA plan clients, and provide monetary penalties for violations of these prohibitions.

Foreign Regulation

Pzena Investment Management, LLC maintains a representative office in Melbourne, Australia, and maintains an exemption from the Australian Financial Services license requirement under the Corporations Act 2001 of the Commonwealth of Australia.

Pzena Investment Management, Ltd, our United Kingdom subsidiary, is an appointed representative of Mirabella Advisers LLP which is authorized and regulated by the Financial Conduct Authority ("FCA") in the United Kingdom. In Europe outside of the United Kingdom, Pzena Investment Management, Ltd is an appointed representative and tied agent of DMS Capital Solutions (UK) Limited which is authorized and regulated by the FCA. Pzena Investment Management, LLC has a Category I Financial Service Provider License and is regulated in South Africa by the Financial Sector Conduct Authority.

Pzena Investment Management, LLC currently avails itself of the international adviser exemption in Ontario, Canada. In addition, Pzena Investment Management, LLC is registered as an exempt market dealer in Ontario, Canada. As an exempt adviser, Pzena Investment Management, LLC is only permitted to provide advice in Ontario to certain institutional and high net worth individual clients. As an exempt market dealer, Pzena Investment Management, LLC is permitted to act as a market intermediary for only certain types of trades, and is permitted to market, sell and distribute prospectus-exempt securities to accredited investors. An exempt adviser and market dealer must, upon the request of the Ontario Securities Commission, (“OSC”), produce all books, papers, documents, records and correspondence relating to its activities in Ontario, and inform the OSC if it becomes the subject of an investigation or disciplinary action by any financial services or securities regulatory authority or self-regulatory authority. In the Netherlands, Pzena Investment Management, LLC avails itself of the Section 10 Exemption, which allows U.S. investment managers to provide investment services to certain eligible Dutch clients. This exemption subjects Pzena Investment Management, LLC to certain conduct of business requirements under the Dutch regulations.

We operate in various other foreign jurisdictions without registration in reliance upon applicable exemptions under the laws of those jurisdictions.

Available Information

We make available free of charge through our website, *www.pzena.com,* our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K, as well as amendments to those reports, and other filings required under the Securities Act or the Exchange Act as soon as reasonably practicable after they are electronically filed with the SEC. To retrieve these reports, and any amendments thereto, visit the Investor Relations section of our website. The SEC maintains a website at www.sec.gov. All of the materials we filed with the SEC may be accessed free of charge on the SEC's website through its EDGAR page.

Our Corporate Governance Guidelines, Code of Business Conduct and Ethics, Code of Ethics for Senior Financial Officers, and Board of Directors committee charters (including the charters of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee) are also available free of charge through our website under "Investor Relations — Corporate Governance."

The information on the Company's website is not part of, or incorporated by reference into, this Annual Report, or any other report we file with, or furnish to the SEC.

ITEM 1A. RISK FACTORS

We face a variety of significant and diverse risks, many of which are inherent in our business. Described below are the risks we currently believe could materially and adversely affect our business, financial condition, results of operations or cash flow.

Risks Related to Our Business

Our primary source of revenue is derived from management fees, which are directly tied to our assets under management. Fluctuations in AUM therefore will directly impact our revenue.

Substantially all of our revenue is derived from management fees paid by our clients, based on a percentage of the market value of our AUM. Any decline and/or significant impairment in AUM would greatly affect our revenue, and could occur due to a variety of factors, including:

- ***Poor performance of our strategies***: Poor performance of our investment strategies may result in decreased market value of AUM. In addition, underperformance could impact our ability to maintain our existing client base and develop new relationships, both of which could negatively impact AUM and revenue.

- ***Poor market environment***: We expect our business may generate lower revenue in a depressed equities market or general economic downturn as a result of depreciation of our AUM. Any decline in the market value of securities held in client portfolios due to such adverse conditions would reduce AUM and lead to a decrease in revenue. Investor sentiment in a poor equities market environment could also decrease inflows and increase outflows from our investment strategies in favor of investments perceived as more attractive.

- ***Global market, economic, geo-political and other conditions***: As a company that invests in both U.S. and non-U.S. markets, and with a global client base, our business is subject to changing conditions in the global financial markets, and may also be affected by domestic and international political, social and economic conditions, any of which could negatively impact our investment performance, growth strategy and AUM. See "Our global and non-U.S. strategies consist primarily of investments in the securities of issuers located outside of the United States, which may involve foreign currency exchange, political, social and economic uncertainties and risks" below.

- ***Termination of significant relationships***: Our clients can generally terminate our advisory agreements or reduce assets under management upon short notice and for any reason. Investors in the pooled funds that we manage may also redeem their investments in the funds at any time without prior notice. As of December 31, 2019, five client relationships represented 42% and 23% of our AUM and revenue, respectively, including one client relationship which represents approximately 23% and 8% of our AUM and revenue respectively. The termination of any of these relationships and outflow of money from our pooled funds could significantly reduce our revenue, and we may not be able to establish relationships with other clients in order to replace the lost revenue. There can also be no assurance that our agreements with respect to these relationships will remain in place going forward.

- ***Defined benefit plans are declining***: Defined benefit plans are declining as corporate plan sponsors are decreasing their liabilities and shifting employee enrollment to defined contribution plans. Given the reduction in funding and shift to defined contribution plans there is no guarantee that we will be successful in increasing our penetration of the defined contribution market, which could limit our ability to grow our AUM.

- ***Intermediary dependence:*** New accounts sourced through consultant-led searches have been a large driver of our inflows in the past, and are expected to be a major component of our inflows going forward. We have also established relationships with certain mutual fund providers who have offered us opportunities to access certain market segments through sub-investment advisory roles. Such consultants and mutual fund providers routinely review and evaluate our organization and the services we offer, and poor evaluations may result in client outflows and impact our ability to attract new assets through such intermediaries. See "Item 1 — Our Business Strategy — Work with Our Strong Consultant Relationships" and "Item 1 — Our Client Relationships and Distribution Approach — Distribution Channels."

- ***Passive strategies, such as index and exchange-traded funds have grown substantially in relation to active strategies***: During the past decade investors have exhibited a desire for passive investment products given their relative performance and lower fee structure compared to active strategies managed by investment managers such as ourselves. If this market preference continues, existing and prospective clients may choose to invest in passive investment products, our AUM may be negatively impacted.

We may face capacity constraints in certain of our strategies which may prevent us from accepting new investors in those strategies.

Our ability to retain and grow assets as a firm has been, and will be, driven primarily by delivering attractive investment results to our clients. As a consequence, we have prioritized, and will continue to prioritize, investment performance over asset accumulation. Where we deemed it necessary, we have, in the past, closed certain strategies to new investors in order to preserve capacity to effectively implement our concentrated investment strategies for the benefit of existing clients. We may in the future close certain of our strategies to new investors or to new inflows from existing investors. Any such closures may limit our future AUM growth and hence our revenue growth.

Market and competitive pressures to lower our advisory fees could lead to a decline in our profit and earnings.

Market and competitive pressures in recent years have created a trend towards lower management fees in the asset management industry and there can be no assurance that we will be able to maintain our current fee structure going forward. As a result, a shift in the composition of our AUM from higher to lower fee-generating client relationships would result in a decrease in revenue, even if our aggregate level of AUM remains unchanged or increases.

A portion of our investment advisory revenue is also derived from performance fees. We generally earn performance fees under certain client agreements according to the performance relative to an agreed-upon benchmark. This fee structure results in a lower base fee but allows for us to earn higher fees if the investment strategy outperforms the benchmark. Some performance-based fee arrangements include high-water mark provisions, which generally provide that if a client account underperforms relative to its performance target, it must gain back such underperformance before we can collect future performance-based fees. Therefore, if we fail to achieve the performance target for a particular period, we may not earn a performance fee for that period and for accounts with a high-water mark provision, our ability to earn future performance fees may be impaired. During fiscal years 2019 and 2018, we earned $1.1 million and $2.9 million in performance fees, respectively. An increase in performance-based fee arrangements with clients could create greater fluctuations in our revenue and earnings.

In addition, certain accounts related to one retail client relationship have fulcrum fee arrangements. These fee arrangements require a reduction in the base fee, or allow for a performance fee if the relevant investment strategy underperforms or outperforms, respectively, the agreed-upon benchmark over the contract's measurement period, which extends to three years. During the fiscal years 2019 and 2018, we recognized a reduction in base fees in the amounts of $1.8 million and $0.2 million, respectively, related to fulcrum fee arrangements. To the extent the three-year performance records of these accounts fluctuate relative to their relevant benchmarks, the amount of base fees recognized may vary.

Increases in our expenses could lead to a decline in our profit margin and increase the volatility of our earnings.

Our expenses are subject to increase based on a variety of factors such as higher operating expenses resulting from business expansion, product development and increased marketing efforts; higher compensation expense due to increased competition for talent, headcount and seniority level; and related expenses to meet business and regulatory needs. Some or all of these expenses may remain at higher levels for the foreseeable future, leading to higher costs for our business. Fluctuations in expenses could impact our profit margins and contribute to earnings volatility.

Loss of key employees, and difficulties in attracting qualified investment professionals, could have a material adverse effect on our business.

The success of our business largely depends on the participation of Richard S. Pzena and the other members of our Executive Committee. Their professional reputations, expertise in investing, and relationships with our clients and within the investing community in the U.S. and abroad are critical to executing our business strategy and attracting and retaining clients. The retention of these individuals is crucial to our future success. There is no guarantee that they will not resign, join our competitors or form a competing company. The terms of the current operating agreement of our operating company restrict each of these individuals from competing with us or soliciting our clients or employees during the term of their employment with us and, in certain circumstances, for a certain period thereafter. The penalty for breach of these restrictive covenants may be the forfeiture of a number of Class B or Class B-1 units held by the individual, and his permitted transferees, as of the earlier of the date of his breach or the termination of his employment. Although we may seek specific performance of these restrictive covenants, there can be no assurance that we would be successful in obtaining this relief. After this post-employment restrictive period, we may not be able to prohibit them from competing with us or soliciting our clients or employees. Furthermore, we do not carry any "key man" insurance that would provide us with proceeds in the event of the death or disability of any of the above mentioned employees.

In addition to the participants mentioned above, our success also depends on our ability to retain the senior members of our investment team and to recruit additional qualified investment professionals. We may not be successful in our efforts to retain and recruit such individuals as the market for investment professionals is extremely competitive. Our portfolio managers possess substantial experience and expertise in classic value investing and maintain significant relationships with our clients. The loss of any of our senior investment professionals could limit our ability to successfully execute our investment approach and to sustain the performance of our investment strategies, which, in turn, could have a material adverse effect on our reputation, client relationships and our revenue and earnings.

Future growth of our business may place significant demands on our resources and employees and may increase our expenses, risks and regulatory oversight.

Future growth of our business may place significant demands on our infrastructure, our investment team and other employees, which may increase our expenses. In addition, we are required to continuously develop our infrastructure in response to the increasing sophistication of the investment management market, as well as compliance with legal and regulatory developments. We may face significant challenges in: maintaining and developing adequate financial and operational controls; implementing new or updated information and financial systems, and procedures and training; and managing and appropriately sizing our work force, and other components of our business on a timely and cost-effective basis. There can be no assurance that we will be able to manage the growth of our business effectively, or that we will be able to continue to grow, and any failure to do so could adversely affect our ability to generate revenue and control expenses.

The potential inability of our systems to accommodate an increasing volume of transactions could also constrain our ability to expand our businesses and potentially raise regulatory issues. In recent years, we have substantially upgraded and expanded the capabilities of our data processing systems and other operating technology, and we expect that we may need to continue to upgrade and expand these capabilities in the future to avoid disruption of, or constraints on, our operations.

We face risks, and corresponding potential costs and expenses, associated with conducting operations and growing our business in numerous countries.

We offer investment management services in different regulatory jurisdictions around the world, and intend to continue to expand our operations internationally. In order to remain competitive, we must be proactive and prepared to deploy necessary resources when and where growth opportunities present themselves. If we lack the necessary resources and/or personnel, we may be unable to take full advantage of strategic opportunities when they appear and our strategic decisions may not be efficiently implemented. Meeting local requirements and complying with local industry standards may also place additional demands on sales and compliance personnel and resources that we may not be able to meet. Finding and hiring additional, well-qualified personnel and crafting and adopting policies, procedures and controls to address local or regional requirements remain a challenge as we expand our operations internationally. Moreover, regulators could also change their policies or laws in a manner that might restrict or otherwise impede our ability to offer our investment products in their respective markets. Any of these requirements, activities, or needs could increase the costs and expenses we incur in a specific jurisdiction without any corresponding increase in revenue and income from operating in such jurisdiction.

The investment management business is intensely competitive.

Competition in the investment management business is based on a variety of factors, including investment performance; investor perception of an investment manager's drive, focus and alignment of interests; quality of service provided to clients and duration of client relationships; business reputation; and level of fees charged for services. We compete in all aspects of our business with a large number of investment management firms, commercial banks, broker-dealers, insurance companies and other financial institutions. Our competitive risks are heightened by the fact that some of our competitors may implement investment styles that are viewed more favorably than ours or they may invest in alternative asset classes which the markets may perceive as more attractive than the public equity markets. If we are unable to compete effectively, our revenue could be reduced, and our business could be materially affected.

We may not be successful in expanding into new investment strategies, markets and businesses.

We actively consider the opportunistic expansion of our businesses, but we may not be successful in any such attempted expansion. Attempts to expand our businesses involve a number of risks, including entry into markets in which we may have limited or no experience, increasing the demands on our operational systems, the broadening of our geographic footprint, increasing the risks associated with conducting operations in non-U.S. jurisdictions and the diversion of management's attention from our core businesses.

We also may not be successful in identifying new investment strategies or geographic markets that increase our profitability. Because we have not yet identified all of these potential new investment strategies, geographic markets or businesses, we cannot identify all the risks we may face and the potential adverse consequences. We also do not know how long it may take for us to expand, if we do so at all.

A change of control could result in termination of our investment advisory or sub-investment advisory agreements.

Pursuant to the Investment Company Act, each of the investment advisory or sub-investment advisory agreements for the SEC-registered mutual funds that we advise will automatically terminate upon their deemed "assignment," and a fund's board and shareholders must approve a new agreement in order for us to continue to act as its investment adviser or sub-investment adviser. In addition, pursuant to the Investment Advisers Act, each of our investment advisory agreements for the separate accounts we manage contains a provision that states that the agreement may not be "assigned" without the consent of the client. An "assignment," pursuant to both the Investment Company Act and the Investment Advisers Act, could be deemed to occur upon a sale or transfer of a controlling block of our voting securities. Such an assignment may be deemed to occur in the event that the holders of the Class B units of our operating company exchange enough of their Class B units for shares of our Class A common stock such that they no longer own a controlling interest in us. If such a deemed assignment occurs, there can be no assurance that we will be able to obtain the necessary consents from clients whose assets are managed pursuant to separate accounts, or the necessary approvals from the boards and shareholders of the SEC-registered funds that we sub-advise. An assignment, actual or constructive, would trigger these termination and consent provisions and, unless the necessary approvals and consents are obtained, could adversely affect our ability to continue managing client accounts, resulting in the loss of AUM and a corresponding loss of revenue.

Extensive regulation of our business has been and will be expensive and time consuming, and exposes us to the potential for significant penalties, including fines or limitations on our ability to conduct our business.

We are subject to extensive regulation of our investment management business and operations. As a registered investment adviser, the SEC oversees our activities pursuant to its regulatory authority under the Investment Advisers Act. In addition, we must comply with certain requirements under the Investment Company Act with respect to the SEC-registered funds for which we act as investment adviser or sub-investment adviser. As a Category I License holder in South Africa, the Financial Sector Conduct Authority has regulatory oversight over our practices and activities in South Africa. Pzena Financial Services, LLC, our SEC registered broker dealer subsidiary is regulated by the Financial Industry Regulatory Authority ("FINRA"). Each of the regulatory bodies with jurisdiction over us has the authority to regulate various aspects of financial services, including the authority to grant, and, in specific circumstances to cancel, permissions to carry on particular businesses. Our failure to comply with applicable laws or regulations could result in fines, censure, suspensions of personnel or other sanctions,

including revocation of our registration as an investment adviser. Even if a sanction imposed against us is small in monetary amount, the adverse publicity arising from the imposition of such sanctions by regulators could harm our reputation, result in withdrawal by our clients and/or impede our ability to retain clients and develop new client relationships. As we continue to expand into the international market, we may also be under the regulatory scope of local regulatory authorities and non-compliance with any of these authorities may result in fines, sanctions and inability to operate in that local market.

The SEC and its staff continue to engage in various initiatives and reviews that seek to improve and modernize the regulatory structure governing the asset management industry, and registered investment companies in particular. During the past few years, the SEC proposed, among other things, enhanced reporting by investment advisors, enhanced reporting on registered mutual funds and cyber security and new vendor concerns. While these proposals have yet to be finalized into new rules, any new rules, guidance or regulatory initiatives resulting from these efforts could expose us to additional compliance and reporting costs and may require us to change how we operate our business or manage funds.

The United Kingdom ("U.K.") and other European jurisdictions in which we operate have implemented the Markets in Financial Instruments Directive ("MiFID") rules into national legislation. MiFID II, which took effect on January 3, 2018, builds upon many initiatives introduced through MiFID which primarily focused on equity trading activity to migrate onto open and transparent markets. MiFID II has been implemented through a number of more detailed directives, regulations and standards made by the European Commission and by the European Securities Markets Authority ("ESMA"). MiFID II has significant impact on the European Union ("EU") securities market, including (i) enhanced investor protection and governance standards, (ii) rules regarding the ability of portfolio management firms to receive and pay for investment research relating to all asset classes, (iii) an enhanced role for ESMA in supervising EU securities, (iv) new requirements regarding non-EU investment firms' access to EU financial markets, as well as many other requirements for derivatives and trading activities. In particular, compliance with MiFID II may increase costs and affect the manner in which our businesses obtain investment research services.

The U.K. exited the EU effective January 31, 2020 (referred to as Brexit) and has now entered a transition period, expected to last for 11 months, during which there will be no substantive changes regarding trade, employment, and movement between the U.K. and European Union States. During the transition period, the U.K. and European Union will negotiate to determine a holistic agreement to govern trade and all other aspects of the relationship. Depending on the outcome of the Brexit negotiations, our ability to market and provide services within the European Union could be restricted, in whole or in part, temporarily or in the long term. Our contingency plans for certain Brexit scenarios require the cooperation of counterparties or a regulator of financial services to make timely arrangements. We cannot guarantee that counterparties or regulators will cooperate or the timeliness of their cooperation. Our operating expenses may increase as we implement our plan to continue to market and provide our services and distribute our products in the short and/or long term. There is no assurance that any of our Brexit contingency plans will succeed.

In May 2018, the European Union's General Data Protection Regulation ("GDPR") became effective. The primary objectives of GDPR are to give citizens control of their personal data and to simplify the regulatory environment for international business by unifying data protection regulation in the European Union. Compliance with the stringent rules under GDPR requires continuous monitoring and evaluation of our global data processing. Failure to comply with GDPR could result in fines up to the higher of 20 million Euros or 4% of annual global revenues, regulatory action, and reputational risk.

In addition to the European Union's GDPR data protection rules, we may also be or become subject to or affected by additional, federal and state laws, regulations, and guidance impacting consumer privacy, such as the recently enacted California Consumer Privacy Act ("CCPA") effective January 2020, which provides for enhanced consumer protections for California residents and statutory fines for data security breaches or other CCPA violations. Noncompliance with our legal obligations relating to privacy and data protection could result in penalties, legal proceedings by governmental entities or affected individuals, and significant legal and financial exposure.

We also face the risk of significant intervention by regulatory authorities, including extended investigation and surveillance activity, adoption of costly or restrictive new regulations, and judicial or administrative proceedings that may result in substantial penalties. The requirements imposed by our regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us, and are not designed to protect our stockholders. Any regulatory and legislative actions and reforms affecting the investment advisory industry may negatively impact earnings by increasing our costs of operations.

Specific regulatory changes also may have a direct impact on the revenue of our business. In addition to regulatory scrutiny and potential fines and sanctions, regulators continue to examine different aspects of the asset management industry. For example, the use of "soft dollars," where a portion of commissions paid to broker-dealers in connection with the execution of trades also pays for research and other services provided to advisors, has been reexamined by different regulatory bodies and may in the future be limited or modified. Although a substantial portion of the research relied on by our business in the investment decision-making process is generated internally by our investment analysts, external research, including external research paid for with soft dollars, is important to the process. This external research generally is used for information gathering or verification purposes, and includes broker-provided research, as well as third-party provided databases and research services. If the use of soft dollars were to be limited, we would have to bear additional costs.

Changes in tax laws or exposure to additional income tax liabilities could have a material impact on our financial condition, results of operations and liquidity.

We are subject to income- as well as non-income-based taxes, in both the U.S. and non-U.S. jurisdictions. Additional guidance or changes to tax law may be issued that may have a direct effect on our financial condition, results of operations and liquidity. We are also subject to potential tax audits in various jurisdictions and in such event, tax authorities may disagree with certain positions we have taken and assess penalties or additional taxes. We regularly assess the likely outcomes of these potential audits in order to determine the appropriateness of our tax provision; however, there can be no assurance that we will accurately predict the outcomes of these potential audits. The actual outcomes of these potential audits could have a material impact on our net income or financial condition and any changes in tax laws or tax rulings could materially impact our effective tax rate and earnings.

Certain changes in accounting and/or financial reporting standards issued by the Financial Accounting Standards Board ("FASB"), the SEC or other standard-setting bodies could have a material impact on our reported financial position or results of our operations.

We are subject to the application of accounting principles generally accepted in the United States of America ("U.S. GAAP"), which are periodically revised and/or expanded. As such, we are required to adopt new or revised accounting and/or financial reporting standards issued by recognized accounting standard setters or regulators, such as the FASB and the SEC. Changes associated with the adoption of revised financial reporting standards could have a material impact on our reported financial position or results of our operations.

Inadequate business continuity plans, including those of our significant third-party vendors, could lead to material financial loss, reputational harm and inability to continue business.

We rely heavily on our financial, accounting, trading, compliance and other data processing systems. Any failure or interruption of these systems, whether caused by natural disaster, power or telecommunications failure, act of terrorism or war or otherwise, could result in a disruption of our business, liability to clients, regulatory intervention or reputational damage, and thus materially adversely affect our business. The back-up systems that we have in place and other protective measures that we have taken may not be adequate in the event of a failure or interruption.

We depend on our headquarters in New York City for the continued operation of our business. A disaster or a disruption in the infrastructure that supports our business, or directly affecting our headquarters, may have a material adverse impact on our ability to continue to operate our business without interruption.

We have a detailed business continuity plan in place that is tested on a quarterly basis. We strive to understand the protective measures of our third-party vendors, however there can be no assurance that these measures will be sufficient to mitigate the harm that may result from such a disaster or disruption.

Any significant security breach of our software applications, technology or other systems critical to our operations, may disrupt our business or cause us to lose sensitive and confidential information which in turn may cause reputational and financial harm.

We are dependent on the effectiveness of our, and our third-party vendors', information and cyber security infrastructure, policies, procedures and capabilities to protect our computer and telecommunications systems and the data that resides in or is transmitted through them. As part of our normal operations, we maintain and transmit confidential information about our clients as well as proprietary information relating to our business operations. We maintain a system of internal controls designed to provide reasonable assurance that fraudulent activity, including misappropriation of assets, fraudulent financial reporting, and unauthorized access to sensitive or confidential data is either prevented or detected in a timely manner. We are continuously working to install new, and upgrade existing, information technology systems and provide employee awareness training around phishing, malware, and other cyber risks to ensure that we are protected, to the greatest extent possible, against cyber risks and security breaches.

We also strive to understand the protective measures of our third-party vendors and ensure that we have complementary user controls in place to mitigate risk, however our information technology systems may still be vulnerable to unauthorized access or may be corrupted by cyber-attacks, computer viruses or other malicious software code, or authorized persons could inadvertently or intentionally release confidential or proprietary information. Although we take precautions to password protect and/or encrypt our electronic hardware, if such hardware is stolen, misplaced or left unattended, it may become vulnerable to hacking or other unauthorized use, creating a possible security risk and resulting in potentially costly consequences to us. A breach of our technology systems could result in the loss of valuable information, liability for stolen assets or information, remediation costs to repair damage caused by the breach, additional security costs to mitigate against future incidents and legal costs resulting from the incident. Moreover, loss of confidential customer information could harm our reputation, result in the termination of contracts by our existing customers and subject us to liability under laws that protect confidential data, resulting in loss of revenue.

The individuals, counterparties or issuers on whom we rely to perform services for us may be unable or unwilling to honor their contractual obligations to us.

We rely on various third parties and other vendors to fulfill their obligations to us, whether specified by contract, course of dealing or otherwise. Disruptions in the financial markets and other economic challenges may cause our counterparties and other vendors to experience significant cash flow problems or even render them insolvent, which may expose us to credit, operational or other risk.

Operational risk, such as trade errors or system limitations or failures, may create significant financial impact to us, hamper future growth and cause potential reputational harm.

We face potential operational risk from our management of client assets and daily business. Risks include errors that may occur during the execution, confirmation or settlement phase of transactions and such errors may cause material financial loss, which in turn may cause material financial and reputational harm to us. We also face the potential of inaccurate recording of transactions in our internal systems, caused by human error, system limitations or system malfunctions. Such errors may involve client and public reporting, execution, confirmation and settlement of trades, and billing. The potential for operational risk could have significant regulatory, financial or reputational impact. There can be no assurance that all risks and errors can be prevented.

We are exposed to legal risks which could materially adversely affect our business, financial condition or results of operations or cause significant reputational harm to us. Additionally, litigation may result in higher insurance premiums and increased insurance coverage risks which could increase our costs and reduce our profitability.

We depend to a large extent on our relationships with our clients and our reputation for integrity and high-caliber professional services to attract and retain clients. As a result, dissatisfaction with our services could be more damaging to our business than to other types of businesses. If our clients suffer significant losses, or are otherwise dissatisfied with our services, such as for breach of trading guidelines and/or perceived conflicts of interest, we could be subject to the risk of legal liabilities or actions alleging negligent misconduct, breach of fiduciary duty, or breach of contract. These risks are often difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time.

While we strive to conduct our business in accordance with the highest ethical standards, we are always open to the risk of litigation by parties in addition to our clients, for instance by our shareholders, employees and regulators. We may incur significant legal expenses in defending against litigation. Substantial legal liability or significant regulatory action against us could materially adversely affect our business, financial condition or results of operations, or cause significant reputational harm to us.

Potential regulatory and governmental inquiries, civil litigation or employment-related claims could involve substantial financial penalties. Certain insurance coverage may not be available or may be prohibitively expensive in future periods. As our insurance policies come up for renewal, we may need to assume higher deductibles or co-insurance liabilities, or pay higher premiums, which could increase our expenses and could have a material adverse effect on our results of operations.

Insurance coverage may not protect us from all of the liabilities that could arise from the risks inherent in our business.

We maintain insurance coverage focused on reducing potential losses related to our operations. We purchase insurance in amounts, and against risks, that we consider appropriate. There can be no assurance, however, that a claim or claims will be completely covered by insurance or, if covered at all, will not exceed the limits of our existing insurance coverage. If a loss occurs that is partially or completely uninsured, we may be exposed to substantial liability. Insurance costs are impacted by market conditions and our risk profile, and may increase significantly over relatively short periods. Renewals of insurance policies may result in additional costs through higher premiums or the assumption of higher deductibles or co-insurance liability. In addition, insurance and other safeguards might only partially reimburse us for our losses in the event our business continuity plan fails and our operations are significantly disrupted.

Our ability to conduct our business may be materially adversely impacted by catastrophic events, including natural disasters, pandemics and other international health emergencies, weather-related events, terrorist attacks, and other disruptions.

We may encounter disruptions involving power, communications, transportation, travel or other utilities or essential services depended on by us or by third parties with whom we conduct business. This could include disruptions as the result of natural disasters, pandemics, other international health emergencies, or weather-related or similar events (such as fires, hurricanes, earthquakes, floods, landslides and other natural conditions including the effects of climate change), political instability, labor strikes or turmoil, or terrorist attacks. For example, in recent years, several parts of the U.S., including Texas, Florida, the Carolinas and Puerto Rico, sustained significant damage from hurricanes and California sustained significant damage from wildfires and landslides. Additionally, Australia sustained significant damage from wildfires in recent years. In 2020, China and other countries have experienced the spread of the coronavirus. Similar potential disruptions may occur in any of the locations in which we or our clients do business. We continue to assess the potential impact on our investments and clients of such events, and what impact, if any, these events could have on our businesses, financial condition, results of operations and prospects.

Furthermore, we often service our clients and prospects by visiting their offices or having them visit our offices. Any disruptions that prevent our ability to meet with our clients may adversely impact our ability to gain new clients or service our existing clients.

Risks Related to Our Investment Strategies and Process

Our classic value investment style subjects us to the risk that the companies in which we invest may not achieve the level of earnings recovery that we initially expect, or at all.

We generally invest in companies after they have experienced, or are expected by the market to soon experience, a shortfall in their historic earnings, due to an adverse business development, management error, accounting scandal or other disruption, and before there is clear evidence of earnings recovery or business momentum. While investors are generally less willing to invest when companies lack earnings visibility, our classic value investment approach seeks to capture the return that can be obtained by investing in a company before the market has confidence in its ability to achieve earnings recovery. However, our investment approach entails the risk that the companies included in our portfolios are not able to execute as we had expected when we originally invested in them, thereby reducing the performance of our strategies. Since our positions in these investments are often substantial, even partial sales of a substantial position into the market may cause the market price of our investment to decline and there is the risk that we may be unable to find willing purchasers for our investments when we decide to sell them.

Since we apply the same investment process across all of our investment strategies, utilizing one analyst team, and given the overlapping universes of many of our investment strategies, we could have common positions and industry or sector concentrations across many of our investment strategies at the same time. As such, factors leading one of our investment strategies to underperform may lead other strategies to underperform simultaneously.

Our global and non-U.S. strategies may consist of investments in the securities of issuers located outside of the United States, which may involve foreign currency exchange, political, social and economic uncertainties and risks.

Our global and non-U.S. strategies, which together represented $24.5 billion and $18.9 billion of our AUM as of December 31, 2019 and 2018, respectively, are primarily invested in securities of companies located outside the United States. As of December 31, 2019, approximately 45% of our assets under management were invested in securities denominated in currencies other than the U.S. dollar. Investments in non-U.S. issuers may be affected by political, social and economic uncertainty affecting a country or region in which we are invested. Many emerging financial markets are not as developed, or as efficient, as the U.S. financial market, and, as a result, liquidity may be reduced and price volatility may increase. The legal and regulatory environments, including financial accounting standards and practices, may also be different, and there may be less publicly available information in respect of such companies. These risks could adversely impact the performance of our strategies that are invested in securities of non-U.S. issuers. In addition, fluctuations in foreign currency exchange rates may affect investment return and AUM since we do not engage in currency hedging for these portfolios. Due to these factors, our AUM may fluctuate from one reporting period to another, causing volatility in earnings.

Our investment approach may underperform other investment approaches during certain market conditions.

Our products are best suited for investors with long-term investment horizons. In accordance with our classic value investment approach, we typically hold securities for an average of three to five years. Our strategies may not perform well during points in the economic cycle when value-oriented stocks are relatively less attractive. For instance, during the late stages of an economic cycle, investors may purchase relatively expensive stocks in order to obtain access to above average growth. Value-oriented strategies may also experience weakness during periods when the markets are focused on one investment thesis or sector.

Even when securities prices are rising generally, portfolio performance can be affected by our investment approach. The classic value approach has outperformed the market in some economic and market environments and underperformed it in others. In particular, a prolonged period in which the growth-style of investing outperforms the value-style may cause our investment strategy to go out of favor with clients, consultants and sub-advised relationships. Our investment strategy may be less favored during certain time periods for other reasons as well, including due to perceived riskiness or volatility of our approach. Poor performance relative to peers, coupled with changes in personnel, extensive periods in particular market environments, or other difficulties may result in a decline in our AUM.

Our investment process requires us to conduct extensive fundamental research on any company before investing, which may result in missed investment opportunities and reduce the performance of our investment strategies.

We take a considerable amount of time to complete the in-depth research projects that our investment process requires before adding any security to our portfolio. Our process requires that we take this time to understand the company and the business well enough to make an informed decision as to whether we are willing to own a significant position in a company that does not yet have clear earnings visibility. However, the time we take to make this judgment may cause us to miss the opportunity to invest in a company that has a sharp and rapid earnings recovery. Any such missed investment opportunities could adversely impact the performance of our investment strategies.

Our investment strategies subject us to the risk that the companies in which we invest may be exposed to catastrophic events, including natural disasters, pandemics and other international health emergencies, weather-related events, terrorist attacks and other disruptions.

We invest in companies globally that may encounter disruptions involving power, communications, transportation, travel or other utilities or essential services they depend on to conduct business. This could include disruptions as the result of natural disasters, pandemics, other international health emergencies, or weather-related or similar events (such as fires, hurricanes, earthquakes, floods, landslides and other natural conditions including the effects of climate change), political instability, labor strikes or turmoil, or terrorist attacks. For example, in recent years, several parts of the U.S., including Texas, Florida, the Carolinas and Puerto Rico, sustained significant damage from hurricanes and California sustained significant damage from wildfires and landslides. Additionally, Australia sustained significant damage from wildfires in recent years. In 2020, China and other countries have experienced the spread of the coronavirus. Although we continue to assess the potential impact of such events on the companies in which we invest, there can be no assurance that these events will not adversely affect our investment and may lead one or more of our investment strategies to underperform. Such disruptions may affect our investment process by limiting our ability to complete our fundamental research in a timely manner.

Risks Related to Our Structure

We are dependent upon distributions from Pzena Investment Management, LLC to make distributions to our Class A stockholders, and to pay taxes and other expenses.

We are a holding company and have no material assets other than our ownership of membership units of our operating company. We have no independent means of generating revenue and cash flow. Our operating company is treated as a partnership for U.S. federal income tax purposes and, as such, is not itself subject to U.S. federal income tax. Instead, its taxable income is allocated to its members, including us, pro-rata according to the number of membership units each member owns. Accordingly, we incur income taxes on our proportionate share of any taxable income of our operating company. We also incur expenses related to our operations. We intend to have our operating company distribute cash to its members in an amount at least equal to that necessary to cover their tax liabilities, if any, with respect to the earnings of our operating company. To the extent we need funds to pay our tax or other liabilities or to fund our operations, and our operating company is restricted from making distributions to us under applicable laws or regulations, or contractual restrictions, or does not have sufficient earnings to make these distributions, we may have to borrow funds to meet these obligations and run our business and, thus, our liquidity and financial condition could be materially adversely affected. There can be no assurance that funds will be available to borrow under such circumstances on terms acceptable to us, or at all.

We are required to pay most of the tax benefit of any amortization deductions we may claim as a result of the tax basis step up we receive in connection with the sales of membership units and any exchanges of Class B units and this tax treatment could be challenged by tax authorities.

As part of the reorganization we implemented with our initial public offering ("IPO"), we purchased membership units of our operating company from three of its members (the "Selling Members"). In addition, holders of Class B units may, at least once each year, exchange their Class B units of our operating company for shares of our Class A common stock. These purchases and subsequent exchanges have resulted, and are expected to continue to result, in increases in our share of the tax basis in the tangible and intangible assets of our operating company that otherwise would not have been available. These increases in tax basis have reduced, and are expected to continue to reduce, the amount of tax that we would otherwise be required to pay in the future, although the Internal Revenue Service ("IRS") might challenge all or part of this tax basis increase, and a court might sustain such a challenge.

Pursuant to a tax receivable agreement dated October 30, 2007, among us, the Selling Members, and all holders of Class B units after our IPO, we are required to pay the Selling Members, and certain holders of Class B units who elect to exchange their Class B units for shares of our Class A common stock, 85% of the amount of the cash savings, if any, in U.S. federal, state and local income tax that we realize as a result of the increases in amortizable tax basis due to the sale to us of their membership units. The actual increase in tax bases, as well as the amount and timing of any payments under this agreement, may vary depending upon a number of factors, including the timing of exchanges, the price of our Class A common stock at the time of the exchange, the extent to which such exchanges are taxable, the amount and timing of our income, and the tax rates and related laws then applicable. Payments under the tax receivable agreement are expected to give rise to certain additional tax benefits attributable to further increases in basis. Any such benefits are covered by the tax receivable agreement and may increase the amounts due thereunder. We expect that, as a result of the size and increases in our share of the tax basis in the tangible and intangible assets of our operating company attributable to our interest therein, the payments that we may make to these members likely may be substantial.

If we exercise our right to terminate the tax receivable agreement early, we may be obligated to make an early termination payment to the selling and converting shareholders, based upon the net present value of all payments that would be required to be paid by us. If certain change of control events were to occur, we would also be obligated to make an early termination payment.

Were the IRS to successfully challenge the tax bases increases described above, we would not be reimbursed for any payments made under the tax receivable agreement. As a result, in certain circumstances, we could be required to make payments under the tax receivable agreement in excess of our cash tax savings.

Risks Related to Our Class A Common Stock

The market price and trading volume of our Class A common stock may be volatile, which could result in rapid and substantial losses for our stockholders.

The market price of our Class A common stock has been, and may continue to be, highly volatile and subject to wide fluctuations. In addition, the trading volume of our Class A common stock may fluctuate and cause significant price variations to occur. If the market price of our Class A common stock declines significantly, you may be unable to resell your shares of our Class A common stock at or above your purchase price, if at all. We cannot assure you that the market price of our Class A common stock may not fluctuate or decline significantly in the future.

The market price of our Class A common stock could decline due to the large number of shares of our Class A common stock eligible for future sale upon the exchange of Class B units of our operating company or future issuance of shares of Class A common stock.

Pursuant to the operating agreement of our operating company, on at least one date designated by us each year, certain holders of Class B units generally may exchange up to 15% of certain of their Class B units for an equivalent number of shares of our Class A common stock, subject to certain restrictions and conditions set forth in the operating agreement. Pursuant to the operating agreement of our operating company, no later than the second exchange date after holders of our Class B-1 units cease to be employed by us, such Class B-1 holders are required to exchange all of their Class B-1 units for a number of shares of our Class A common stock that will be determined based on the market value of our Class A common stock at the time of the grant of the Class B-1 units and at the time of the exchange. Also, since 2011, the non-employee members of our operating company may exchange all of their vested Class B units, in accordance with the timing restrictions set forth in the operating agreement.

Pursuant to the resale and registration rights agreement, dated October 30, 2007, among the holders of Class B units and us, these holders may resell the shares of Class A common stock issued to them upon the exchange of their Class B units as discussed above.

During 2019, we established December 23, 2019 as an exchange date. Certain employee members, non-employee members and permitted transferees, elected to exchange an aggregate of 234,602 of their Class B units for an equivalent number of shares of our Class A common stock, which are freely tradable. As of December 31, 2019, there remained 52,952,519 shares of our Class A common stock that have previously been registered in various registration statements filed with the SEC, which may be issued upon the exchange of currently outstanding Class B units as discussed above. An additional 8,776,108 shares of Class A common stock are registered relating to Class B units that have not been issued. There are also shares of our Class A common stock registered in various registration statements filed with the SEC, which may be issued upon the exchange of 3,683,073 currently outstanding Class B-1 units as discussed above. The number of such shares of our Class A common stock issuable upon exchange of currently outstanding Class B-1 units will depend on the market value of our Class A common stock at issuance of the relevant Class B-1 units and at the time of any such future exchange.

Anti-takeover provisions in our amended and restated certificate of incorporation and bylaws could discourage a change of control that our stockholders may favor, which could also adversely affect the market price of our Class A common stock.

Provisions in our amended and restated certificate of incorporation and bylaws may make it more difficult and expensive for a third party to acquire control of us, even if a change of control would be beneficial to our stockholders. For example, our amended and restated certificate of incorporation authorizes our Board of Directors to issue up to 200,000,000 shares of our preferred stock and to designate the rights, preferences, privileges and restrictions of unissued series of our preferred stock, each without any vote or action by our stockholders. We could issue a series of preferred stock to impede the consummation of a merger, tender offer or other takeover attempt. The anti-takeover provisions in our amended and restated certificate of incorporation and bylaws may impede takeover attempts, or other transactions, that may be in the best interests of our stockholders and, in particular, our Class A stockholders. In addition, the market price of our Class A common stock could be adversely affected to the extent that provisions of our amended and restated certificate of incorporation and bylaws discourage potential takeover attempts, or other transactions, that our stockholders may favor.

The disparity in the voting rights among the classes of our common stock may have a potential adverse effect on the price of our Class A common stock and may give rise to conflicts of interest.

As of December 31, 2019, our Class B stockholders collectively hold approximately 94% of the combined voting power of our common stock. These stockholders consist of our founders, 44 of our other employees (directly or through their interests in Pzena Investment Management, LP), the estate planning vehicles of our founders and certain of our other employees, certain other members of our operating company, including one of our directors and his related entities, and former employees (directly or through their interests in Pzena Investment Management, LP). Holders of shares of our Class B common stock have entered into a Class B Stockholders' Agreement with respect to all shares of Class B common stock then held by them and any additional shares of Class B common stock they may acquire in the future. Pursuant to this agreement, they may vote these shares of Class B common stock together on all matters submitted to a vote of our common stockholders. To the extent that we cause our operating company to issue additional Class B units, which may be granted, subject to vesting, to our employees pursuant to the PIM LLC 2006 Equity Incentive Plan, these employees will be entitled to receive an equivalent number of shares of our Class B common stock, subject to the condition that they agree to enter into this Class B Stockholders' Agreement. Each share of our Class B common stock entitles its holder to five votes per share for so long as the Class B stockholders collectively hold 20% of the total number of shares of our common stock outstanding. When a Class B unit is exchanged for a share of our Class A common stock, an unvested Class B unit is forfeited due to the employee holder's failure to satisfy the conditions of the award agreement pursuant to which it was granted, or any Class B unit is forfeited as a result of a breach of any restrictive covenants contained in our operating company's amended and restated operating agreement, a corresponding share of our Class B common stock will automatically be redeemed by us.

For so long as our Class B stockholders hold at least 20% of the total number of shares of our common stock outstanding, they will be able to elect all of the members of our Board of Directors and thereby control our management and affairs, including determinations with respect to acquisitions, dispositions, borrowings, issuances of securities, and the declaration and payment of dividends. In addition, they will be able to determine the outcome of all matters requiring approval of stockholders, and will be able to cause or prevent a change of control of our Company or a change in the composition of our Board of Directors, and could preclude any unsolicited acquisition of our Company. Our Class B stockholders have the ability to prevent the consummation of mergers, takeovers or other transactions that may be in the best interests of our Class A stockholders. In particular, this concentration of voting power could deprive Class A stockholders of an opportunity to receive a premium for their shares of Class A common stock as part of a sale of our company, and could ultimately affect the market price of our Class A common stock.

Each share of our Class A common stock entitles its holder to one vote on all matters to be voted on by stockholders. This difference in voting rights could adversely affect the value of our Class A common stock to the extent that investors view, or any potential future purchaser of our company views, the superior voting rights of the Class B common stock to have more value.

Our ability to pay dividends is subject to the discretion of our Board of Directors and may be limited by our holding company structure and applicable provisions of Delaware law.

We currently intend to pay cash dividends on a quarterly basis and our Board of Directors has targeted a cash dividend payout ratio of approximately 60% to 70% of annual as adjusted earnings per share, subject to growth initiatives and other funding needs. However, our Board of Directors may, in its discretion, modify the level of dividends, or discontinue the payment of dividends entirely. Furthermore, we are a holding company, and depend upon the ability of Pzena Investment Management, LLC, our operating company, to generate earnings and cash flows and distribute them to us so that we may pay our obligations and expenses and pay dividends to our stockholders. We expect to cause Pzena Investment Management, LLC to make distributions to its members, including us. However, the ability of Pzena Investment Management, LLC to make such distributions is subject to its operating results, cash requirements and financial condition, and applicable Delaware laws (which may limit the amount of funds available for distribution to its members), as well as any contractual restrictions. If, as a consequence of these various limitations and restrictions, we do not receive distributions from our operating company, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our Class A common stock. Because of these various limitations and restrictions, we have, in the past, had to suspend our quarterly dividend payment. See “Item 5 — Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities — Our Dividend Policy.”

The dual class structure of our common stock may adversely affect the trading market for our Class A common stock.

S&P Dow Jones and FTSE Russell have announced changes to their eligibility criteria for inclusion of shares of public companies on certain indices, namely, to exclude companies with multiple classes of shares of common stock from being added to such indices. In addition, several shareholder advisory firms have announced their opposition to the use of multiple class structures. As a result, the dual class structure of our common stock may prevent the inclusion of our Class A common stock in such indices and may cause shareholder advisory firms to publish negative commentary about our corporate governance practices. Any such exclusion from indices could result in a less active trading market for our Class A common stock. Any actions or publications by shareholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

As of the date of this Annual Report, our corporate headquarters and principal offices are located at 320 Park Avenue, 8th Floor, New York, New York 10022. We occupy approximately 45,050 square feet of space under a non-cancellable operating lease, the term of which expires on December 31, 2025.

ITEM 3. LEGAL PROCEEDINGS

In the normal course of business, we may be subject to various legal and administrative proceedings.

Currently, there are no material legal proceedings pending against us that we believe may have a material effect on our business, cash flow or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

PART II.

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A common stock is listed for trading on the New York Stock Exchange (the "NYSE") under the symbol "PZN." As of March 9, 2020, there were approximately 33 record holders of our Class A common stock and 34 record holders of our Class B common stock. These numbers do not include shareholders who hold their shares through one or more intermediaries, such as banks, brokers or depositories.

Our Dividend Policy

Our Board of Directors has targeted a cash dividend payout ratio of approximately 60% to 70% of our as adjusted diluted net income, subject to growth initiatives and other funding needs. However, our Board of Directors may, in its discretion, modify the level of dividends, or discontinue the payment of dividends entirely.

We use annual non-GAAP as adjusted earnings measures, discussed in further detail in "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operation — Net Income" in Part II of this Annual Report, to assess the strength of the underlying operations of the business. Included in our annual results are certain tax related and non-recurring adjustments that we feel add a measure of non-operational complexity to our results as reported under GAAP and obscure the underlying performance of the business. Management therefore does not consider these adjustments when evaluating operating results or financial information in any given period, and instead uses as adjusted measures of earnings, which exclude these items, to analyze our operations between periods, and over time, and to evaluate the financial condition and results of operations. Investors should consider the as adjusted measures in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP. The adjusted measures that we present are not determined in accordance with GAAP. We have made adjustments that we have determined are appropriate, but such adjustments may differ from the adjustments made by other companies using similarly titled measures. Accordingly, such measures may not be comparable to the similarly titled measures presented by other companies.

As a holding company, we have no material assets other than our ownership of membership interests in our operating company. As a result, we depend upon distributions from our operating company to pay any dividends that our Board of Directors may declare to be paid to our Class A common stockholders, if any. When and if our Board of Directors declares any such dividends, we then cause our operating company to make distributions to us in an amount sufficient to cover the dividends declared. We may not pay dividends to our Class A common stockholders in amounts that have been paid to them in the past, or at all, if, among other things, we do not have the cash necessary to pay our intended dividends, or any of our financing facilities or other agreements restrict us from doing so. To the extent we do not have cash on hand sufficient to pay dividends in the future, we may decide not to pay dividends.

Our ability to pay dividends is subject to Board of Director discretion and may be limited by our holding company structure and applicable provisions of Delaware law. See "Item 1A — Risk Factors — Risks Related to Our Class A Common Stock — Our ability to pay dividends is subject to the discretion of our Board of Directors and may be limited by our holding company structure and applicable provisions of Delaware law."

Issuer Purchases of Equity Securities

On April 24, 2012, our Board of Directors authorized us to repurchase an aggregate of $10.0 million of our outstanding Class A common stock in the open market and Class B units of the operating company in private transactions in accordance with applicable securities laws. On February 5, 2014, the Board of Directors authorized us to repurchase an additional $20.0 million of our outstanding Class A common stock and Class B units of the operating company. On April 19, 2018, the Company announced that its Board of Directors approved an additional increase of $30.0 million in the aggregate amount authorized under the program. The timing, number, and value of common shares and units repurchased are subject to our discretion. Our share repurchase program is not subject to an expiration date and may be suspended, discontinued, or modified at any time, or for any reason. Shares repurchased under the repurchase program during the fourth quarter of 2019 are as follows:

Period	(a) Total Number of Shares of Class A Common Stock Purchased	(b) Average Price Paid per Share of Class A Common Stock	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs[1]
				(in millions)
October 1, 2019 through October 31, 2019	150	$ 8.00	150	$ 19.7
November 1, 2019 through November 30, 2019	4,711	8.89	4,711	19.6
December 1, 2019 through December 31, 2019	20,116	8.67	20,116	18.8
Total	24,977	$ 8.70	24,977	$ 18.8

(1) The dollar amount in the column entitled "Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs," reflects the remainder of the program and also reflects the repurchase of 88,857 of the operating company's Class B units during December 2019 for an average price of $6.94 per unit. Class B units are repurchased at fair value determined by reference to our Class A common stock on the date of the transaction since Class B units are exchangeable for shares of our Class A common stock on a one-for-one basis and adjusted for the impact of award terms on the value of the award.

Securities Authorized for Issuance under Equity Compensation Plans

See Part III, Item 12 – *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* in this annual report for disclosure relating to our equity compensation plans. The information required will be included in the Company's 2020 Proxy Statement and is incorporated by reference herein.

ITEM 6. SELECTED FINANCIAL DATA

The following tables set forth selected historical consolidated financial data of Pzena Investment Management, Inc. The selected consolidated statements of operations data for the years ended December 31, 2019 and 2018 and the selected consolidated statements of financial condition data as of December 31, 2019 and 2018, have been derived from Pzena Investment Management, Inc.'s audited consolidated financial statements included in this Annual Report.

The selected consolidated statement of operations data for the years ended December 31, 2017, 2016 and 2015, and the selected consolidated statements of financial condition as of December 31, 2017, 2016 and 2015, have been derived from Pzena Investment Management, Inc.'s audited consolidated financial statements not included in this report.

You should read the following selected historical consolidated financial data together with "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and the related notes included in this Annual Report.

	For the Years Ended December 31,				
	2019	2018	2017	2016	2015
	(in thousands, except share and per share amounts)				
Statements of Operations Data:					
REVENUE					
Management Fees	$ 149,691	$ 150,700	$ 138,136	$ 108,129	$ 112,102
Performance Fees	1,055	2,879	3,159	207	4,505
Total Revenue	150,746	153,579	141,295	108,336	116,607
EXPENSES					
Cash Compensation and Benefits	58,016	51,600	48,722	41,397	35,431
Other Non-Cash Compensation	30,093	9,819	10,182	6,933	11,092
Total Compensation and Benefits Expense	88,109	61,419	58,904	48,330	46,523
General and Administrative Expenses	16,973	13,405	13,337	12,788	14,667
TOTAL OPERATING EXPENSES	105,082	74,824	72,241	61,118	61,190
Operating Income	45,664	78,755	69,054	47,218	55,417
Other Income/ (Expense)	5,607	(2,658)	25,608	(48,042)	(3,300)
INCOME BEFORE INCOME TAXES	51,271	76,097	94,662	(824)	52,117
Income Tax Provision	5,795	7,778	34,512	(54,475)	5,114
Consolidated Net Income	45,476	68,319	60,150	53,651	47,003
Less: Net Income Attributable to Non-Controlling Interests	37,014	54,525	53,242	37,472	39,324
NET INCOME Attributable to Pzena Investment Management, Inc.	$ 8,462	$ 13,794	$ 6,908	$ 16,179	$ 7,679
Per Share Data[1]:					
Net Income for Basic Earnings per Share	$ 8,462	$ 13,794	$ 6,908	$ 16,179	$ 7,679
Basic Earnings per Share	$ 0.47	$ 0.78	$ 0.40	$ 1.01	$ 0.55
Basic Weighted Average Shares Outstanding	17,945,686	17,678,874	17,338,348	15,962,902	14,014,219
Net Income for Diluted Earnings per Share	$ 34,046	$ 55,347	$ 40,064	$ 39,600	$ 33,809
Diluted Earnings per Share[2]	$ 0.46	$ 0.77	$ 0.40	$ 0.58	$ 0.50
Diluted Weighted Average Shares Outstanding	74,199,308	71,934,144	70,934,362	68,849,172	68,126,786
Cash Dividends Declared Per Share	$ 0.58	$ 0.51	$ 0.37	$ 0.41	$ 0.41

(1) Pursuant to our equity incentive plans, the Company issues shares of Class A common stock and the operating company issues Class B units that have non-forfeitable dividend rights. Under the "two-class method," these shares and units are considered participating securities and are required to be included in the computation of basic and diluted earnings per share.

(2) During the year ended December 31, 2017, the calculation of diluted earnings per share resulted in an increase in earnings per share. Therefore, diluted earnings per share is assumed to be equal to basic earnings per share.

	As of December 31,				
	2019	2018	2017	2016	2015
	(in thousands)				
Statements of Financial Condition Data:					
Cash and Cash Equivalents	$ 52,480	$ 38,099	$ 63,414	$ 43,522	$ 35,417
TOTAL ASSETS	199,452	170,976	169,047	179,121	114,309
TOTAL LIABILITIES	91,242	71,968	69,758	97,787	28,847
Non-Controlling Interests	76,766	66,006	66,985	52,841	67,040
EQUITY	31,444	33,002	32,304	28,493	18,422

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are an investment management firm that utilizes a classic value investment approach across all of our investment strategies. We currently manage assets in a variety of value-oriented investment strategies across a wide range of market capitalizations in both U.S. and non-U.S. capital markets. At December 31, 2019, our AUM was approximately $41.2 billion. We manage separate accounts on behalf of institutions, act as sub-investment adviser for a variety of SEC-registered mutual funds and non-U.S. funds, and act as investment adviser for the Pzena mutual funds, certain private placement funds and non-U.S. funds.

We function as the sole managing member of our operating company, Pzena Investment Management, LLC (the "operating company"). As a result, we: (i) consolidate the financial results of our operating company with our own, and reflect the membership interest in it that we do not own as a non-controlling interest in our consolidated financial statements; and (ii) recognize income generated from our interest in our operating company's net income. As of December 31, 2019, the holders of our Class A common stock and the holders of Class B units of our operating company held approximately 25.4% and 74.6%, respectively, of the economic interests in the December 31, 2019 value of our operating company. As of December 31. 2019, the holders of our Class A common stock and the holders of Class B and Class B-1 units of our operating company held approximately 24.1%, 71.0%, and 4.9%, respectively, of the future income and distributions. For the year ended December 31, 2019, the weighted-average non-controlling interest of our operating company was 74.4%.

The Company also serves as the general partner of Pzena Investment Management, LP, a partnership formed with the objective of aggregating employee ownership in one entity.

Our founders and certain of our employees have interests in Pzena Investment Management, LP and certain estate planning vehicles through which they indirectly own Class B and B-1 units of our operating company. As of December 31, 2019, through direct and indirect interests, our three founders; 44 other employee members; and certain other members of our operating company, including one of our directors, his related entities, and certain former employees, collectively held 49.9%, 6.0%, and 18.7% of the economic interests in the December 31, 2019 value of our operating company, respectively. As of December 31, 2019, through direct and indirect interests, our three founders; 44 other employee members; and certain former employees, collectively held 47.4%, 10.7%, and 17.8% of the future income and distributions of our operating company.

Net Income

GAAP diluted net income and GAAP diluted earnings per share were $34.0 million and $0.46, respectively, for the year ended December 31, 2019, and $55.3 million and $0.77, respectively, for the year ended December 31, 2018.

In evaluating the results of operations, management also reviews non-GAAP as adjusted measures of earnings, which are adjusted to exclude accounting items that add a measure of non-operational complexity which obscures the underlying performance of the business. For the twelve months ended December 31, 2019, earnings were adjusted to exclude non-recurring Compensation and Benefits expenses, the vast majority of which were related to the issuance of certain unit-based and other awards to a number of the firm's key contributors pursuant to the terms of our equity incentive plans, in addition to costs related to certain employee departures. For the twelve months ended December 31, 2018, earnings were adjusted to exclude changes in the deferred tax asset and corresponding liability to the Company's selling and converting shareholders associated with a change in the historical calculation of deferred tax assets discussed in Tax Receivable Agreement below. We believe that these adjustments, and the as adjusted measures derived from them, provide information to better analyze our operations between periods, and over time. Investors should consider these as adjusted measures in addition to, and not as a substitute for, financial measures prepared in accordance with GAAP.

As adjusted diluted net income and as adjusted diluted earnings per share were $54.1 million and $0.73, respectively, for the year ended December 31, 2019, and $55.6 million and $0.77, respectively, for the year ended December 31, 2018. GAAP and as adjusted net income for diluted earnings per share generally assumes all operating company membership units are converted into Company stock at the beginning of the reporting period, and the resulting change to our GAAP and as adjusted net income associated with our increased interest in the operating company is taxed at our historical effective tax rate, exclusive of the adjustments related to our tax receivable agreement and the associated liability to selling and converting shareholders and other adjustments. The as adjusted historical tax rate used to calculate the as adjusted diluted net income for the year ended December 31, 2019 also excludes the impact of the non-recurring charges recognized in operating expenses. Our GAAP effective tax rate, exclusive of these adjustments, was 30.0% for the year ended December 31, 2019 and 24.1% for the year ended December 31, 2018. Our as adjusted effective tax rate, exclusive of these adjustments, was 24.4% for the year ended December 31, 2019 and 24.1% for the year ended December 31, 2018. See "Operating Results — Income Tax Expense" below.

A reconciliation of the as adjusted measures to the most comparable GAAP measures is included below:

	For the Years Ended December 31,	
	2019	2018
	(in thousands, except share and per share amounts)	
GAAP Net Income	$ 8,462	$ 13,794
Change due to Non-Recurring Compensation and Benefits Expense[1]	5,283	—
Impact of Change in Historical 754 Step-Up Calculations[2]	—	246
As adjusted Net Income	$ 13,745	$ 14,040
Basic Weighted Average Shares Outstanding	17,945,686	17,678,874
GAAP Basic Earnings per Share	$ 0.47	$ 0.78
Change due to Non-Recurring Compensation and Benefits Expense[1]	0.30	—
Impact of Change in Historical 754 Step-Up Calculations[2]	—	0.01
As adjusted Basic Earnings per Share	$ 0.77	$ 0.79
GAAP Net Income for Diluted Earnings per Share	$ 34,046	$ 55,347
Change due to Non-Recurring Compensation and Benefits Expense[1]	20,057	—
Impact of Change in Historical 754 Step-Up Calculations[2]	—	246
As adjusted Net Income for Diluted Earnings per Share	$ 54,103	$ 55,593
Basic Weighted Average Shares Outstanding	74,199,308	71,934,144
GAAP Diluted Earnings per Share	$ 0.46	$ 0.77
Change due to Non-Recurring Compensation and Benefits Expense[1]	0.27	—
Impact of Change in Historical 754 Step-Up Calculations[2]	—	—
As adjusted Diluted Earnings per Share	$ 0.73	$ 0.77

1 Reflects the net impact of non-recurring compensation and benefits expenses incurred in the fourth quarter of 2019, primarily driven by the one-time issuance of certain unit-based and other awards to a number of the firm's key contributors pursuant to the terms of our equity incentive plans in addition to costs related to certain employee departures.

2 Reflects the net impact of a change in the calculation of historical 754 step-ups and related deferred tax asset and corresponding liability to selling and converting shareholders recognized during the year ended December 31, 2018 as noted in the income tax expense discussion below.

Revenue

We generate revenue primarily from management fees and performance fees, which we collectively refer to as our advisory fees, by managing assets on behalf of our separately managed and sub-advised accounts, as well as our Pzena funds. Our advisory fee income is primarily based on our AUM, as discussed below, and is recognized over the period in which investment management services are provided. In accordance with *Revenue Recognition Topic* of the Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC"), income from performance fees is recorded at the conclusion of the contractual performance period, when it is probable that significant reversal of the performance fee will not occur. Advisory fee income is presented net of fund expense cap reimbursements.

Our advisory fees are primarily driven by the level of our AUM. Our AUM increases or decreases with the net inflows or outflows of funds into our various investment strategies and with the investment performance thereof. In order to increase our AUM and expand our business, we must develop and market investment strategies that suit the investment needs of our target clients, and provide attractive returns over the long-term. The value and composition of our AUM, and our ability to continue to attract clients will depend on a variety of factors as described in "Item 1 — Risk Factors — Risks Related to Our Business — Our primary source of revenue is derived from management fees, which are directly tied to our assets under management. Fluctuations in AUM therefore will directly impact our revenue."

For our separately managed accounts, we are paid management fees according to a schedule, which varies by investment strategy. The substantial majority of these accounts pay us management fees pursuant to a schedule in which the rate we earn on the AUM declines as the amount of AUM increases.

Pursuant to our sub-investment advisory agreements, we are generally paid a management fee according to a schedule in which the rate we earn on the AUM declines as the amount of AUM increases. Certain of these funds pay us fixed-rate management fees. Due to the substantially larger account size of certain of these sub-advised accounts, the average advisory fees we earn on them, as a percentage of AUM, are lower than the advisory fees we earn on our separately managed accounts.

Advisory fees we earn on separately managed accounts and Pzena funds are generally based on the value of AUM at a specific date on a quarterly basis. Certain of our separately managed accounts, sub-advised accounts, and Pzena funds are calculated based on the average of the monthly or daily market value. Advisory fees are also generally adjusted for any cash flows into or out of a portfolio, where the cash flow represents greater than 10% of the value of the portfolio. While a specific group of accounts may use the same fee rate, the calculation methodology may differ as described above.

Certain of our clients pay us performance fees according to the performance of their accounts relative to certain agreed-upon benchmarks, which results in a lower base fee, but allows for us to earn higher fees if the relevant investment strategy outperforms the agreed-upon benchmark. Some performance-based fee arrangements include high-water mark provisions, which generally provide that if a client account underperforms relative to its performance target, it must gain back such underperformance before we can collect future performance-based fees. Fulcrum fee arrangements related to one client relationship require a reduction in the base fee, or allow for a performance fee if the relevant investment strategy underperforms or outperforms, respectively, the agreed-upon benchmark.

Our advisory fees may fluctuate based on a number of factors, including the following:

- changes in AUM due to appreciation or depreciation of our investment portfolios, and the levels of the contribution and withdrawal of assets by new and existing clients;
- distribution of AUM among our investment strategies, which have differing fee schedules;
- distribution of AUM between separately managed accounts and sub-advised accounts, for which we generally earn lower overall advisory fees;

- the level of our performance with respect to accounts on which we are paid performance fees or have fulcrum fee arrangements; and

- changes in the amount of expense cap reimbursements paid.

Expenses

Our expenses consist primarily of Compensation and Benefits Expense, as well as General and Administrative Expense. Our largest expense is Compensation and Benefits, which includes the salaries, bonuses, equity-based compensation, and related benefits and payroll costs attributable to our employee members and employees. Compensation and benefits packages are benchmarked against relevant industry and geographic peer groups in order to attract and retain qualified personnel. General and Administrative Expense includes lease expenses, professional and outside services fees, depreciation, costs associated with operating and maintaining our research, trading and portfolio accounting systems, and other expenses. Our occupancy-related costs and professional services expenses, in particular, generally increase or decrease in relative proportion to the overall size and scale of our business operations.

We incur additional expenses associated with being a public company for, among other things, director and officer insurance, director fees, SEC reporting and compliance (including Sarbanes-Oxley compliance), professional fees, transfer agent fees, and other similar expenses.

Our expenses may fluctuate due to a number of factors, including the following:

- variations in the level of total compensation expense due to, among other things, bonuses, awards of equity to our employees and employee members of our operating company, changes in our employee count and mix, and competitive factors; and

- general and administrative expenses, such as professional service fees, rent, and data-related costs, incurred, as necessary, to run our business.

Other Income/ (Expense)

Other income/ (expense) is derived primarily from investment income or loss arising from our consolidated subsidiaries and interest income generated on our cash balances. Other income/ (expense) is also affected by changes in our estimates of the liability due to our selling and converting shareholders associated with payments owed to them under the tax receivable agreement which was executed in connection with our reorganization and IPO on October 30, 2007. As discussed further below under “Tax Receivable Agreement,” this liability represents 85% of the amount of cash savings, if any, in U.S. federal, state, and local income tax that we realize as a result of the amortization of the increases in tax basis generated from our acquisitions of our operating company’s units from our selling and converting shareholders. We expect the interest and investment components of other income/ (expense), in the aggregate, to fluctuate based on market conditions and the performance of our consolidated subsidiaries and other investments.

Non-Controlling Interests

We are the sole managing member of our operating company and control its business and affairs and, therefore, consolidate its financial results with ours. In light of our employees' and outside investors' direct and indirect interests in our operating company (as noted in "Item 1 — Business — Overview"), we have reflected their membership interests as a non-controlling interest in our consolidated financial statements. As of December 31, 2019, the holders of our Class A common stock and the holders of Class B units of our operating company held approximately 25.4% and 74.6%, respectively, of the economic interests in the December 31, 2019 value of the operating company. As of December 31, 2019, the holders of our Class A common stock and the holders of Class B and B-1 units of our operating company held approximately 24.1% and 75.9%, respectively, of the future income and distributions of our operating company. In addition, our operating company consolidates the results of operations of the private investment partnerships and Pzena-branded mutual funds over which we exercise a controlling influence. Non-controlling interests recorded in our consolidated financial statements include the non-controlling interests of the outside investors in these consolidated subsidiaries.

Operating Results

Assets Under Management and Flows

As of December 31, 2019, our approximately $41.2 billion of AUM was invested in a variety of value-oriented investment strategies, representing distinct capitalization segments of U.S. and non-U.S. equity markets. The performance of our largest investment strategies as of December 31, 2019 is further described below. We follow the same investment process for each of these strategies. Our investment strategies are distinguished by the market capitalization ranges from which we select securities for their portfolios, which we refer to as each strategy's investment universe, as well as the regions in which we invest and the degree to which we concentrate on a limited number of holdings. While our investment process includes ongoing review of companies in the investment universes described below, our actual investments may include companies outside of the relevant market capitalization range at the time of our investment. In addition, the number of holdings typically found in the portfolios of each of our investment strategies may vary, as described below.

The following tables describe the allocation of our AUM among our investment strategies and the domicile of our accounts, as of December 31, 2019 and 2018:

	AUM at December 31,	
Strategy	**2019**	**2018**
	(in billions)	
U.S. Value Strategies		
Large Cap Value	$ 10.1	$ 9.0
Mid Cap Value	3.7	2.3
Small Cap Value	1.8	1.2
Value	0.9	1.8
Other U.S. Strategies	0.2	0.2
Total U.S. Value Strategies	16.7	14.5
Global and Non-U.S. Value Strategies		
Global Value	8.9	6.0
International Value	6.9	5.7
Emerging Markets Value	5.3	4.0
European Value	3.0	2.9
Other Global and Non-U.S. Strategies	0.4	0.3
Total Global and Non-U.S. Value Strategies	24.5	18.9
Total	$ 41.2	$ 33.4

	AUM at December 31,	
Account Domicile	**2019**	**2018**
	(in billions)	
U.S.	$ 27.0	$ 22.6
Non-U.S.	14.2	10.8
Total	$ 41.2	$ 33.4

The following table indicates the annualized returns, gross and net (which represents annualized returns prior to, and after, payment of advisory fees, respectively), of our largest investment strategies from their inception to December 31, 2019, and in the five-year, three-year, and one-year periods ended December 31, 2019, relative to the performance of the market index which is often used by our clients to compare the performance of the relevant investment strategy.

	Period Ended December 31, 2019[1]			
Investment Strategy (Inception Date)	**Since Inception**	**5 Years**	**3 Years**	**1 Year**
Large Cap Value (July 2012)				
Annualized Gross Returns	13.3%	8.2%	8.7%	26.0%
Annualized Net Returns	13.1%	8.0%	8.6%	25.8%
Russell 1000® Value Index	12.5%	8.3%	9.7%	26.5%
International Value (November 2008)				
Annualized Gross Returns	9.8%	5.5%	7.8%	18.1%
Annualized Net Returns	9.5%	5.2%	7.5%	17.7%
MSCI EAFE® Index – Net/U.S.$[2]	7.6%	5.7%	9.6%	22.0%
Emerging Markets Focused Value (January 2008)				
Annualized Gross Returns	3.6%	7.1%	10.7%	13.4%
Annualized Net Returns	2.8%	6.3%	9.9%	12.5%
MSCI® Emerging Markets Index – Net/U.S.$[2]	1.5%	5.6%	11.6%	18.4%
Large Cap Focused Value (October 2000)				
Annualized Gross Returns	7.5%	7.7%	7.8%	26.5%
Annualized Net Returns	7.0%	7.3%	7.4%	26.0%
Russell 1000® Value Index	7.1%	8.3%	9.7%	26.5%
Global Value (January 2010)				
Annualized Gross Returns	8.7%	6.9%	9.2%	22.9%
Annualized Net Returns	8.3%	6.5%	8.8%	22.4%
MSCI® World Index – Net/U.S.$[2]	9.5%	8.7%	12.6%	27.7%
European Focused Value (August 2008)				
Annualized Gross Returns	5.1%	4.6%	6.7%	17.4%
Annualized Net Returns	4.8%	4.2%	6.4%	16.9%
MSCI® Europe Index – Net/U.S.$[2]	3.1%	5.1%	9.8%	23.8%
Global Focused Value (January 2004)				
Annualized Gross Returns	5.9%	6.5%	8.8%	23.6%
Annualized Net Returns	5.2%	5.9%	8.2%	23.0%
MSCI® All Country World Index – Net/U.S.$[2]	7.4%	8.4%	12.4%	26.6%
Mid Cap Value (April 2014)				
Annualized Gross Returns	7.4%	7.5%	4.9%	26.8%
Annualized Net Returns	7.2%	7.2%	4.7%	26.6%
Russell Mid Cap® Value Index	8.2%	7.6%	8.1%	27.1%
Focused Value (January 1996)				
Annualized Gross Returns	10.5%	6.9%	5.9%	26.9%
Annualized Net Returns	9.7%	6.3%	5.4%	26.2%
Russell 1000® Value Index	9.0%	8.3%	9.7%	26.5%
Small Cap Focused Value (January 1996)				
Annualized Gross Returns	13.3%	8.7%	4.9%	26.7%
Annualized Net Returns	12.1%	7.6%	3.9%	25.5%
Russell 2000® Value Index	9.5%	7.0%	4.8%	22.4%
International Focused Value (January 2004)				
Annualized Gross Returns	6.5%	6.3%	8.6%	18.5%
Annualized Net Returns	5.7%	5.8%	8.0%	17.9%
MSCI® All Country World ex-U.S. Index – Net/U.S.$[2]	6.2%	5.5%	9.9%	21.5%
Mid Cap Focused Value (September 1998)				
Annualized Gross Returns	12.3%	8.1%	5.9%	29.6%
Annualized Net Returns	11.5%	7.4%	5.2%	28.8%
Russell Mid Cap® Value Index	10.3%	7.6%	8.1%	27.1%

1 The historical returns of these investment strategies are not necessarily indicative of their future performance, or the future performance of any of our other current or future investment strategies.

2 Net of applicable withholding taxes and presented in U.S.$.

Large Cap Value. This strategy reflects a portfolio composed of approximately 50 to 80 stocks drawn generally from a universe of 500 of the largest U.S. listed companies, based on market capitalization. This strategy was launched in July 2012. At December 31, 2019, the Large Cap Value strategy generated a one-year annualized gross return of 26.0%, underperforming its benchmark. The top detracting sectors were the consumer discretionary and technology sectors, partially offset by the performance of the financial services sector.

International Value. This strategy reflects a portfolio composed of approximately 60 to 80 stocks drawn generally from a universe of 1,500 of the largest companies across the world excluding the United States, based on market capitalization. This strategy was launched in November 2008. At December 31, 2019, the International Value strategy generated a one-year annualized gross return of 18.1%, underperforming its benchmark. The top detracting sectors were the energy and consumer discretionary sectors as well as certain Chinese stocks, partially offset by the performance of the industrials sector.

Emerging Markets Focused Value. This strategy reflects a portfolio composed of approximately 40 to 80 stocks drawn generally from a universe of 1,500 of the largest emerging market companies, based on market capitalization. This strategy was launched in January 2008. At December 31, 2019, the Emerging Markets Focused Value strategy generated a one-year annualized gross return of 13.4%, underperforming its benchmark. The top detracting sectors included the consumer discretionary and utilities sectors as well as certain Chinese and Korean stocks, partially offset by the performance of the consumer staples sector.

Large Cap Focused Value. This strategy reflects a portfolio composed of approximately 30 to 40 stocks drawn generally from a universe of 500 of the largest U.S. listed companies, based on market capitalization. This strategy was launched in October 2000. At December 31, 2019, the Large Cap Focused Value strategy generated a one-year annualized gross return of 26.5%, matching its benchmark. The top detracting sectors were the consumer discretionary and technology sectors, offset by the performance of the financial services sector.

Global Value. This strategy reflects a portfolio composed of approximately 60 to 95 stocks drawn generally from a universe of 2,000 of the largest companies across the world, based on market capitalization. This strategy was launched in January 2010. At December 31, 2019, the Global Value strategy generated a one-year annualized gross return of 22.9%, underperforming its benchmark. The top detracting sectors included the information technology and consumer discretionary sectors as well as certain U.S. stocks, partially offset by the performance of the industrials sector.

European Focused Value. This strategy reflects a portfolio composed of approximately 40 to 50 stocks drawn generally from a universe of 750 of the largest European companies, based on market capitalization. This strategy was launched in August 2008. At December 31, 2019, the European Focused Value strategy generated a one-year annualized gross return of 17.4%, underperforming its benchmark. The top detracting sectors were the materials and healthcare sectors as well as certain Swiss and German stocks.

Global Focused Value. This strategy reflects a portfolio composed of approximately 40 to 60 stocks drawn generally from a universe of 2,000 of the largest companies across the world, based on market capitalization. This strategy was launched in January 2004. At December 31, 2019, the Global Focused Value strategy generated a one-year annualized gross return of 23.6%, underperforming its benchmark. The top detracting sectors included the information technology and consumer discretionary sectors as well as certain U.S. stocks.

Mid Cap Value. This strategy reflects a portfolio composed of approximately 50 to 80 stocks drawn generally from a universe of U.S. listed companies ranked from the 201st to 1,200th largest, based on market capitalization. This strategy was launched in April 2014. At December 31, 2019, the Mid Cap Value strategy generated a one-year annualized gross return of 26.8%, underperforming its benchmark. The top detracting sectors were the healthcare and consumer discretionary sectors, partially offset by the performance of the producer durables sector.

Focused Value. This strategy reflects a portfolio composed of a portfolio of approximately 30 to 40 stocks drawn generally from a universe of 1,000 of the largest U.S. listed companies, based on market capitalization. This strategy was launched in January 1996. At December 31, 2019, the Focused Value strategy generated a one-year annualized gross return of 26.9%, outperforming its benchmark. The top performing sector was the financial services sector, partially offset by the underperformance of the technology and consumer discretionary sectors.

Small Cap Focused Value. This strategy reflects a portfolio composed of approximately 40 to 50 stocks drawn generally from a universe of U.S. listed companies ranked from the 1,001st to 3,000th largest, based on market capitalization. This strategy was launched in January 1996. At December 31, 2019, the Small Cap Focused Value strategy generated a one-year annualized gross return of 26.7%, outperforming its benchmark. The top performing sectors included the materials & processing, producer durables, and consumer discretionary sectors, partially offset by the underperformance of the financial services sector.

International Focused Value. This strategy reflects a portfolio composed of approximately 30 to 50 stocks drawn generally from a universe of 1,500 of the largest companies across the world excluding the United States, based on market capitalization. This strategy was launched in January 2004. At December 31, 2019, the International Focused Value strategy generated a one-year annualized gross return of 18.5%, underperforming its benchmark. The top detracting sectors included the consumer discretionary and communication services sectors as well as certain Chinese stocks, partially offset by the performance of the industrials sector.

Mid Cap Focused Value. This strategy reflects a portfolio composed of approximately 30 to 40 stocks drawn generally from a universe of U.S. listed companies ranked from the 201st to 1,200th largest, based on market capitalization. This strategy was launched in September 1998. At December 31, 2019, the Mid Cap Focused Value strategy generated a one-year annualized gross return of 29.6%, outperforming its benchmark. The top performing sectors were the producer durables and financial services sectors, partially offset by the underperformance of the healthcare and consumer discretionary sectors.

Our earnings and cash flows are heavily dependent upon prevailing financial market conditions. Significant increases or decreases in the various securities markets, particularly the equities markets, can have a material impact on our results of operations, financial condition, and cash flows.

The change in AUM in our separately managed accounts, sub-advised accounts and Pzena funds for the years ended December 31, 2019 and 2018 is described below. Inflows are composed of the investment of new or additional assets by new or existing clients. Outflows consist of redemptions of assets by existing clients.

Assets Under Management	For the Years Ended December 31, 2019	2018
	(in billions)	
Separately Managed Accounts		
Assets		
Beginning of Period	$ 12.6	$ 15.0
Inflows	*3.2*	*1.6*
Outflows	*(2.0)*	*(1.8)*
Net Flows	1.2	(0.2)
Market Appreciation/(Depreciation)	2.6	(2.2)
End of Period	$ 16.4	$ 12.6
Sub-Advised Accounts		
Assets		
Beginning of Period	$ 18.8	$ 21.8
Inflows	*3.0*	*3.0*
Outflows	*(3.4)*	*(2.4)*
Net Flows	(0.4)	0.6
Market Appreciation/(Depreciation)	4.0	(3.6)
End of Period	$ 22.4	$ 18.8
Pzena Funds		
Assets		
Beginning of Period Assets	$ 2.0	$ 1.7
Inflows	*0.4*	*0.9*
Outflows	*(0.4)*	*(0.3)*
Net Flows	-	0.6
Market Appreciation/(Depreciation)	0.4	(0.3)
End of Period	$ 2.4	$ 2.0
Total		
Assets		
Beginning of Period	$ 33.4	$ 38.5
Inflows	*6.6*	*5.5*
Outflows	*(5.8)*	*(4.5)*
Net Flows	0.8	1.0
Market Appreciation/(Depreciation)	7.0	(6.1)
End of Period	$ 41.2	$ 33.4

During the year ended December 31, 2019, our AUM increased $7.8 billion, or 23.4%, from $33.4 billion at December 31, 2018. This increase is primarily due to market appreciation and net inflows during the year ended December 31, 2019.

At December 31, 2019, we managed $16.4 billion in separately managed accounts, $22.4 billion in sub-advised accounts, and $2.4 billion in Pzena funds, for a total of $41.2 billion in assets. For the year ended December 31, 2019, we experienced $7.0 billion in market appreciation and total gross inflows of $6.6 billion, which were partially offset by total gross outflows of $5.8 billion. Assets in separately managed accounts increased by $3.8 billion, or 30.2%, from $12.6 billion at December 31, 2018, due to $2.6 billion in market appreciation and $3.2 billion in gross inflows, partially offset by $ 2.0 billion in gross outflows. Assets in sub-advised accounts increased by $3.6 billion, or 19.1%, from $18.8 billion at December 31, 2018, due to $4.0 billion in market appreciation and $3.0 billion in gross inflows, partially offset by $3.4 billion in gross outflows. Assets in Pzena funds increased by $0.4 billion, or 20.0%, from $2.0 billion at December 31, 2018 as a result of $0.4 billion in gross inflows and $0.4 billion in market appreciation, partially offset by $0.4 billion in gross outflows.

At December 31, 2018, we managed $12.6 billion in separately managed accounts, $18.8 billion in sub-advised accounts, and $2.0 billion in Pzena funds, for a total of $33.4 billion in assets. For the year ended December 31, 2018, we experienced $6.1 billion in market depreciation and total gross outflows of $4.5 billion, which were partially offset by total gross inflows of $5.5 billion. Assets in separately managed accounts decreased by $2.4 billion, or 16.0%, from $15.0 billion at December 31, 2017, due to $2.2 billion in market depreciation and $1.8 billion in gross outflows, partially offset by $1.6 billion in gross inflows. Assets in sub-advised accounts decreased by $3.0 billion, or 13.8%, from $21.8 billion at December 31, 2017, due to $3.6 billion in market depreciation and $2.4 billion in gross outflows, partially offset by $3.0 billion in gross inflows. Assets in Pzena funds increased by $0.3 billion, or 17.6%, from $1.7 billion at December 31, 2017 as a result of $0.9 billion in gross inflows, partially offset by $0.3 billion in market depreciation and $0.3 billion in gross outflows.

Revenue

Our revenue from advisory fees earned on our separately managed accounts, sub-advised accounts and Pzena funds for the two years ended December 31, 2019 is described below:

	For the Years Ended December 31,	
Revenue	**2019**	**2018**
	(in thousands)	
Separately Managed Accounts	$ 76,210	$ 77,144
Sub-Advised Accounts	58,911	64,155
Pzena Funds	15,625	12,280
Total	$ 150,746	$ 153,579

Year Ended December 31, 2019 versus December 31, 2018

Our total revenue decreased $2.8 million, or 1.8%, to $150.7 million for the year ended December 31, 2019 from $153.6 million for the year ended December 31, 2018. This change was primarily driven by the effect of fulcrum fees and by a decrease in performance fees recognized during 2019. For the years ended December 31, 2019 and 2018, we recognized a reduction of base fees in the amount of $1.8 million and $0.2 million, respectively, related to fulcrum fee arrangements. We recognized $1.1 million in performance fees during 2019, compared to $2.9 million in performance fees recognized in 2018. Average AUM also decreased 1.9% to $37.0 billion for the year ended December 31, 2019 from $37.7 billion for the year ended December 31, 2018.

Our weighted average fee rates were 0.409% and 0.408% for the years ended December 31, 2019 and 2018, respectively. Average assets in separately managed accounts decreased 2.1% to $14.0 billion for the year ended December 31, 2019, from $14.3 billion for the year ended December 31, 2018, and had weighted average fees of 0.543% and 0.539% for the years ended December 31, 2019 and 2018, respectively. Average assets in sub-advised accounts decreased 4.2% to $20.5 billion for the year ended December 31, 2019, from $21.4 billion for the year ended December 31, 2018, and had weighted average fees of 0.287% and 0.299% for the years ended December 31, 2019 and 2018, respectively. The decrease in weighted average fee rates for assets in sub-advised accounts is related to the impact of fulcrum fees and the decrease in performance fees recognized in 2019. Average assets in Pzena funds increased 21.1% to $2.3 billion for the year ended December 31, 2019, from $1.9 billion for the year ended December 31, 2018, and had weighted average fees of 0.688% and 0.635% for the years ended December 31, 2019 and 2018, respectively. The increase in weighted average fee rates for Pzena funds is driven by an increase in assets in products and strategies that typically carry higher fee rates and a decrease in expense cap reimbursements.

Expenses

Our operating expense is driven primarily by our compensation costs. The table below describes the components of our operating expense for the years ended December 31, 2019 and 2018.

	For the Years Ended December 31,	
	2019	2018
	(in thousands)	
Cash Compensation and Other Benefits	$ 58,016	$ 51,600
Other Non-Cash Compensation	30,093	9,819
Total Compensation and Benefits Expense	88,109	61,419
General and Administrative Expense	16,973	13,405
Total Operating Expenses	$ 105,082	$ 74,824

Year Ended December 31, 2019 versus December 31, 2018

Total operating expenses increased by $30.3 million, or 40.4%, to $105.1 million for the year ended December 31, 2019, from $74.8 million for the year ended December 31, 2018.

Compensation and benefits expense increased by $26.7 million, or 43.5%, to $88.1 million for the year ended December 31, 2019, from $61.4 million for the year ended December 31, 2018. This increase is driven by non-recurring compensation and benefits expenses of $22.7 million in 2019, the vast majority of which are related to the issuance of certain unit-based and other awards to a number of the firm's key contributors pursuant to the terms of our equity incentive plans, in addition to costs related to certain employee departures. Additionally, there were increases in headcount and compensation rates.

General and administrative expense increased by $3.6 million, or 26.6%, to $17.0 million for the year ended December 31, 2019, from $13.4 million for the year ended December 31, 2018. The increase in general and administrative expense reflects increases in professional fees, data and systems expenses, and occupancy costs.

Other Income/ (Expense)

Year Ended December 31, 2019 versus December 31, 2018

Other income/ (expense) was income of $5.6 million for the year ended December 31, 2019, and consisted primarily $2.3 million in net realized and unrealized gains from investments, $2.0 million in equity in the income of affiliates, and $1.4 million in interest and dividend income. Other income/ (expense) was an expense of $2.7 million for the year ended December 31, 2018, and consisted primarily of $2.3 million in equity in the losses of affiliates and $1.2 million in net realized and unrealized losses from investments, partially offset by $1.0 million in interest and dividend income.

Income Tax Expense

For the years ended December 31, 2019 and 2018, components of income tax expense are as follows:

	For the Years Ended December 31,	
	2019	2018
	(in thousands)	
Unincorporated and Other Business Tax Expenses	$ 1,287	$ 2,778
Corporate Tax Expense:		
Corporate Income Tax Expense	4,508	4,667
Impact of Change in Historical 754 Step-Up Calculations[1]	—	333
Total Corporate Tax Expense	4,508	5,000
Total Income Tax Expense	$ 5,795	$ 7,778

1 Reflects the net impact of a change in the calculation of historical 754 step-ups and related deferred tax asset recognized during the year ended December 31, 2018.

Our results for the year ended December 31, 2019 include the effects of certain non-recurring compensation and benefits expenses. Our results for the year ended December 31, 2018 include the effects of adjustments to our deferred tax asset associated with our initial public offering and subsequent unit exchanges. Details of corporate tax expenses excluding these items and reconciliations between our GAAP and as adjusted corporate tax items are as follows:

	For the Years Ended December 31,	
	2019	2018
	(in thousands)	
Corporate Tax Expense	$ 4,508	$ 5,000
Less: Impact of Non-Recurring Compensation and Benefits Expense	481	-
Less: Impact of Change in Historical 754 Step-Up Calculations	—	(333)
As adjusted Corporate Income Tax Expense	$ 4,989	$ 4,667

As adjusted income before corporate income taxes used to calculate our income before income taxes for the years ended December 31, 2019 and 2018 are as follows:

	For the Years Ended December 31,	
	2019	2018
	(in thousands)	
GAAP Income Before Income Taxes	$ 51,271	$ 76,097
Non-Recurring Compensation and Benefits Expense	22,719	-
Unincorporated and Other Business Taxes	(1,287)	(2,778)
As Adjusted Net Income Attributable to Non-Controlling Interests of the Operating Company	(53,525)	(54,733)
Non-Controlling Interests of Consolidated Subsidiaries	(444)	208
As Adjusted Income before Corporate Income Taxes	$ 18,734	$ 18,794
GAAP Net Income Attributable to Non-Controlling Interests of the Operating Company	$ 36,570	$ 54,733
Add back: Effect of Non-Recurring Compensation and Benefits Expense	16,955	-
As Adjusted Net Income Attributable to Non-Controlling Interests of the Operating Company	$ 53,525	$ 54,733

Our GAAP effective tax rate was 34.7%, and 26.6% for the years ended December 31, 2019 and 2018, respectively, and was determined as follows:

	For the Years Ended December 31,			
	2019		2018	
	Tax	% of GAAP Pre-tax Income	Tax	% of GAAP Pre-tax Income
	(in thousands)		(in thousands)	
Federal Corporate Tax	$ 2,724	21.0%	$ 3,947	21.0%
State and Local Taxes, Net of Federal Benefit	389	3.0%	579	3.1%
Impact of Permanent Differences	781	6.0%	-	0.0%
Prior Period and Other Adjustments	614	4.7%	474	2.5%
GAAP Effective Taxes	$ 4,508	34.7%	$ 5,000	26.6%

Our as adjusted effective tax rate was 26.5%, and 24.8% for the years ended December 31, 2019 and 2018, respectively, and was determined as follows:

	For the Years Ended December 31,			
	2019		2018	
	Tax	% of As Adjusted Pre-tax Income	Tax	% of As Adjusted Pre-tax Income
	(in thousands)		(in thousands)	
Federal Corporate Tax	$ 3,934	21.0%	$ 3,947	21.0%
State and Local Taxes, Net of Federal Benefit	637	3.4%	579	3.1%
Impact of Non-Recurring Compensation and Benefits Expense	481	2.5%	-	0.0%
Prior Period and Other Adjustments	(63)	-0.4%	141	0.7%
As adjusted Effective Taxes	$ 4,989	26.5%	$ 4,667	24.8%

Year Ended December 31, 2019 versus December 31, 2018

Income tax expense was $5.8 million for the year ended December 31, 2019, compared to $7.8 million for the year ended December 31, 2018. Additionally, we identified an adjustment related to the historical calculation of the 754 step-ups in tax basis impacting the deferred tax assets and corresponding liability to selling and converting shareholders during the years ended December 31, 2018. The adjustment that was made during the year ended December 31, 2018 resulted in a $0.3 million decrease to the deferred tax assets.

Net Income Attributable to Non-Controlling Interests

Year Ended December 31, 2019 versus December 31, 2018

Net income attributable to non-controlling interests was $37.0 million for the year ended December 31, 2019, and consisted of $36.6 million associated with our employees' and outside investors' approximately 74.4% weighted-average interest in the income of the operating company, and approximately $0.4 million associated with our consolidated subsidiaries' interest in the gains of our consolidated subsidiaries. Net income attributable to non-controlling interests was $54.5 million for the year ended December 31, 2018, and consisted of $54.7 million associated with our employees' and outside investors' approximately 74.5% weighted-average interest in the income of the operating company, and approximately $0.2 million associated with our consolidated subsidiaries' interest in the losses of our consolidated subsidiaries. The operating company allocation for the year ended December 31, 2019 included a $17.0 million expense associated with the $22.7 million one-time compensation and benefits expenses recognized in the fourth quarter of 2019. Excluding the effect of these one-time items, the change in net income attributable to non-controlling interests primarily reflects the decrease in net income of the operating company for the year ended December 31, 2019, partially offset by an increase in our employees' and outside investors' weighted average interest in the income of the operating company. We expect the interests in our operating company in subsequent periods to depend on changes in our shareholder's equity and the size and composition of Class B and Class B-1 units awarded by our compensation plans.

Liquidity and Capital Resources

Historically, the working capital needs of our business have primarily been met through the cash generated by our operations. Distributions to members of our operating company are our largest use of cash. Other activities include purchases and sales of investments to fund our deferred compensation program, capital expenditures, and strategic growth initiatives such as providing the seed investments in our mutual funds.

We expect to fund the liquidity needs of our business in the next twelve months, and over the long-term, primarily through cash generated from operations. As an investment management company, our business is materially affected by conditions in the global financial markets and economic conditions throughout the world. Our liquidity is highly dependent on the revenue and income from our operations, which is directly related to our levels of AUM. For the year ended December 31, 2019, our average AUM and revenues decreased by 1.9% and 1.8%, respectively, compared to our average AUM and revenues for the year ended December 31, 2018. At December 31, 2019, our cash was $52.5 million, inclusive of $6.2 million in cash held by our consolidated subsidiaries. We also had $29.1 million in investments in trading debt securities and an open-ended mutual fund that can be sold to meet future cash flow needs and approximately $13.9 million in investments set aside to satisfy our obligations under our deferred compensation programs. Advisory fees receivable was $32.9 million.

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, investments, long-term liabilities, lease commitments, debt obligations, and operating company distributions. Compensation is our largest expense. To the extent we deem necessary and appropriate to run our business, recognizing the need to retain our key personnel, we have the ability to change the absolute levels of our compensation packages, as well as change the mix of their cash and non-cash components. Historically, we have not tied our level of compensation directly to revenue, as many Wall Street firms do. Correspondingly, there is not a linear relationship between our compensation and the revenues we generate. This generally has the effect of increasing operating margins in periods of increased revenues, but can reduce operating margins when revenue declines.

We continuously evaluate our staffing requirements and compensation levels with reference to our own liquidity position and external peer benchmarking data. The result of this review directly influences management's recommendations to our Board of Directors with respect to such staffing and compensation levels.

We anticipate that tax allocations and dividend equivalent payments to the members of our operating company, which consists of certain of our employees, unaffiliated persons, former employees, and us, will continue to be a material financing activity. Cash distributions to operating company members for partnership tax allocations would increase should the taxable income of the operating company increase. Dividend equivalent payments will depend on our dividend policy and the discretion of our Board of Directors, as discussed below.

We believe that our lack of long-term debt, and ability to vary cash compensation levels, have provided us with an appropriate degree of flexibility in providing for our liquidity needs.

Dividend Policy

As we are a holding company and have no material assets other than our ownership of membership interests in our operating company, we depend upon distributions from our operating company to pay any dividends that our Board of Directors may declare to be paid to our Class A common stockholders. When, and if, our Board of Directors declares any such dividends, we then cause our operating company to make distributions to us in an amount sufficient to cover the dividends declared. Our dividend policy has certain risks and limitations, particularly with respect to liquidity. We may not pay dividends to our Class A common shareholders in amounts that have been paid to them in the past, or at all, if, among other things, we do not have the cash necessary to pay our intended dividends. To the extent we do not have cash on hand sufficient to pay dividends in the future, we may decide not to pay dividends. By paying cash dividends rather than investing that cash in our future growth, we risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations or unanticipated capital expenditures, should the need arise.

On an annual basis, our Board of Directors has targeted a cash dividend payout ratio of approximately 60% to 70% of our as adjusted diluted net income, subject to growth initiatives and other funding needs. However, our Board of Directors may, in its discretion, modify the level of dividends, or discontinue the payment of dividends entirely.

Our ability to pay dividends is subject to the Board of Directors' discretion and may be limited by our holding company structure and applicable provisions of Delaware law. See "Item 1A — Risk Factors — Risks Relating to Our Class A Common Stock — Our ability to pay dividends is subject to the discretion of our Board of Directors and may be limited by our holding company structure and applicable provisions of Delaware law."

Tax Receivable Agreement

Our purchase of membership units of our operating company concurrent with our IPO, and the subsequent and future exchanges by holders of Class B units of our operating company for shares of our Class A common stock (pursuant to the exchange rights provided for in the operating company's operating agreement), has resulted in, and is expected to continue to result in, increases in our share of the tax basis of the tangible and intangible assets of our operating company, which will increase the tax depreciation and amortization deductions that otherwise would not have been available to us. These increases in tax bases and tax depreciation and amortization deductions have reduced, and are expected to continue to reduce, the amount of cash taxes that we would otherwise be required to pay in the future. We have entered into a tax receivable agreement with the current members of our operating company, the one member of our operating company immediately prior to our IPO who sold all of its membership units to us in connection with our IPO, and any future holders of Class B units, that requires us to pay them 85% of the amount of cash savings, if any, in U.S. federal, state and local income tax that we actually realize (or are deemed to realize in the case of an early termination payment by us, or a change in control, as described in the tax receivable agreement) as a result of the increases in tax bases described above and certain other tax benefits related to entering into the tax receivable agreement, including tax benefits attributable to payments under the tax receivable agreement.

Cash Flows

Year Ended December 31, 2019 versus December 31, 2018

Cash, cash equivalents and restricted cash increased $14.4 million to $53.5 million in 2019 compared to $39.1 million in 2018. Net cash provided by operating activities decreased $8.9 million in 2019 to $78.7 million from $87.6 million in 2018. The decrease primarily reflects a decrease in net income, changes in the levels of non-cash compensation, equity in the earnings of affiliates, net realized and unrealized gains from investments, as well as changes in operating assets and liabilities and working capital.

Net cash provided by investing activities was $0.2 million in 2019 compared to $33.4 million in cash used in investing activities in 2018. The $33.6 million increase in cash provided by investing activities was primarily due to a $29.5 million decrease in net purchases of investments and a $5.1 million increase in payments from related parties, partially offset by a $1.1 million increase in purchases of property and equipment.

Net cash used in financing activities decreased $15.0 million in 2019 to $64.5 million from $79.5 million in 2018. This decrease is primarily due to a $20.5 million decrease in net distributions from non-controlling interests and a $1.0 million increase in the repurchase and retirement of shares of Class A common stock and Class B units during 2019, partially offset by a $5.0 million decrease in cash provided by sales of shares under the equity incentive plan and a $1.4 million increase in dividends paid.

Contractual Obligations

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide the information under this item.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2019.

Critical Accounting Policies and Estimates

The preparation of our consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), requires management to make estimates and judgments that affect our reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under current circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily available from other sources. We evaluate our estimates on an ongoing basis. Actual results may differ from these estimates under different assumptions or conditions.

Accounting policies are an integral part of our financial statements. A thorough understanding of these accounting policies is essential when reviewing our reported results of operations and our financial condition. Management believes that the critical accounting policies discussed below involve additional management judgment due to the sensitivity of the methods and assumptions used.

Consolidation

Our policy is to consolidate all majority-owned subsidiaries in which we have a controlling financial interest and variable-interest entities of which we are deemed to be the primary beneficiary. We assess our consolidation practices regularly, as circumstances dictate. All significant inter-company transactions and balances have been eliminated.

Income Taxes

We are a "C" corporation under the Internal Revenue Code, and thus liable for federal, state and local taxes on the income derived from our economic interest in our operating company. The operating company is a limited liability company that has elected to be treated as a partnership for tax purposes. Our operating company has not made a provision for federal or state income taxes because it is the responsibility of each of the operating company's members (including us) to separately report their proportionate share of the operating company's taxable income or loss. Similarly, the income of our consolidated investment partnerships is not subject to income taxes, as such income is allocated to each partnership's individual partners. The operating company has made a provision for New York City Unincorporated Business Tax (UBT) and its consolidated subsidiary Pzena Investment Management, LTD has made a provision for U.K. income taxes.

We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases, net operating loss carryforwards and tax credits. A valuation allowance is recorded on our deferred tax assets when it is more-likely-than-not that all or a portion of such assets will not be realized. When evaluating the realizability of our deferred tax assets, all evidence, both positive and negative, is evaluated, which requires management to make significant judgments and assumptions. Items considered when evaluating the need for a valuation allowance include our forecast of future taxable income, future reversals of existing temporary differences, tax planning strategies and other relevant considerations.

We believe that the accounting estimate related to the valuation allowance is a critical accounting estimate because the underlying assumptions can change from period to period. For example, tax law changes, or variances in future projected operating performance, could result in a change in the valuation allowance. Each quarter, we re-evaluate our estimate related to the valuation allowance, including our assumptions about future taxable income. If we are not able to realize all or part of our net deferred tax assets in the future, a valuation allowance would be recorded against our deferred tax asset and charged to income tax expense in the period such determination was made.

Management judgment is required in determining our provision for income taxes, evaluating our tax positions and establishing deferred tax assets and liabilities. The calculation of our tax liabilities involves dealing with uncertainties in the application of complex tax regulations. If the ultimate resolution of uncertainties is different from currently estimated, it could affect income tax expense and the effective tax rate.

Non-Cash Compensation

The Company uses a fair value method in recording the expense associated with the granting of Class B units, Class B-1 units, Delayed Exchange Class B units, phantom Delayed Exchange Class B units, options to purchase Class A common stock and Class B units, options to purchase Delayed Exchange Class B units, and shares of Class A common stock under the 2006 and 2007 Equity Incentive Plans; phantom Delayed Exchange Class B units under the Bonus Plan; and phantom shares of Class A common stock under the Director Plan. The fair value of awarded restricted shares of Class A common stock under the 2007 Equity Incentive Plan and phantom shares of Class A common stock under the Director Plan is determined based on the closing market price of our Class A common stock on the date of grant. The fair value of awarded Class B and Class B-1 units under the 2006 and 2007 Equity Incentive Plans are determined by reference to the market price of our Class A common stock on the date of grant, since Class B and Class B-1 units are exchangeable for shares of our Class A common stock, adjusted for the impact of award terms on the value of the award. Certain of the restricted shares of Class A common stock are not entitled to dividends or dividend equivalents while unvested. The fair value of these awards is determined based on the closing market price of our Class A common stock on the date of grant, net of the present value of the dividends using the applicable risk-free interest rate. The Delayed Exchange Class B Units have a seven years exchange limitation and are not entitled to any benefits under the tax receivable agreement. The fair value of these awards is determined based on the closing market price of our Class A common stock on the date of grant, net of the effects of these terms. The Class B-1 units are entitled to distributions for the duration of the holder's employment and will participate in additional value to the extent there has been appreciation subsequent to the issuance of the Class B-1 unit. The fair value of these awards is determined based on the present value of expected future dividends, an option pricing model where the strike price reflects the threshold value over which appreciation is recognized, and the impact of award terms on the value of the award. The Company also issued options to purchase Delayed Exchange Class B units. The fair value of these options is determined using an option pricing model where the strike price reflects the fair value of Delayed Exchange Class B units on the date of grant. Certain of the phantom Delayed Exchange Class B units are not entitled to dividends or dividend equivalents while unvested.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market Risk

Our exposure to market risk is directly related to our role as investment adviser for separate accounts we manage, funds we offer, and accounts for which we act as sub-investment adviser.

Our revenue for the two years ended December 31, 2019 was generally derived from advisory fees, which are typically based on the market value of our AUM, which can be affected by adverse changes in interest rates, foreign currency exchange rates and equity prices. Accordingly, a decline in the prices of securities would cause our revenue and income to decline, due to a decrease in the value of the assets we manage. In addition, such a decline could cause our clients to withdraw their funds in favor of investments offering higher returns or lower risk, which would cause our revenue and income to decline further.

The value of our AUM was $41.2 billion as of December 31, 2019. A 10% increase or decrease in the value of our AUM, if proportionately distributed over all of our investment strategies, products, and client relationships, would cause an annualized increase or decrease in our revenues of approximately $16.9 million at our current weighted average fee rate excluding the impact of performance fees and fulcrum fee arrangements of 0.410%. There are differences in our fee rates across distribution channels, investment strategies and the size of client relationships. As such, a change in the composition of our AUM, in particular an increase in the proportion of our total assets under management attributable to strategies, clients or relationships with lower effective fee rates, could have a material negative impact on our overall weighted average fee rates and thus different impact to revenues on the same 10% increase or decrease in the value of our AUM.

We are also subject to market risk due to a decline in the value of our holdings and the holdings of our consolidated subsidiaries, which as of December 31, 2019 consist primarily of equity securities at fair value, trading debt securities and investments in equity method investees. At December 31, 2019, the aggregate value of our assets subject to market risk was $55.9 million. At December 31, 2019, none of our liabilities were subject to market risk. Assuming a 10% increase or decrease, the fair value of these assets would increase or decrease by $5.6 million, at December 31, 2019.

Exchange Rate Risk

A substantial portion of the accounts that we advise, or sub-advise, hold investments that are denominated in currencies other than the U.S. dollar. Movements in the rate of exchange between the U.S. dollar and the underlying foreign currency affect the values of assets held in accounts that we manage, thereby affecting the amount of revenues we earn. The value of our AUM was $41.2 billion as of December 31, 2019 and approximately 37% of our assets under management across our investment strategies were invested in strategies that primarily invest in securities of non-U.S. companies and approximately 45% of our assets under management were invested in securities denominated in currencies other than the U.S. dollar. To the extent our assets under management are denominated in currencies other than the U.S. dollar, the value of those assets under management will decrease with an increase in the value of the U.S. dollar, or increase with a decrease in the value of the U.S. dollar. Because we believe that many of our clients invest in those strategies in order to gain exposure to non-U.S. currencies, or may implement their own hedging programs, we do not hedge an investment portfolio's exposure to a non-U.S. currency.

We have not adopted a corporate-level risk management policy to manage this exchange rate risk. Assuming that 45% of our assets under management is invested in securities denominated in currencies other than the U.S. dollar and excluding the impact of any hedging arrangements, a 10% increase or decrease in the value of the U.S. dollar would decrease or increase the fair value of our assets under management by $1.6 billion, which would cause an annualized increase or decrease in revenues of approximately $6.6 million at our current weighted average fee rate excluding the impact of performance fees and fulcrum fee arrangements of 0.410%.

We operate in several foreign countries, but mainly in the United Kingdom. We incur operating expenses and have foreign currency-denominated assets and liabilities associated with these operations, although our revenues are predominately realized in U.S. dollar. We do not believe that foreign currency fluctuations materially affect our results of operations.

Interest Rate Risk

As of December 31, 2019, approximately $16.8 million of our total cash was primarily held in demand deposit accounts and money market funds. As such, interest rate changes would not have a material impact on the income we earn from these deposits. Our interest sensitive assets and liabilities include trading debt securities. At December 31, 2019, the aggregate value of our assets subject to interest rate risk was $29.1 million. Assuming a 10% increase or decrease, the fair value of these assets would increase or decrease by $2.9 million, at December 31, 2019. In addition, the Company does not have any debt, and as a result does not have any direct exposure to interest rate risk at December 31, 2019.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our consolidated financial statements and notes thereto begin on page F-4 of this Annual Report and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

During the course of their review of our consolidated financial statements as of December 31, 2019, our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures 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 December 31, 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 disclosure.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control system is designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. There are inherent limitations in the effectiveness of any internal controls, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can provide only reasonable assurances with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has assessed the effectiveness of our internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control — Integrated Framework (2013)*.

Based on the assessment using those criteria, management concluded that, as of December 31, 2019, our internal control over financial reporting was effective.

PricewaterhouseCoopers LLP, the independent registered public accounting firm that audited the financial statements included in this Annual Report have issued an audit report on our internal control over financial reporting. This report appears on page F-2 of this Annual Report.

Changes in Internal Control Over Financial Reporting

There have not been any changes in our internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item will be set forth under the proposal “Election of Directors” and under the heading "Other Matters" in the Company’s 2020 Proxy Statement to be filed with the U.S. Securities and Exchange Commission (“SEC”) within 120 days after December 31, 2019 in connection with the solicitation of proxies for the Company’s 2019 annual meeting of shareholders and is incorporated herein by reference ("Company's 2020 Proxy Statement").

The Company has a code of ethics, “Code of Business Conduct and Ethics,” that applies to all employees, including the Company’s principal executive officer and principal financial officer and principal accounting officer, as well as to the members of the Board of Directors of the Company. The code is available at www.pzena.com. The Company intends to disclose any changes in, or waivers from, this code by posting such information on the same website or by filing a Form 8-K, in each case to the extent such disclosure is required by rules of the SEC or the New York Stock Exchange.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be set forth under the headings “Executive Compensation” and "2019 Non-Employee Director Compensation" in the Company’s 2020 Proxy Statement and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be set forth under the headings “Security Ownership of Principal Stockholders and Management,” and "Equity Compensation Plan Information," in the Company’s 2020 Proxy Statement and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be set forth under the heading “Related Party Transactions” and under the subheading “Director Independence” under the proposal "Election of Directors” in the Company’s 2020 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item will be set forth under the proposal “Ratification of Independent Auditors” in the Company’s 2020 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

The following documents are filed as part of this Annual Report:

1. Financial Statements

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2. Financial Statement Schedules

There are no Financial Statement Schedules filed as part of this Annual Report, since the required information is included in our consolidated financial statements and in the notes thereto.

3. Exhibit List

We have incorporated by reference herein certain exhibits as specified below pursuant to Rule 12b-32 of the Exchange Act. If specific material facts exist which contradict the representations and warranties contained in the documents filed or incorporated by reference in this Annual Report, corrective disclosure has been provided.

Additional information about us may be found elsewhere in this Annual Report, and our other public filings, which are available without charge through the SEC's website at *http://www.sec.gov*, as well as through our website at *www.pzena.com*.

Exhibit	**Description of Exhibit**
3.1	Second Amended and Restated Certificate of Incorporation of Pzena Investment Management, Inc., effective as of May 23, 2017[(1)]
3.2	Second Amended and Restated Bylaws of Pzena Investment Management, Inc., effective as of January 15, 2016[(2)]
4.1	Form of Pzena Investment Management, Inc. Class A Common Stock Certificate[(3)]
4.2	Form of Exchange Rights of Class B Members (filed herewith)
4.3	Form of Exchange Rights of Class B-1 Members (filed herewith)
4.4	Resale and Registration Rights Agreement, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and the Holders named on the signature pages thereto[(4)]
4.5	Class B Stockholders' Agreement, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and the Class B Stockholders named on the signature pages thereto[(4)]
4.6	Description of Capital Stock (filed herewith)
10.1	Amended and Restated Operating Agreement of Pzena Investment Management, LLC, dated as of December 30, 2019, by and among Pzena Investment Management, Inc. and the Class B Members named on the signature pages thereto (filed herewith)
10.2	Tax Receivable Agreement, dated as of October 30, 2007, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC and the Continuing Members and Exiting Members named on the signature pages thereto[(4)]
10.3	Pzena Investment Management, LLC Amended and Restated 2006 Equity Incentive Plan[(5)]

10.4	Pzena Investment Management, LLC Amended and Restated Bonus Plan, as amended, dated as of October 21, 2008[6]
10.5	Pzena Investment Management, Inc. 2007 Equity Incentive Plan, as amended, dated as of January 31, 2017[5]
10.6	Executive Employment Agreement for Richard S. Pzena, dated as of October 30, 2007, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC and Richard S. Pzena[4]
10.7	Executive Employment Agreement for John P. Goetz, dated as of October 30, 2007, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC and John P. Goetz[4]
10.8	Amended and Restated Executive Employment Agreement for William L. Lipsey, dated as of October 30, 2007, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC and William L. Lipsey[4]
10.9	Indemnification Agreement for Richard S. Pzena, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and Richard S. Pzena[4]
10.10	Indemnification Agreement for Steven M. Galbraith, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and Steven M. Galbraith[4]
10.11	Indemnification Agreement for Joel M. Greenblatt, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and Joel M. Greenblatt[4]
10.12	Indemnification Agreement for Richard P. Meyerowich, dated as of October 30, 2007, by and among Pzena Investment Management, Inc. and Richard P. Meyerowich[4]
10.13	Indemnification Agreement for John P. Goetz, dated as of May 17, 2011, by and among Pzena Investment Management, Inc. and John P. Goetz[8]
10.14	Indemnification Agreement for William L. Lipsey, dated as of May 17, 2011, by and among Pzena Investment Management, Inc. and William L. Lipsey[8]
10.15	Pzena Investment Management, Inc. Non-Employee Director Deferred Compensation Plan, dated as of July 21, 2009 [9]
10.16	Amendment to Executive Employment Agreement for Richard S. Pzena, dated as of November 1, 2012, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC, and Richard S. Pzena[11]
10.17	Amendment to Executive Employment Agreement for John P. Goetz, dated as of November 1, 2012, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC, and John P. Goetz[11]
10.18	Amendment to Amended and Restated Executive Employment Agreement for William L. Lipsey, dated as of November 1, 2012, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC, and William L. Lipsey[11]
10.19	Amendment, dated as of November 12, 2012, to Tax Receivable Agreement, dated as of October 30, 2007, by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC and the Continuing Members and Exiting Members named on the signature pages thereto [12]
10.20	Indemnification Agreement for Charles D. Johnston, dated as of February 5, 2014, by and among Pzena Investment Management, Inc. and Charles D. Johnston [13]
10.21	Lease, dated as of June 13, 2014, between Mutual of America Life Insurance Company, as Landlord and Pzena Investment Management, LLC, as Tenant [14]
10.22	Form of Class B-1 Unit Agreement – Immediate Vesting (filed herewith)
10.23	Amendment to the Pzena Investment Management, LLC Amended and Restated Bonus Plan, dated December 2, 2014 [15]
10.24	Form of Unit-Based Award Agreement for Phantom Class B Units [15]
10.25	Form of Class B Unit Agreement - Delayed Exchange [15]
10.26	Form of Class B Unit-Based Agreement for Phantom Class B Units - Revised December, 2015 [16]
10.27	Form of Class B Unit Agreement - Delayed Exchange - Revised December, 2015 [16]
10.28	Amended and Restated Agreement of Limited Partnership of Pzena Investment Management, LP, dated as of December 30, 2019 (filed herewith)
10.29	Form of Class B Unit Option Agreement - Delayed Exchange [18]

10.30	Amendment, dated as of December 18, 2017, to Tax Receivable Agreement, dated as of October 30, 2007, as amended by and among Pzena Investment Management, Inc., Pzena Investment Management, LLC and the Continuing Members and Exiting Members named on the signature pages thereto (18)
10.31	First Amendment of Lease dated November 8th, 2018 amending the Lease, dated as of June 13, 2014, between Mutual of America Life Insurance Company, as Landlord and Pzena Investment Management, LLC as Tenant(19)
14.1	Code of Business Conduct and Ethics, effective as of October 25, 2007, amended as of February 2019 (19)
14.2	Code of Ethics for Senior Financial Officers(20)
21.1	List of Subsidiaries of Pzena Investment Management, Inc. (filed herewith)
23.1	Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm (filed herewith)
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rule 13a-14(a) (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rule 13a-14(a) (filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101	Materials from the Pzena Investment Management, Inc. Annual Report on Form 10-K for the year ended December 31, 2019, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Statements of Financial Condition, (ii) Consolidated Statements of Operations, (iii) Consolidated Statement of Changes in Equity, (iv) Consolidated Statements of Cash Flows, and (vi) related Unaudited Notes to the Consolidated Financial Statements, tagged in detail (furnished herewith)

(1) Previously filed as an exhibit to our current report on Form 8-K filed with the Securities and Exchange Commission on May 24, 2017 (SEC File No. 001-33761).

(2) Previously filed as an exhibit to our current report on Form 8-K filed with the Securities and Exchange Commission on January 19, 2016 (SEC File No. 001-33761).

(3) Previously filed as an exhibit to Amendment No. 4 of the Registration Statement on Form S-1 (No. 333-143660) of Pzena Investment Management, Inc., which was filed with the Securities and Exchange Commission on October 22, 2007.

(4) Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on December 5, 2007 (SEC File No. 001-33761).

(5) Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on August 8, 2017 (SEC File No. 001-33761).

(6) Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 13, 2008 (SEC File No. 001-33761).

(7) Previously filed as an exhibit to our current report on Form 8-K filed with the Securities and Exchange Commission on December 12, 2008 (SEC File No. 001-33761).

(8) Previously filed as an exhibit to our annual report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2012 (SEC File No. 001-33761).

(9) Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2009 (SEC File No. 001-33761).

(10) Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on May 7, 2010 (SEC File No. 001-33761).

(11) Previously filed as an exhibit to our current report on Form 8-K filed with the Securities and Exchange Commission on November 2, 2012 (SEC File No. 001-33761).

(12) Previously filed as an exhibit to our annual report on Form 10-K filed with the Securities and Exchange Commission on March 13, 2013 (SEC File No. 001-33761).

(13) Previously filed as an exhibit to our current report on Form 8-K filed with the Securities and Exchange Commission on January 30, 2014 (SEC File No. 001-33761).

(14) Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on August 7, 2014 (SEC File No. 001-33761).

(15) Previously filed as an exhibit to our annual report on Form 10-K filed with the Securities and Exchange Commission on March 16, 2015 (SEC File No. 001-33761)

(16) Previously filed as an exhibit to our annual report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2016 (SEC File No. 001-33761).

(17) Previously filed as an exhibit to our quarterly report on Form 10-Q filed with the Securities and Exchange Commission on May 6, 2016 (SEC File No. 001-33761).

(18) Previously filed as an exhibit to our annual report on Form 10-K filed with the Securities and Exchange Commission on March 9, 2018 (SEC File No. 001-33761).

(19) Previously filed as an exhibit to our annual report on Form 10-K filed with the Securities and Exchange Commission on March 8, 2019 (SEC File No. 001-33761).

(20) Previously filed as an exhibit to our annual report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2008 (SEC File No. 001-33761).

ITEM 16. FORM OF 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Pzena Investment Management, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 9, 2020

Pzena Investment Management, Inc.

By: /s/ Richard S. Pzena
Name: Richard S. Pzena
Title: Chief Executive Officer

Each person whose signature appears below constitutes and appoints Jessica R. Doran and Joan F. Berger, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done to effectuate the intent and purpose of this paragraph, as fully as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Pzena Investment Management, Inc. and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ Richard S. Pzena Richard S. Pzena	Chairman, Chief Executive Officer, Co-Chief Investment Officer (principal executive officer)	March 9, 2020
/s/ Jessica R. Doran Jessica R. Doran	Chief Financial Officer (principal financial and accounting officer)	March 9, 2020
/s/ John P. Goetz John P. Goetz	President, Co-Chief Investment Officer, Director	March 9, 2020
/s/ William L. Lipsey William L. Lipsey	President, Head of Business Development and Client Service, Director	March 9, 2020
/s/ Steven M. Galbraith Steven M. Galbraith	Director	March 9, 2020
/s/ Joel M. Greenblatt Joel M. Greenblatt	Director	March 9, 2020
/s/ Richard P. Meyerowich Richard P. Meyerowich	Director	March 9, 2020
/s/ Charles D. Johnston Charles D. Johnston	Director	March 9, 2020

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PZENA INVESTMENT MANAGEMENT, INC.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Pzena Investment Management, Inc.,

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated statements of financial condition of Pzena Investment Management, Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the two years in the period ended December 31, 2019, including the related notes (collectively referred to as the "consolidated financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework (2013) issued by the COSO.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

/s/PricewaterhouseCoopers LLP

New York, New York
March 9, 2020

We have served as the Company's auditor since 2017.

PZENA INVESTMENT MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(in thousands, except share and per-share amounts)

	As of	
	December 31, 2019	December 31, 2018
ASSETS		
Cash and Cash Equivalents ($4,190 and $3,733)[1]	$ 52,480	$ 38,099
Restricted Cash	1,036	1,028
Due from Broker ($145 and $16)[1]	149	64
Advisory Fees Receivable	32,887	32,590
Investments ($3,813 and $3,925)[1]	55,934	50,470
Receivable from Related Parties	1,869	4,239
Other Receivables ($10 and $13)[1]	599	474
Prepaid Expenses and Other Assets	2,408	1,386
Right-of-use Asset	13,860	-
Deferred Tax Assets	32,683	37,232
Property and Equipment, Net of Accumulated Depreciation of $4,765 and $3,724, respectively	5,547	5,394
TOTAL ASSETS	$ 199,452	$ 170,976
LIABILITIES AND EQUITY		
Liabilities:		
Accounts Payable and Accrued Expenses ($19 and $15)[1]	$ 44,713	$ 37,266
Due to Broker ($0 and $4)[1]	40	360
Liability to Selling and Converting Shareholders	28,652	32,389
Lease Liability	14,235	-
Deferred Compensation Liability	3,600	1,845
Other Liabilities	2	108
TOTAL LIABILITIES	91,242	71,968
Commitments and Contingencies (see Note 12)		
Equity:		
Preferred Stock (Par Value $0.01; 200,000,000 Shares Authorized; None Outstanding)	—	—
Class A Common Stock (Par Value $0.01; 750,000,000 Shares Authorized; 18,009,350 and 18,398,211 Shares Issued and Outstanding in 2019 and 2018, respectively)	179	183
Class B Common Stock (Par Value $0.000001; 750,000,000 Shares Authorized; 52,879,323 and 51,253,526 Shares Issued and Outstanding in 2019 and 2018 respectively)	—	—
Additional Paid-In Capital	4,829	3,913
Retained Earnings	26,439	28,871
Accumulated Other Comprehensive Loss	(3)	35
Total Pzena Investment Management, Inc.'s Equity	31,444	33,002
Non-Controlling Interests	76,766	66,006
TOTAL EQUITY	108,210	99,008
TOTAL LIABILITIES AND EQUITY	$ 199,452	$ 170,976

1 Asset and liability amounts in parentheses represent the aggregated balances at December 31, 2019 and 2018 attributable to Pzena International Value Service (a series of Pzena Investment Management, LLC), Pzena Investment Management Special Situations, LLC, Pzena U.S. Best Ideas (GP), LLC, and Pzena Global Best Ideas (GP), LLC which were variable interest entities as of December 31, 2019 and 2018, respectively.

See accompanying notes to consolidated financial statements.

PZENA INVESTMENT MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per-share amounts)

	For the Years Ended December 31,	
	2019	2018
REVENUE	$ 150,746	$ 153,579
EXPENSES		
Compensation and Benefits Expenses	88,109	61,419
General and Administrative Expenses	16,973	13,405
TOTAL OPERATING EXPENSES	105,082	74,824
Operating Income	45,664	78,755
OTHER (EXPENSE)/ INCOME		
Interest Income	1,039	764
Interest Expense	(48)	(77)
Dividend Income	440	154
Net Realized and Unrealized Gains/ (Losses) from Investments	2,270	(1,183)
Equity in the Earnings/ (Losses) of Affiliates	1,966	(2,347)
Change in Liability to Selling and Converting Shareholders	—	48
Other (Expense)/ Income	(60)	(17)
Total Other Income/ (Expense)	5,607	(2,658)
Income Before Income Taxes	51,271	76,097
Income Tax Expense	5,795	7,778
Net Income	45,476	68,319
Less: Net Income Attributable to Non-Controlling Interests	37,014	54,525
Net Income Attributable to Pzena Investment Management, Inc.	$ 8,462	$ 13,794
Net Income for Basic Earnings per Share	$ 8,462	$ 13,794
Basic Earnings per Share	$ 0.47	$ 0.78
Basic Weighted Average Shares Outstanding	17,945,686	17,678,874
Net Income for Diluted Earnings per Share	$ 34,046	$ 55,347
Diluted Earnings per Share	$ 0.46	$ 0.77
Diluted Weighted Average Shares Outstanding[1]	74,199,308	71,934,144
Cash Dividends per Share of Class A Common Stock	$ 0.58	$ 0.51

1 The Company issues restricted shares of Class A common stock and the operating company issues restricted Class B units that have non-forfeitable dividend rights. Under the "two-class method," these shares and units are considered participating securities and are required to be included in the computation of diluted earnings per share.

See accompanying notes to consolidated financial statements.

PZENA INVESTMENT MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)

	For the Years Ended December 31,	
	2019	2018
NET INCOME	$ 45,476	$ 68,319
OTHER COMPREHENSIVE INCOME/ (LOSS)		
Foreign Currency Translation Adjustment	143	(152)
Total Other Comprehensive Income/ (Loss)	143	(152)
Comprehensive Income	45,619	68,167
Less: Comprehensive Income Attributable to Non-Controlling Interests	37,195	54,333
Total Comprehensive Income Attributable to Pzena Investment Management, Inc.	$ 8,424	$ 13,834

See accompanying notes to consolidated financial statements.

PZENA INVESTMENT MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(in thousands, except share and per-share amounts)

	Shares of Class A Common Stock	Shares of Class B Common Stock	Class A Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income/ (Loss)	Retained Earnings	Non-Controlling Interests	Total
Balance at December 31, 2017	**18,096,554**	**50,709,673**	**$ 180**	**$ 7,915**	**$ (5)**	**$ 24,214**	**$ 66,985**	**$ 99,289**
Unit Conversion	1,141,663	(1,141,663)	11	2,498	—	—	(1,634)	875
Amortization of Non-Cash Compensation	20,000	505,134	—	1,479	—	—	4,240	5,719
Issuance of Shares under Equity Incentive Plan	—	300,931	—	1,096	—	—	3,095	4,191
Sale of Shares Under Equity Incentive Plan	—	897,813	—	1,343	—	—	3,850	5,193
Directors' Shares	—	—	—	141	—	—	410	551
Net Income	—	—	—	—	—	13,794	54,525	68,319
Foreign Currency Translation Adjustments	—	—	—	—	40	—	(192)	(152)
Options Exercised	-	29,698	—	—	—	—	—	—
Repurchase and Retirement of Class A Common Stock	(860,006)	—	(8)	(8,586)	—	—	—	(8,594)
Repurchase and Retirement of Class B Units	—	(48,060)	—	(74)	—	—	(217)	(291)
Contributions from Non-Controlling Interests	—	—	—	—	—	—	272	272
Distributions to Non-Controlling Interests	—	—	—	—	—	—	(66,982)	(66,982)
Class A Cash Dividends Declared and Paid ($0.51 per share)	—	—	—	—	—	(9,137)	—	(9,137)
Tax Impact of Transactions with Non-Controlling Shareholders	—	—	—	(245)	—	—	-	(245)
Other	—	—	—	(1,654)	—	—	1,654	—
Balance at December 31, 2018	**18,398,211**	**51,253,526**	**$ 183**	**$ 3,913**	**$ 35**	**$ 28,871**	**$ 66,006**	**$ 99,008**
Unit Conversion	234,602	(234,602)	2	712	—	—	(331)	383
Amortization of Non-Cash Compensation	20,000	1,294,024	—	6,050	—	—	17,689	23,739
Issuance of Shares under Equity Incentive Plan	—	715,874	—	1,065	—	—	3,022	4,087
Sale of Shares Under Equity Incentive Plan	—	19,338	—	30	—	—	87	117
Directors' Shares	—	—	—	157	—	—	454	611
Net Income	—		—	—	—	8,462	37,014	45,476
Foreign Currency Translation Adjustments	—	—	—	—	(38)	—	181	143
Options Exercised	90,980	29,377	1	10	—	—	(11)	—
Repurchase and Retirement of Class A Common Stock	(734,443)	—	(7)	(4,802)	—	(338)	(1,269)	(6,416)
Repurchase and Retirement of Class B Units	—	(198,214)	—	(380)	—	—	(1,096)	(1,476)
Contributions from Non-Controlling Interests	—	—	—	—	—	—	126	126
Distributions to Non-Controlling Interests	—	—	—		—	—	(46,288)	(46,288)
Class A Cash Dividends Declared and Paid ($0.58 per share)	—	—	—	—	—	(10,556)	—	(10,556)
Tax Impact of Transactions with Non-Controlling Shareholders	—	—	—	(744)	—	—	—	(744)
Other	—	—	—	(1,182)	—	—	1,182	—
Balance at December 31, 2019	**18,009,350**	**52,879,323**	**$ 179**	**$ 4,829**	**$ (3)**	**$ 26,439**	**$ 76,766**	**$ 108,210**

See accompanying notes to consolidated financial statements.

PZENA INVESTMENT MANAGEMENT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years Ended December 31,	
	2019	**2018**
OPERATING ACTIVITIES		
Net Income	$ 45,476	$ 68,319
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation	1,039	995
Loss on Disposal of Fixed Assets	30	36
Non-Cash Compensation	30,093	9,819
Directors' Share Grants	611	551
Net Realized and Unrealized (Gains)/ Losses from Investments	(2,270)	1,183
Equity in the (Earnings)/ Losses of Affiliates	(1,966)	2,347
Accretion of Discount	(224)	(90)
Foreign Currency Translation Adjustment	143	(152)
Noncash Lease Expense	1,942	—
Change in Liability to Selling and Converting Shareholders	(346)	(48)
Deferred Income Taxes	4,200	4,620
Changes in Operating Assets and Liabilities:		
Advisory Fees Receivable	(297)	(59)
Due from Broker	(320)	1,878
Prepaid Expenses and Other Assets	(1,147)	(738)
Due to Broker	(85)	216
Accounts Payable, Accrued Expenses, and Other Liabilities	7,434	6,430
Tax Receivable Agreement Payments	(3,689)	(5,880)
Change in Lease Liability	(1,840)	—
Purchases of Investments	(16,498)	(23,853)
Proceeds from Sale of Investments	16,293	22,025
Net Cash Provided by Operating Activities	**78,579**	**87,599**
INVESTING ACTIVITIES		
Purchases of Investments	(27,889)	(41,603)
Proceeds from Sale of Investments	27,044	11,191
Payments from/ (to) Related Parties	2,370	(2,786)
Purchase of Property and Equipment	(1,222)	(166)
Net Cash Provided by/ (Used in) Investing Activities	**303**	**(33,364)**
FINANCING ACTIVITIES		
Repurchase and Retirement of Class A Common Stock	(6,416)	(8,594)
Repurchase and Retirement of Class B Units	(1,476)	(291)
Sale of Shares under Equity Incentive Plan	117	5,193
Distributions to Non-Controlling Interests	(46,288)	(66,982)
Contributions from Non-Controlling Interests	126	272
Dividends	(10,556)	(9,137)
Net Cash Used in Financing Activities	**(64,493)**	**(79,539)**
NET CHANGE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**$ 14,389**	**$ (25,304)**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — Beginning of Year	**$ 39,127**	**$ 64,431**
Effect of Deconsolidation of Affiliates		-
Net Change in Cash, Cash Equivalents and Restricted Cash	14,389	(25,304)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH — End of Year	**$ 53,516**	**$ 39,127**
Supplementary Cash Flow Information:		
Unit Conversion	$ 383	$ 875
Issuance of Shares under Equity Incentive Plan	$ 4,087	$ 4,191
Income Taxes Paid	$ 1,646	$ 500
Initial Recognition of Lease at Commencement	$ 644	$ -

See accompanying notes to consolidated financial statements.

Pzena Investment Management, Inc.
Notes to Consolidated Financial Statements

Note 1 — Organization

Pzena Investment Management, Inc. (the "Company") functions as the sole managing member of its operating company, Pzena Investment Management, LLC (the "operating company"). As a result, the Company: (i) consolidates the financial results of the operating company and reflects the membership interests that it does not own as a non-controlling interest in its consolidated financial statements; and (ii) recognizes income generated from its economic interest in the operating company's net income.

The operating company is an investment adviser which is registered under the Investment Advisers Act of 1940 and is headquartered in New York, New York. As of December 31, 2019, the operating company managed assets in a variety of value-oriented investment strategies across a wide range of market capitalizations in both U.S. and non-U.S. capital markets.

The Company also serves as the general partner of Pzena Investment Management, LP, a partnership formed with the objective of aggregating employee ownership in the operating company into one entity.

The Company has consolidated the results of operations and financial condition of the following entities as of December 31, 2019:

Legal Entity	Type of Entity (Date of Formation)	Ownership at December 31, 2019
Pzena Investment Management, Pty	Australian Proprietary Limited Company (12/16/2009)	100.0%
Pzena Financial Services, LLC	Delaware Limited Liability Company (10/15/2013)	100.0%
Pzena Investment Management, LTD	England and Wales Private Limited Company (1/08/2015)	100.0%
Pzena U.S. Best Ideas (GP), LLC	Delaware Limited Liability Company (11/16/2017)	100.0%
Pzena Global Best Ideas (GP), LLC	Delaware Limited Liability Company (2/15/2018)	100.0%
Pzena Investment Management Special Situations, LLC	Delaware Limited Liability Company (12/01/2010)	99.9%
Pzena International Small Cap Value Fund, a series of Advisors Series Trust	Open-end Management Investment Company, series of Delaware Statutory Trust (6/28/2018)	90.6%
Pzena International Value Service, a series of the Pzena Investment Management International, LLC	Delaware Limited Liability Company (12/22/2003)	58.8%

Note 2 — Significant Accounting Policies

Basis of Presentation:

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and related Securities and Exchange Commission ("SEC") rules and regulations.

Principles of Consolidation:

The Company's policy is to consolidate those entities in which it has a direct or indirect controlling financial interest based on either the voting interest model or the variable interest model. As such, the Company consolidates majority-owned subsidiaries in which it has a controlling financial interest, and certain investment vehicles the operating company sponsors for which it is the investment adviser that are considered to be variable-interest entities ("VIEs"), and for which the Company is deemed to be the primary beneficiary.

Pursuant to the *Consolidation Topic* of the FASB Accounting Standard Codification ("FASB ASC"), for legal entities evaluated for consolidation, the Company determines whether interests it holds and fees paid to it qualify as a variable interest. If it is determined that the Company does not have a variable interest in the entity, no further analysis is required, and the Company does not consolidate the entity. If it is determined that the Company has a variable interest, it considers its direct economic interests and the proportionate indirect interests through related parties to determine if it is the primary beneficiary of the VIE.

For equity investments where the Company does not control the investee, and where it is not the primary beneficiary of a VIE but can exert significant influence over the financial and operating policies of the investee, the Company follows the equity method of accounting. The evaluation of whether the Company exerts control or significant influence over the financial and operating policies of the investee requires significant judgment based on the facts and circumstances surrounding each investment. Factors considered in these evaluations may include the type of investment, the legal structure of the investee, the terms of the investment agreement, or other agreements with the investee

The Company analyzes entities structured as series funds which comply with the requirements included in the Investment Company Act of 1940 for registered mutual funds as voting interest entities because the shareholders are deemed to have the ability to direct the activities of the fund that most significantly impact the fund's economic performance.

Consolidated Entities

The Company consolidates the financial results of the operating company and records in its own equity its pro-rata share of transactions that impact the operating company’s net equity, including unit and option issuances, repurchases, and retirements. The operating company’s pro-rata share of such transactions are recorded as an adjustment to additional paid-in capital or non-controlling interests, as applicable, on the consolidated statements of financial condition.

The majority-owned subsidiaries in which the Company, through its interest in the operating company, has a controlling financial interest and the VIEs for which the Company is deemed to be the primary beneficiary are collectively referred to as “consolidated subsidiaries.” Non-controlling interests recorded on the consolidated financial statements of the Company include the non-controlling interests of the outside investors in each of these entities, as well as those of the operating company. All significant inter-company transactions and balances have been eliminated through consolidation.

During 2018, the Company provided the initial cash investment for a Pzena-branded mutual fund, Pzena International Small Cap Value Fund, in an effort to generate an investment performance track record to attract third-party investors. Due to its series fund structure, registration, and compliance with the requirements of the Investment Company Act of 1940, this fund is analyzed for consolidation under the voting interest model. As a result of the Company's initial interests, it consolidated the Pzena International Small Cap Value Fund.

The operating company is the managing member of Pzena International Value Service, a series of Pzena Investment Management International, LLC. The operating company is considered the primary beneficiary of this entity. At December 31, 2019, Pzena International Value Service’s $4.1 million in net assets were included in the Company’s consolidated statements of financial condition.

These consolidated investment partnerships are investment companies and apply specialized industry accounting for investment companies. The Company has retained this specialized accounting for these investment partnerships pursuant to U.S. GAAP.

Non-Consolidated Variable Interest Entities

VIEs that are not consolidated continue to receive investment management services from the operating company and are generally private investment partnerships sponsored by the operating company. The total net assets of these VIEs was approximately $247.8 million and $205.4 million at December 31, 2019 and December 31, 2018, respectively.

As of December 31, 2019 and December 31, 2018, in order to satisfy certain of the Company's obligations under its deferred compensation programs, the operating company had $0.5 million and $2.4 million in investments, respectively, in certain of these firm-sponsored vehicles, for which the Company was not deemed to be the primary beneficiary. The Company's exposure to risk in the non-consolidated VIEs is generally limited to any equity investment and any uncollected management fees. As of December 31, 2019 and December 31, 2018, the Company's maximum exposure to loss as a result of its involvement with the non-consolidated VIEs was $0.7 million and $2.7 million, respectively.

Accounting Pronouncements Adopted in 2019:

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This amended standard was written to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The new standard requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Company adopted ASU No. 2016-02 as of January 1, 2019, using a modified retrospective approach. The Company elected to apply the guidance to each lease that had previously commenced as of the application date of January 1, 2019. Prior comparative periods are not adjusted under the method elected. The Company will provide the required disclosures under ASC 840 for comparative periods to which ASC 840 is applied. Adoption of the new standard resulted in the recognition of a right of-use asset of $11.7 million and a lease liability of $11.9 million on the consolidated statement of financial condition as of January 1, 2019. The initial recognition of the right-of-use asset and lease liability represented a non-cash activity. The adoption did have a material impact on the consolidated statements of operations or cash flows. The Company has included additional disclosures required by the new standard.

Management's Use of Estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses for the period. Actual results could materially differ from those estimates.

Revenue Recognition:

Revenue, comprised of advisory fee income, is recognized over the period in which advisory services are provided. Advisory fee income includes management fees that are calculated based on percentages of assets under management ("AUM"), generally billed quarterly, either in arrears or advance, depending on their contractual terms. Advisory fee income also includes performance fees that may be earned by the Company depending on the investment return of AUM, as well as fulcrum fee arrangements. Performance fee arrangements generally entitle the Company to participate, on a fixed-percentage basis, in any returns generated in excess of an agreed-upon benchmark. The Company's participation percentage in such return differentials is then multiplied by AUM to determine the performance fees earned. In general, returns are calculated on an annualized basis over the contract's measurement period, which usually extends to three years. Performance fees are generally payable annually or quarterly. Fulcrum fee arrangements require a reduction in the base fee, or allow for a performance fee if the relevant investment strategy underperforms or outperforms, respectively, the agreed-upon benchmark over the contract's measurement period, which extends to three years. Fulcrum fees are generally payable quarterly. Following the preferred method identified in the *Revenue Recognition Topic* of the FASB ASC, performance fee income is recorded at the conclusion of the contractual performance period, when it is probable that significant reversal of the performance fee will not occur. Advisory fee income is presented net of fund expense cap reimbursements.

Revenue from advisory fees is disaggregated into categories based on the composition of the Company's client base and advisory fee structure for the years ended December 31, 2019, and 2018:

Revenue	For the Years Ended December 31, 2019	2018
	(in thousands)	
Separately Managed Accounts		
Asset-Based Fees	$ 76,210	$ 77,144
Performance-Based Fees	—	—
Total Separately Managed Fees	76,210	77,144
Sub-Advised Accounts		
Asset-Based Fees	$ 59,664	$ 61,475
Decrease in Asset-Based Fees	(1,808)	(187)
Performance-Based Fees	1,055	2,867
Total Sub-Advised Fees	58,911	64,155
Pzena Funds		
Asset-Based Fees	$ 16,332	$ 13,136
Expense Cap Reimbursements	(707)	(868)
Performance-Based Fees	—	12
Total Pzena Funds Fees	15,625	12,280
Total	$ 150,746	$ 153,579

Cash and Cash Equivalents:

At December 31, 2019 and 2018, Cash and Cash Equivalents was $52.5 million and $38.1 million, respectively. The Company considers all money market funds and highly-liquid debt instruments with an original maturity of three months or less at the time of purchase to be cash equivalents. The Company maintains its cash in bank deposits, other accounts whose balances often exceed federally insured limits and treasury money market funds. Cash is stated at cost, which approximates fair value.

Interest on cash and cash equivalents is recorded as Interest Income on an accrual basis in the consolidated statements of operations.

Restricted Cash:

At both December 31, 2019, and 2018, the Company had $1.0 million of compensating balances recorded in Restricted Cash in the consolidated statements of financial condition. These balances reflect a letter of credit issued by a third party in lieu of a cash security deposit, as required by the Company’s lease for its corporate headquarters.

The following table reconciles cash, cash equivalents, and restricted cash per the consolidated statements of cash flows to the consolidated statements of financial condition.

	For the Years Ended December 31, 2019	2018	2017
		(in thousands)	
Cash and Cash Equivalents	$ 52,480	$ 38,099	$ 63,414
Restricted Cash	1,036	1,028	1,017
Total	$ 53,516	$ 39,127	$ 64,431

Due to/from Broker:

Due to/from Broker consists primarily of amounts payable/receivable for unsettled securities transactions held/initiated at the clearing brokers of the Company and its consolidated subsidiaries.

Non-Cash Compensation:

All non-cash compensation awards granted have varying vesting schedules and are issued at prices equal to the assessed fair market value at the time of issuance. Expenses associated with these awards are recognized over the period during which employees are required to provide service. The Company accounts for forfeitures as they occur.

Investments:

Investments, at Fair Value

Investments, at Fair Value consist of equity securities at fair value and trading debt securities held by the Company and its consolidated subsidiaries, as well as investments in open-ended registered mutual funds. Management determines the appropriate classification of its investments at the time of purchase and re-evaluates such determination on an ongoing basis. Dividends and interest income associated with the Company's investments and the investments of the Company's consolidated subsidiaries are recognized as Dividend Income on an ex-dividend basis and Interest Income, respectively, in the consolidated statements of operations.

All such investments are recorded at fair value, with net realized and unrealized gains and losses recognized as a component of Net Realized and Unrealized Gains/ (Losses) from Investments in the consolidated statements of operations.

Investments in equity method investees

The Company accounts for its investments in certain private investment partnerships in which the Company has non-controlling interests and exercises significant influence, using the equity method. These investments are included in Investments in the Company's consolidated statements of financial condition. The carrying value of these investments are recorded at the amount of capital reported by the private investment partnership or mutual fund. The capital account reflects any contributions paid to, distributions received from, and equity earnings of, the entities. The earnings of these investments are recognized in Equity in Earnings/ (Losses) of Affiliates in the consolidated statements of operations.

Investments in equity method investees are evaluated for impairment as events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If the carrying amounts of the assets exceed their respective fair values, additional impairment tests are performed to measure the amounts of impairment losses, if any. For the years ended December 31, 2019 and 2018, no impairment losses were recognized.

Securities Valuation:

Investments in equity securities for which market quotations are available are valued at the last reported price or closing price on the primary market or exchange on which they trade. If no reported equity sales occurred on the valuation date, equity investments are valued at the bid price. Investments in registered mutual funds are carried at fair value at their respective net asset values as of the valuation date. Otherwise, fair values for investment securities are based on Level 2 or Level 3 inputs detailed in Note 9. Transactions are recorded on a trade date basis.

The net realized gain or loss on sales of securities is determined on a specific identification basis and is included in Net Realized and Unrealized Gains/ (Losses) from Investments in the consolidated statements of operations.

Concentrations of Credit Risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash, amounts due from brokers, and advisory fees receivable. The Company maintains its cash in bank deposits and other accounts whose balances often exceed federally insured limits.

The concentration of credit risk with respect to advisory fees receivable is generally limited due to the short payment terms extended to clients by the Company. On a periodic basis, the Company evaluates its advisory fees receivable and establishes an allowance for doubtful accounts, if necessary, based on a history of past write-offs, collections, and current credit conditions. For the year ended December 31, 2019 and 2018, approximately 8.9% and 11.4%, respectively, of the Company's advisory fees were generated from advisory agreements with one client relationship. At December 31, 2019 and 2018, no allowance for doubtful accounts has been deemed necessary.

Property and Equipment:

Property and equipment is carried at cost, less accumulated depreciation and amortization. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which range from three to seven years. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvements or the remaining lease term.

Leases:

The Company determines if an arrangement is a lease at inception. Operating leases are included as a component of Right-of-use ("ROU") Assets and Lease Liabilities on the consolidated statements of financial condition. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease terms may include options to extend or terminate the lease. These options to extend or terminate are assessed on a lease-by-lease basis, and the ROU assets and lease liabilities are adjusted when it is reasonably certain that an option will be exercised. If a lease arrangement does not provide an implicit rate, the Company uses an incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Lease expense associated with leases that have a term of 12 months or less as of the commencement date are recognized as a component of general and administrative expenses on a straight-line basis over the lease term.

Share Repurchases:

Share repurchases may be made from time-to-time in open market transactions or through privately negotiated transactions under the authorization approved by the Board of Directors. The Company charges the entire excess of cost over par to additional paid-in capital. If the Company's additional paid-in capital balance is reduced to zero, any additional amounts are recognized in retained earnings.

Business Segments:

The Company views its operations as comprising one operating segment.

Income Taxes:

The Company is a "C" corporation under the Internal Revenue Code, and is thus liable for federal, state, and local taxes on the income derived from its economic interest in its operating company. The operating company is a limited liability company that has elected to be treated as a partnership for tax purposes. It has not made a provision for federal or state income taxes because it is the individual responsibility of each of the operating company's members (including the Company) to separately report their proportionate share of the operating company's taxable income or loss. The operating company has made a provision for New York City Unincorporated Business Tax ("UBT") and its consolidated subsidiary Pzena Investment Management, LTD has made a provision for U.K. income taxes.

Judgment is required in evaluating the Company's uncertain tax positions and determining its provision for income taxes. The Company establishes reserves for tax-related uncertainties based on estimates of whether, and the extent to which, additional taxes will be due. These liabilities are established when the Company believes that certain positions might be challenged despite its belief that its tax return positions are in accordance with applicable tax laws. The Company adjusts these liabilities in light of changing facts and circumstances, such as the closing of a tax audit, new tax legislation, or the change of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made. The provision for income taxes includes the effect of reserve provisions and changes to reserves that are considered appropriate. It is also the Company's policy to recognize accrued interest, and penalties associated with uncertain tax positions in Income Tax Expense on the consolidated statements of operations.

The Company and its consolidated subsidiaries account for all U.S. federal, state, local and U.K. taxation pursuant to the asset and liability method, which requires deferred income tax assets and liabilities to be recorded for temporary differences between the carrying amount and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the temporary differences are expected to affect taxable income.

The Company's purchase of membership units of the operating company concurrent with the initial public offering, and the subsequent and future exchanges by holders of Class B units of the operating company for shares of Class A common stock (pursuant to the exchange rights provided for in the operating company's operating agreement), has resulted in, and is expected to continue to result in, increases in the Company's share of the tax basis of the tangible and intangible assets of the operating company, which will increase the tax depreciation and amortization deductions that otherwise would not have been available to the Company. These increases in tax basis and tax depreciation and amortization deductions have reduced, and are expected to continue to reduce, the amount of cash taxes that the Company would otherwise be required to pay in the future. The Company has entered into a tax receivable agreement with past, current, and future members of the operating company that requires the Company to pay to any member involved in any exchange transaction 85% of the amount of cash tax savings, if any, in U.S. federal, state and local income tax or foreign or franchise tax that it realizes as a result of these increases in tax basis and, in limited cases, transfers or prior increases in tax basis. The Company expects to benefit from the remaining 15% of cash tax savings, if any, in income tax it realizes. Payments under the tax receivable agreement will be based on the tax reporting positions that the Company will determine. The Company will not be reimbursed for any payments previously made under the tax receivable agreement if a tax basis increase is successfully challenged by the Internal Revenue Service.

The Company records an increase in deferred tax assets for the estimated income tax effects of the increases in tax basis based on enacted federal and state tax rates at the date of the exchange. The Company records 85% of the estimated realizable tax benefit (which is the recorded deferred tax asset less any recorded valuation allowance) as an increase to the liability due under the tax receivable agreement, which is reflected as the liability to selling and converting shareholders in the accompanying consolidated financial statements. The remaining 15% of the estimated realizable tax benefit is initially recorded as an increase to the Company's additional paid-in capital. All of the effects to the deferred tax asset of changes in any of the estimates after the tax year of the exchange will be reflected in the provision for income taxes. Similarly, the effect of subsequent changes in the enacted tax rates will be reflected in the provision for income taxes.

Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount that is more-likely-than-not to be realized. At December 31, 2019 and 2018, the Company did not have a valuation allowance recorded against its deferred tax assets.

The income tax expense, or benefit, is the tax payable or refundable for the period, plus or minus the change during the period in deferred tax assets and liabilities. The Company records its deferred tax liabilities as a component of other liabilities in the consolidated statements of financial condition.

Foreign Currency:

The functional currency of the Company is the U.S. Dollar. Assets and liabilities of foreign operations whose functional currency is not the U.S. Dollar are translated at the exchange rate in effect at the applicable reporting date, and the consolidated statements of operations are translated at the average exchange rates in effect during the applicable period. A charge or credit is recorded to other comprehensive income/ (loss) to reflect the translation of these amounts to the extent the non-U.S. currency is designated the functional currency of the subsidiary. Non-functional currency related transaction gains and losses are immediately recorded in the consolidated statements of operations. For the year ended December 31, 2019, the Company recorded $0.1 million of other comprehensive income associated with foreign currency translation adjustments. For the year ended December 31, 2018, the Company recorded approximately $0.2 million of other comprehensive loss associated with foreign currency translation adjustments.

Investment securities and other assets and liabilities denominated in foreign currencies are remeasured into U.S. Dollar amounts at the date of valuation. Purchases and sales of investment securities, and income and expense items denominated in foreign currencies, are remeasured into U.S. Dollar amounts on the respective dates of such transactions.

The Company does not isolate the portion of the results of its operations resulting from the impact of fluctuations in foreign exchange rates on its non-U.S. investments. Such fluctuations are included in Net Realized and Unrealized Gains/ (Losses) from Investments in the consolidated statements of operations.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest, foreign withholding taxes, and other receivables and payables recorded on the Company's consolidated statements of financial condition and the U.S. Dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the fair values of assets and liabilities resulting from changes in exchange rates.

Recently Issued Accounting Pronouncements Not Yet Adopted:

In September 2018, the FASB issued ASU No. 2018-15, "*Intangibles – Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*." This new guidance requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. The guidance is effective for the fiscal years and interim periods within those years beginning after December 15, 2019. Early adoption is permitted. The Company is currently assessing the impact of this standard, however, the Company does not expect the standard to have a material impact on the consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "*Financial Instruments - Credit Losses (Topic 326)*." This new guidance requires the use of an "expected loss" model, rather than an "incurred loss" model, for financial instruments measured at amortized cost and also requires companies to record allowances for available-for-sale debt securities rather than reduce the carrying amount. The guidance is effective for the fiscal years and interim periods within those years beginning after December 15, 2019. The guidance should be applied using a retrospective approach. The Company is currently assessing the impact of this standard, however, the Company does not expect the standard to have a material impact on the consolidated financial statements.

Note 3 — Compensation and Benefits

Compensation and benefits expenses to employees and members is comprised of the following:

	For the Years Ended December 31,	
	2019	2018
	(in thousands)	
Cash Compensation and Other Benefits	$ 58,016	$ 51,600
Non-Cash Compensation	30,093	9,819
Total Compensation and Benefits Expense	$ 88,109	$ 61,419

All non-cash compensation awards granted have varying vesting schedules and are issued at prices equal to the assessed fair market value at the time of issuance, as discussed below. Details of awards of Class B and Class B-1 units of the operating company, Delayed Exchange Class B units, phantom Delayed Exchange Class B units, phantom Class B units of the operating company, options to purchase Class A common stock or Class B units, options to purchase Delayed Exchange Class B units, and shares of Class A common stock awarded for the two years ended December 31, 2019 are as follows:

	For the Years Ended December 31,			
	2019		2018	
	Amount	Fair Value[1]	Amount	Fair Value[1]
Restricted Class B Units	44,470	$ 7.87	9,372	$ 10.67
Delayed Exchange Class B Units[2]	1,084,297	$ 5.91	300,931	$ 7.04
Deferred Compensation Phantom Delayed Exchange Class B Units[3]	141,282	$ 5.95	266,298	$ 5.97
Options to Purchase Delayed Exchange Class B Units[4]	409,448	$ 1.27	2,442,948	$ 1.95
Phantom Delayed Exchange Class B Units[5]	1,301,936	$ 3.61	2,216,064	$ 3.61
Class B-1 Units[6]	3,683,073	$ 3.98	—	$ —

1 Represents the weighted average grant date estimated fair value per share, unit, or option.

2 Represents Class B units issued under the 2006 Equity Incentive Plan (as defined below). These units vest immediately upon grant, but may not be exchanged pursuant to the Amended and Restated Operating Agreement of the operating company until the seventh anniversary of the date of grant. These units are also not entitled to any benefits under the Tax Receivable Agreement between the Company and members of the operating company.

3 Represents phantom Delayed Exchange Class B units issued under the 2006 Equity Incentive Plan and pursuant to the Bonus Plan (as defined below). These phantom units vest ratably over four years, but may not be exchanged pursuant to the Amended and Restated Operating Agreement of the operating company until seven years after the date they vest. These units are also not entitled to any benefits under the Tax Receivable Agreement between the Company and members of the operating company.

4 Represents options to purchase Delayed Exchange Class B units issued under 2006 Equity Incentive Plan (as defined below). During the year ended December 31, 2019, of these options, 94,488 become exercisable immediately and 314,960 become exercisable five years from the date of grant. During the year ended December 31, 2018, of these options, 1,062,820 become exercisable immediately and 1,380,128 become exercisable five years from the date of grant. Upon exercise, the resulting Delayed Exchange Class B units may not be exchanged pursuant the Amended and Restated Operating Agreement until the seventh anniversary of the exercise date and are not entitled to any benefits under the Tax Receivable Agreement.

5 Represents phantom Delayed Exchange Class B units issued under the 2006 Equity Incentive Plan (as defined below). These phantom units vest ratably over ten years and are not entitled to receive dividends or dividend equivalents until vested. Upon vesting, the resulting Delayed Exchange Class B units may not be exchanged pursuant the Amended and Restated Operating Agreement until the seventh anniversary of the vesting date and are not entitled to any benefits under the Tax Receivable Agreement.

6 Represents Class B-1 units issued under the 2007 Equity Incentive Plan (as defined below). These Class B-1 units are entitled to receive dividends for the duration of the holder's employment, and upon the end of employment are exchanged for shares of Class A common stock in an amount based upon the appreciation in price of the Class A common stock from the date of grant to the date of exchange.

As part of the Company's year-end bonus structure, certain employee members may elect to have all or part of year-end cash compensation paid in the form of cash, or equity issued pursuant to Pzena Investment Management, LLC Amended and Restated 2006 Equity Incentive Plan ("the 2006 Equity Incentive Plan"). For the year ended December 31, 2019, $3.8 million of cash compensation was elected to be paid in the form of equity, which was issued and vested immediately on January 1, 2020. Details of these awards issued on January 1, 2020 are as follows:

	January 1, 2020	
	Amount	Fair Value[1]
Delayed Exchange Class B Units[2]	637,349	$ 5.95
Options to Purchase Delayed Exchange Class B Units[3]	42,735	$ 1.17

1 Represents the weighted average grant date estimated fair value per share, unit, or option as of December 31, 2019.

2 Represents Class B units issued under the 2006 Equity Incentive Plan. These units vest immediately upon grant, but may not be exchanged pursuant to the Amended and Restated Operating Agreement of the operating company until the seventh anniversary of the date of grant. These units are also not entitled to any benefits under the Tax Receivable Agreement between the Company and members of the operating company.

3 Represents options to purchase Delayed Exchange Class B units issued under 2006 Equity Incentive Plan. These options are exercisable on the date of grant. Upon exercise, the resulting Delayed Exchange Class B units may not be exchanged pursuant the Amended and Restated Operating Agreement until the seventh anniversary of the exercise date and are not entitled to any benefits under the Tax Receivable Agreement.

Pursuant to the 2006 Equity Incentive Plan, the operating company issues Class B units, Class B-1 units, phantom Class B units, and options to purchase Class B units. The Company also issues Delayed Exchange Class B units pursuant to the 2006 Equity Incentive Plan. These Delayed Exchange Class B units may not be exchanged pursuant to the Amended and Restated Operating Agreement of the operating company until at least the seventh anniversary of the date they vest. These Delayed Exchange Class B units are also not entitled to any benefit under the Tax Receivable Agreement between the Company and current, future and past members of the operating company. The Company also issues phantom Delayed Exchange Class B units and options to purchase Delayed Exchange Class B units. Under the Pzena Investment Management, Inc. 2007 Equity Incentive Plan ("the 2007 Equity Incentive Plan"), the Company issues shares of restricted Class A common stock, Class B-1 units, options to purchase Class A common stock, and contingently vesting options to acquire shares of Class A common stock. During the year ended December 31, 2019, 200,000 options to purchase Class B units, 498,615 phantom Class B units, and 1,000,000 contingently vesting options were forfeited in connection with employee departures. During the year ended December 31, 2018, 54,388 contingently vesting options were forfeited in connection with an employee departure. During the years ended December 31, 2019 and 2018, no contingently vesting options vested.

Under the Pzena Investment Management, LLC Amended and Restated Bonus Plan (the "Bonus Plan"), eligible employees whose compensation is in excess of certain thresholds are required to defer a portion of that excess. These deferred amounts may be invested, at the employee's discretion, in certain investment options as designated by the Compensation Committee of the Company's Board of Directors. Amounts deferred in any calendar year reduce that year's compensation expense and are amortized and vest ratably over a four year period commencing the following year. The Company also issued to certain of its employees deferred compensation with certain investment options that also vest ratably over a four years period. As of December 31, 2019 and 2018, the liability associated with deferred compensation investment accounts was $3.6 million and $1.8 million, respectively.

Pursuant to the Pzena Investment Management, Inc. Non-Employee Director Deferred Compensation Plan (the "Director Plan"), non-employee directors may elect to have all or part of the compensation otherwise payable in cash, deferred in the form of phantom shares of Class A common stock of the Company issued under the 2007 Equity Incentive Plan. Elections to defer compensation under the Director Plan are made on a year-to-year basis. Elections of deferred stock units result in the issuance of phantom shares of Class A common stock. Distributions under the Director Plan shall be made in a single distribution of shares of our Class A common stock at such time as elected by the participant when the deferral was made. Since inception of the Director Plan in 2009, the Company's directors have elected to defer 100% of their compensation in the form of phantom shares of Class A common stock. Amounts deferred in any calendar year are amortized over the calendar year and reflected as General and Administrative Expense. During the years ended December 31, 2019 and 2018, the directors were awarded 67,512 and 51,500 phantom shares of Class A common stock, respectively, reflecting the annual deferral of compensation and additional phantom shares issued as of each date, and in the amount of dividends and/or special dividends and distributions that are paid with respect to Class A common stock of the Company. As of December 31, 2019 and 2018, there were 455,028 and 387,516 phantom shares of Class A common stock outstanding, respectively. There were no distributions made under the Director Plan during the years ended December 31, 2019 and 2018.

The Company uses a fair value method in recording the expense associated with the granting of Class B units, Class B-1 units, Delayed Exchange Class B units, phantom Delayed Exchange Class B units, options to purchase Class A common stock and Class B units, options to purchase Delayed Exchange Class B units, and shares of Class A common stock under the 2006 and 2007 Equity Incentive Plans; phantom Delayed Exchange Class B units under the Bonus Plan; and phantom shares of Class A common stock under the Director Plan.

The fair value of awarded restricted shares of Class A common stock under the 2007 Equity Incentive Plan and phantom shares of Class A common stock under the Director Plan is determined based on the closing market price of our Class A common stock on the date of grant. The fair value of awarded Class B and Class B-1 units under the 2006 and 2007 Equity Incentive Plans are determined by reference to the market price of our Class A common stock on the date of grant, since Class B and Class B-1 units are exchangeable for shares of our Class A common stock, adjusted for the impact of award terms on the value of the award. Certain of the restricted shares of Class A common stock are not entitled to dividends or dividend equivalents while unvested. The fair value of these awards is determined based on the closing market price of our Class A common stock on the date of grant, net of the present value of the dividends using the applicable risk-free interest rate. The Delayed Exchange Class B Units have a seven years exchange limitation and are not entitled to any benefits under the tax receivable agreement. The fair value of these awards is determined based on the closing market price of our Class A common stock on the date of grant, net of the effects of these terms. The Class B-1 units are entitled to distributions for the duration of the holder's employment and will participate in additional value to the extent there has been appreciation subsequent to the issuance of the Class B-1 unit. The fair value of these awards is determined based on the present value of expected future dividends, an option pricing model where the strike price reflects the threshold value over which appreciation is recognized, and the impact of award terms on the value of the award. The Company also issued options to purchase Delayed Exchange Class B units. The fair value of these options is determined using an option pricing model where the strike price reflects the fair value of Delayed Exchange Class B units on the date of grant. Certain of the phantom Delayed Exchange Class B units are not entitled to dividends or dividend equivalents while unvested.

The option model used in the fair value of Class B-1 units and the Delayed Exchange Class B units is determined by using an appropriate option pricing model on the grant date. For each of the years ended December 31, 2019 and 2018 the Company issued options valued using the Black-Scholes option pricing model with the following weighted average assumptions:

	2019		2018
	December 31,	January 1,	January 1,
Weighted Average Time Until Exercise	10 years	7 years	7 years
Expected Volatility	44%	41%	42%
Risk-Free Rate	1.90%	2.59%	2.36%
Dividend Yield	4.40%	6.50%	4.50%

Weighted Average Time Until Exercise — The expected term is based on the Company's historical experience and the particular terms of its option awards.

Expected Volatility — Due to the lack of sufficient historical data for the Company's own shares, the Company based its expected volatility on a representative peer group.

Risk-Free Rate — The risk-free rate for periods within the expected term of the options is based on the interest rate of a traded zero-coupon U.S. Treasury bond with a term equal to the options' expected term on the date of grant.

Dividend Yield — The dividend yield is based on the Company's anticipated dividend payout over the expected term of the option awards.

On December 31, 2019, 3,683,073 Class B-1 units were issued and vested, with a weighted averaged threshold value of $8.15.

The following is a summary of the option activity for the two years ended December 31, 2019:

	For the Years Ended December 31,			
	2019		2018	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Beginning Balance	8,397,562	$ 8.87	6,191,502	$ 9.59
Options Granted[1]	409,448	5.97	2,442,948	7.04
Options Cancelled	(5,833)	8.00	(185,388)	10.29
Options Forfeited	(1,200,000)	12.01	-	-
Options Exercised	(821,500)	8.00	(51,500)	4.33
Ending Balance	6,779,677	$ 8.24	8,397,562	$ 8.87

1 Options granted for the year ended December 31, 2019 include 409,448 options to purchase Delayed Exchange Class B units. Options granted for the year ended December 31, 2018 include 2,442,948 options to purchase Delayed Exchange Class B units.

The weighted average grant-date fair values per option issued in 2019 and 2018 were $1.27 and $1.95, respectively. The 821,500 options exercised in 2019 resulted in 29,377 net Class B units issued, as a result of the redemption of 137,132 Class B units for the cashless exercise of the options and 90,980 net Class A shares issued, as a result of the redemption of 564,020 Class A shares for the cashless exercise of options. The 51,500 options exercised in 2018 resulted in 29,698 net Class B units issued, as a result of the redemption of 21,802 Class B units for the cashless exercise of the options. The 205,833 and 185,388 options to purchase Class B units that were cancelled or forfeited during 2019 and 2018, respectively, were in connection with employee departures and option expirations. The 1,000,000 options to purchase Class A shares that were forfeited during 2019 were in connection with employee departures.

Exercise prices for options outstanding and exercisable as of December 31, 2019 are as follows:

	Options Outstanding			Options Exercisable		
	Number Outstanding as of December 31, 2019	Weighted-Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable as of December 31, 2019	Weighted-Average Remaining Contractual Life	Weighted Average Exercise Price
$4.22 – $5.00	61,334	2.0	$ 4.77	61,334	2.0	$ 4.77
$5.00 – $10.00	5,326,209	7.6	6.99	1,106,633	7.8	7.03
$10.00 – $15.00	1,392,134	3.7	13.19	22,134	4.0	10.26
$4.22 – $15.00	6,779,677	6.7	$ 8.24	1,190,101	7.4	$ 6.97

Based on the closing market price of the Company's Class A common stock on December 31, 2019, the aggregate intrinsic value of the Company's options was as follows:

	Options Outstanding	Options Exercisable
	(in thousands)	
Aggregate Intrinsic Value	$ 8,926	$ 1,998

Phantom Delayed Exchange Class B units issued pursuant to the Bonus Plan, which vest ratably over four years, are summarized as follows:

	For the Years Ended December 31,			
	2019		2018	
	Phantom Units Outstanding	Weighted Average Price	Phantom Units Outstanding	Weighted Average Price
Beginning Balance	587,017	$ 6.45	470,692	$ 6.76
Phantom Delayed Exchange Class B Units Issued[1]	141,282	5.95	266,298	5.97
Vesting of Phantom Delayed Exchange Class B Units[1]	(224,430)	6.38	(149,973)	6.59
Ending Balance	503,869	$ 6.33	587,017	$ 6.45

1 Represents phantom Delayed Exchange Class B units issued under the 2006 Equity Incentive Plan. These phantom units vest ratably over four years, but may not be exchanged pursuant to the Amended and Restated Operating Agreement of the operating company until seven years after the date they vest. These units are also not entitled to any benefits under the Tax Receivable Agreement between the Company and members of the operating company.

Phantom Class B units and Phantom Delayed Exchange Class B units issued pursuant to the 2006 Equity Incentive Plan, which vest ratably over 10 years and are not eligible to receive dividends or dividend equivalents until vested, are summarized as follows:

	For the Years Ended December 31,			
	2019		2018	
	Phantom Units Outstanding	Weighted Average Price	Phantom Units Outstanding	Weighted Average Price
Beginning Balance	3,612,026	$ 4.18	1,725,465	$ 5.05
Phantom Delayed Exchange Class B Units Issued	1,301,936	3.61	2,216,064	3.61
Vesting of Phantom Class B Units	(681,297)	4.23	(329,503)	4.89
Phantom Class B Units Forfeited	(498,615)	3.61	—	—
Ending Balance	3,734,050	$ 4.05	3,612,026	$ 4.18

As of December 31, 2019 and 2018, the Company had approximately $39.4 million and $39.5 million, respectively, in unrecorded compensation expense related to unvested awards issued pursuant to its Bonus Plan; Class B units, option grants, and phantom Class B units issued under the 2006 Equity Incentive Plan; and restricted Class A common stock issued under the 2007 Equity Incentive Plan. The Company anticipates that this unrecorded cost will amortize over the respective vesting periods of the awards.

As of December 31, 2019, the total units and shares remaining available for future issuance under the equity incentive plans are as follows:

Plan	Number of Securities Remaining Available For Future Issuance Under Equity Incentive Plans
Pzena Investment Management, LLC 2006 Equity Incentive Plan	7,010,472
Pzena Investment Management, Inc. 2007 Equity Incentive Plan	10,504,808
Total	17,515,280

Note 4 — Employee Benefit Plans

The Profit Sharing and Savings Plan is a defined contribution profit sharing plan with a 401(k) deferral component. All full-time employees and certain part-time employees who have met the age and length of service requirements are eligible to participate in the plan. The plan allows participating employees to make elective deferrals of compensation up to the annual limits which are set by law. The plan provides for a discretionary annual contribution by the operating company which is determined by a formula based on the salaries of eligible employees as defined by the plan. During the years ended December 31, 2019 and 2018, the expense recognized in connection with this plan was $1.1 million and $1.0 million, respectively.

Note 5 — Earnings per Share

Basic earnings per share is computed by dividing the Company's net income attributable to its common stockholders by the weighted average number of shares outstanding during the reporting period.

Under the two-class method of computing basic earnings per share, basic earnings per share is calculated by dividing net income for basic earnings per share by the weighted average number of common shares outstanding during the period. 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 net income for basis earnings per share is reduced by the amount allocated to participating restricted shares of Class A common stock which participate for purposes of calculating earnings per share.

For the years ended December 31, 2019 and 2018, the Company's basic earnings per share was determined as follows:

	For the Years Ended December 31,	
	2019	2018
	(in thousands, except share and per share amounts)	
Net Income Allocated to:		
Class A Common Stock	$ 8,462	$ 13,794
Participating Shares of Restricted Class A Common Stock	—	—
Net Income for Basic Earnings Per Share	$ 8,462	$ 13,794
Basic Weighted-Average Shares Outstanding	17,945,686	17,678,874
Add: Participating Shares of Restricted Class A Common Stock[1]	—	—
Total Basic Weighted-Average Shares Outstanding	17,945,686	17,678,874
Basic Earnings per Share	$ 0.47	$ 0.78

1 Certain unvested shares of Class A common stock granted to employees have nonforfeitable rights to dividends and therefore participate fully in the results of the Company from the date they are granted. They are included in the computation of basic earnings per share using the two-class method for participating securities.

Diluted earnings per share adjusts this calculation to reflect the impact of all outstanding membership units of the operating company, phantom Class B units, phantom Class A common stock, phantom Delayed Exchange Class B units, outstanding Class B unit options, options to purchase Class A common stock, and restricted Class A common stock, to the extent they would have a dilutive effect on earnings per share for the reporting period. Net income for diluted earnings per share generally assumes all outstanding operating company membership units are converted into Company stock at the beginning of the reporting period and the resulting change to the Company's net income associated with its increased interest in the operating company is taxed at the Company's effective tax rate, exclusive of any prior period and other adjustments. When this conversion results in an increase in earnings per share or a decrease in loss per share, diluted net income and diluted earnings per share are assumed to be equal to basic net income and basic earnings per share for the reporting period.

For the years ended December 31, 2019 and 2018, the Company's diluted net income was determined as follows:

	For the Years Ended December 31,	
	2019	2018
	(in thousands)	
Net Income Attributable to Non-Controlling Interests of Pzena Investment Management, LLC	$ 36,570	$ 54,733
Less: Assumed Corporate Income Taxes	(10,986)	(13,180)
Assumed After-Tax Income of Pzena Investment Management, LLC	25,584	41,553
Net Income of Pzena Investment Management, Inc	8,462	13,794
Diluted Net Income	$ 34,046	$ 55,347

Under the two-class method, earnings per share is calculated by dividing net income for diluted earnings per share by the weighted average number of common shares outstanding during the period, plus the dilutive effect of any potential common shares outstanding during the period using the more dilutive of the treasury method or two-class method. 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 net income for diluted earnings per share is reduced by the amount allocated to participating Class B units for purposes of calculating earnings per share. Dividend equivalent distributions paid per share on the Company's unvested Class B units are equal to the dividends paid per share of Class A common stock of the Company.

For the years ended December 31, 2019 and 2018, the Company's diluted earnings per share were determined as follows:

	For the Years Ended December 31,	
	2019	2018
	(In thousands, except share and per share amounts)	
Diluted Net Income Allocated to:		
Class A Common Stock	$ 34,046	$ 55,308
Participating Shares of Restricted Class A Common Stock	—	—
Participating Class B Units	—	39
Total Diluted Net Income Attributable to Shareholders	$ 34,046	$ 55,347
Basic Weighted-Average Shares Outstanding	17,945,686	17,678,874
Dilutive Effect of Class B Units	52,132,910	51,617,114
Dilutive Effect of Options[1]	759,797	1,046,710
Dilutive Effect of Phantom Units	3,243,612	1,482,228
Dilutive Effect of Restricted Shares of Class A Common Stock[2]	44,107	60,618
Dilutive Weighted-Average Shares Outstanding	74,126,112	71,885,544
Add: Participating Class B Units[3]	73,196	48,600
Total Dilutive Weighted-Average Shares Outstanding	74,199,308	71,934,144
Diluted Earnings per Share	$ 0.46	$ 0.77

1 Represents the dilutive effect of options to purchase Class B units, Delayed Exchange Class B units, and Class A common stock.

2 Certain restricted shares of Class A common stock granted to employees are not entitled to dividend or dividend equivalent payments until they are vested and are therefore non-participating securities and are not included in the computation of basic earnings per share. They are included in the computation of diluted earnings per share when the effect is dilutive using the treasury stock method.

3 Unvested Class B Units granted to employees have nonforfeitable rights to dividends and therefore participate fully in the results of the operating company's operations from the date they are granted. They are included in the computation of diluted earnings per share using the two-class method for participating securities.

Approximately 0.3 million options to purchase Class B units, 0.1 million options to purchase shares of Class A common stock, and 1.0 million contingent options to purchase shares of Class A common stock were excluded from the calculation of diluted earnings per share for the year ended December 31, 2019, as their inclusion would have had an antidilutive effect based on current market prices or because the option had contingent vesting requirements that were not met. Approximately 0.4 million options to purchase Class B units, 0.1 million options to purchase shares of Class A common stock, and 2.0 million contingent options to purchase Class A common stock were excluded from the calculation of diluted earnings per share for the year ended December 31, 2018, as their inclusion would have had an antidilutive effect based on current market prices or because the option had contingent vesting requirements that were not met.

Note 6 — Shareholders' Equity

The Company functions as the sole managing member of the operating company. As a result, the Company: (i) consolidates the financial results of the operating company and reflects the membership interest in it that it does not own as a non-controlling interest in its consolidated financial statements; and (ii) recognizes income generated from its economic interest in the operating company's net income. Class A and Class B units of the operating company have the same economic rights per unit. Class B-1 membership units, first issued on December 31, 2019, are entitled to receive distributions for the duration of the holder's employment with the operating company, will participate in additional value to the extent there has been appreciation subsequent to the issuance of the Class B-1 membership unit. As of December 31, 2019, the holders of Class A common stock (through the Company) and the holders of Class B units of the operating company held approximately 25.4% and 74.6%, respectively, of the economic interest in the December 31, 2019 value of the operating company. As of December 31, 2019, the holders of Class A common stock (through the Company), the holders of Class B units of the operating company, and the holders of Class B-1 units of the operating company held 24.1%, 71.0%, and 4.9%, respectively, of the right to the future income and distributions. As of December 31, 2018, the holders of Class A common stock (through the Company) and the holders of Class B units of the operating company held approximately 26.4% and 73.6%, respectively, of the economic interests in the operations of the business.

Each Class B unit of the operating company has a corresponding share of the Company's Class B common stock, par value $0.000001 per share. Each share of the Company's Class B common stock entitles its holder to five votes, until the first time that the number of shares of Class B common stock outstanding constitutes less than 20% of the number of all shares of the Company's common stock outstanding. From this time and thereafter, each share of the Company's Class B common stock entitles its holder to one vote. When a Class B unit is exchanged for a share of the Company's Class A common stock or forfeited, a corresponding share of the Company's Class B common stock will automatically be redeemed and canceled. Conversely, to the extent that the Company causes the operating company to issue additional Class B units to employees pursuant to its equity incentive plan, these additional holders of Class B units would be entitled to receive a corresponding number of shares of the Company's Class B common stock (including if the Class B units awarded are subject to vesting). Class B-1units have not been issued corresponding shares and do not have voting rights.

All holders of the Company's Class B common stock have entered into a stockholders' agreement, pursuant to which they agreed to vote all shares of Class B common stock then held by them in accordance with the majority of votes of Class B common stockholders taken in a preliminary vote of the Class B common stockholders.

The outstanding shares of the Company's Class A common stock represent 100% of the rights of the holders of all classes of the Company's capital stock to receive distributions, except that holders of Class B common stock will have the right to receive the class's par value upon the Company's liquidation, dissolution or winding up.

Pursuant to the operating agreement of the operating company, each vested Class B unit is exchangeable for a share of the Company's Class A common stock, subject to certain exchange timing and volume limitations.

Pursuant to the operating agreement of the operating company, each vested Class B-1 unit, upon the end of the holder's employment, is exchanged for shares of Class A common stock in an amount based upon the appreciation in price of the Class A common stock from the date of grant to the date of exchange.

On December 23, 2019 and December 21, 2018, certain of the operating company's members exchanged an aggregate of 234,602 and 1,141,663, respectively, of their Class B units for an equivalent number of shares of Class A common stock of the Company. These acquisitions of additional operating company membership interests were treated as reorganizations of entities under common control as required by the *Business Combinations Topic* of the FASB ASC.

The incremental assets and liabilities assumed in the exchanges were recorded on December 23, 2019 and December 21, 2018 as follows:

	December 23, 2019	December 21, 2018
	(in thousands)	
Pzena Investment Management, LLC Members' Capital	$ 3,134	$ 15,341
Pzena Investment Management, LLC Accumulated Deficit	(2,805)	(13,707)
Realizable Deferred Tax Asset	12	1,867
Net Tax Receivable Liability to Converting Unitholders	(10)	(1,587)
Total	$ 331	$ 1,914
Common Stock, at Par	$ 2	$ 11
Additional Paid-in Capital	329	1,903
Total	$ 331	$ 1,914

The Company announced a share repurchase program on April 24, 2012. The Board of Directors authorized the Company to repurchase an aggregate of $10 million of the Company's outstanding Class A common stock and the operating company's Class B units on the open market and in private transactions in accordance with applicable securities laws. On February 5, 2014, the Board of Directors authorized the Company to repurchase an additional $20 million of the Company's outstanding Class A common stock and Class B units of the operating company. On April 19, 2018, the Company announced an additional increase of $30 million in the aggregate amount authorized under the current program to repurchase Class A common stock and Class B units. The timing, number and value of common shares and units repurchased are subject to the Company's discretion. The Company's share repurchase program is not subject to an expiration date and may be suspended, discontinued, or modified at any time, for any reason.

During the year ended December 31, 2019, the Company purchased and retired 734,443 shares of Class A common stock and 198,214 Class B units at an average price per share of $8.74 and $6.94, respectively. During the year ended December 31, 2018, the Company purchased and retired 860,006 shares of Class A common stock and 48,060 Class B units at an average price per share of $9.99 and $8.13, respectively. The Company records the repurchase of shares and units at cost based on the trade date of the transaction.

During the years ended December 31, 2019 and 2018, 19,338 and 897,813 Delayed Exchange Class B units were issued for approximately $0.1 million and $5.2 million in cash, respectively, to certain employee members pursuant to the 2006 Equity Incentive Plan.

Note 7 — Non-Controlling Interests

Non-Controlling Interests in the operations of the Company's operating company and consolidated subsidiaries are comprised of the following:

	For the Years Ended December 31,	
	2019	2018
	(in thousands)	
Non-Controlling Interests of Pzena Investment Management, LLC	$ 36,570	$ 54,733
Non-Controlling Interests of Consolidated Subsidiaries	444	(208)
Non-Controlling Interests	$ 37,014	$ 54,525

Distributions to non-controlling interests represent tax allocations and dividend equivalents paid to the members of the operating company, as well as redemptions by investors in the Company's consolidated subsidiaries.

Note 8 — Investments

The following is a summary of Investments:

	As of	
	December 31, 2019	December 31, 2018
	(in thousands)	
Equity Investments, at Fair Value		
Equity Securities	$ 15,715	$ 9,567
Mutual Funds	20,039	24,653
Total Equity Investments, at Fair Value	$ 35,754	$ 34,220
Trading Securities		
U.S. Treasury Bills	9,100	5,283
Total Trading Securities	9,100	5,283
Investment in Equity Method Investees	11,080	10,967
Total	$ 55,934	$ 50,470

Investment Securities, Trading

Investments, at Fair Value consisted of the following at December 31, 2019:

	Cost	Unrealized Gain/(Loss)	Fair Value
		(in thousands)	
Equity Securities	$ 14,712	$ 1,003	$ 15,715
Mutual Funds	20,015	24	20,039
Total Equity Investments, at Fair Value	$ 34,727	$ 1,027	$ 35,754

	Cost	Unrealized Gain/(Loss)	Fair Value
		(in thousands)	
U.S. Treasury Bills	$ 9,099	$ 1	$ 9,100
Total Trading Securities	$ 9,099	$ 1	$ 9,100

Investments, at Fair Value consisted of the following at December 31, 2018:

	Cost	Unrealized (Gain)/Loss	Fair Value
		(in thousands)	
Equity Securities	$ 10,112	$ (545)	$ 9,567
Mutual Funds	$ 24,677	$ (24)	$ 24,653
Total Equity Investments, at Fair Value	$ 34,789	$ (569)	$ 34,220

	Cost	Unrealized Gain/(Loss)	Fair Value
		(in thousands)	
U.S. Treasury Bills	$ 5,283	$ —	$ 5,283
Total Trading Securities	$ 5,283	$ —	$ 5,283

Investments in Equity Method Investees

The operating company sponsors and provides investment management services to certain private investment partnerships and Pzena mutual funds through which it offers its investment strategies. The Company has made investments in certain of these private investment partnerships and mutual funds to satisfy its obligations under the Company's deferred compensation program and provide the initial cash investment in our mutual funds. The Company holds a non-controlling interest and exercises significant influence in these entities, and accounts for its investments as equity method investments which are included in Investments on the consolidated statements of financial condition. As of December 31, 2019, the Company's investments range between 1% and 17% of the capital of these entities and have an aggregate carrying value of $11.1 million.

Note 9 — Fair Value Measurements

The *Fair Value Measurements and Disclosures Topic* of the FASB ASC defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The *Fair Value Measurements and Disclosures Topic* of the FASB ASC also establishes a framework for measuring fair value and a valuation hierarchy based upon the transparency of inputs used in the valuation of an asset or liability. Classification within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The valuation hierarchy contains three levels: (i) valuation inputs are unadjusted quoted market prices for identical assets or liabilities in active markets (Level 1); (ii) valuation inputs are quoted prices for identical assets or liabilities in markets that are not active, quoted market prices for similar assets and liabilities in active markets, and other observable inputs directly or indirectly related to the asset or liability being measured (Level 2); and (iii) valuation inputs are unobservable and significant to the fair value measurement (Level 3).

Level 1 assets consist primarily of certain cash equivalents and equity investments held at fair value. Cash investments in actively traded money market funds are measured at net asset values. Equity securities are exchange-traded securities with quoted prices in active markets. The fair value of investments in mutual funds are based on published net asset values.

Level 2 assets consist of debt securities for which the fair values are determined using independent third-party broker or dealer price quotes. U.S. Treasury bills are valued upon quoted market prices for similar assets in active markets, quoted prices for identical or similar assets that are not active and inputs other than quoted prices that are observable or corroborated by observable market data. The fair value of corporate bonds is measured using various techniques, which consider recently executed transactions in securities of the issuer or comparable issuers, market price quotations (where observable), bond spreads and fundamental data relating to the issuer.

Also included in the Company's consolidated statements of financial condition are investments in American Depositary Receipts (“ADRs”) and Global Depositary Receipts (“GDRs”). Certain of the Company’s ADRs and GDRs may not be listed on a public exchange and may be valued using an evaluated price based on a compilation of observable market information. Inputs used include currency factors, depositary receipt ratios, exchange prices of underlying and common stock of the same issuer, and adjustments for corporate actions. ADRs and GDRs valued using an evaluated price have been classified as Level 2.

The investments in equity method investees are held at their carrying value.

The following tables present these instruments’ fair value at December 31, 2019:

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Cash Equivalents:				
Money Market Funds	$ 17,129	$ —	$ —	$ 17,129
U.S. Treasury Bills	—	—	—	—
Corporate Bonds	—	—	—	—
Equity Investments, at Fair Value:				
Equity Securities	15,195	520	—	15,715
Mutual Funds	20,039	—	—	20,039
Trading Securities:				
U.S. Treasury Bills	—	9,100	—	9,100
Total	$ 52,363	$ 9,620	$ —	$ 61,983

The following tables present these instruments' fair value at December 31, 2018:

	Level 1	Level 2	Level 3	Total
		(in thousands)		
Cash Equivalents:				
Money Market Funds	$ 23	$ —	$ —	$ 23
U.S. Treasury Bills	—	21,293	—	21,293
Corporate Bonds	—	3,064	—	3,064
Equity Investments, at Fair Value:				
Equity Securities	8,960	607	—	9,567
Mutual Funds	24,653	—	—	24,653
Trading Securities:				
U.S. Treasury Bills	—	5,283	—	5,283
Total	$ 33,636	$ 30,247	$ —	$ 63,883

Transfers among levels, if any, are recorded as of the beginning of the reporting period. For the years ended December 31, 2019, and 2018, there were no transfers between levels. In addition, the Company did not hold any Level 3 securities as of December 31, 2019 and 2018.

Note 10 — Property and Equipment

Property and equipment, net, is comprised of the following:

	As of	
	December 31, 2019	December 31, 2018
	(in thousands)	
Leasehold Improvements	$ 6,929	$ 6,832
Furniture and Fixtures	1,591	1,191
Computer Hardware	701	530
Computer Software	879	370
Office Equipment	212	195
Total	10,312	9,118
Less: Accumulated Depreciation and Amortization	(4,765)	(3,724)
Total	$ 5,547	$ 5,394

Depreciation is included in general and administrative expense and totaled $1.1 million and $1.0 million for the years ended December 31, 2019, and 2018, respectively.

Note 11 — Related Party Transactions

For the years ended December 31, 2019, and 2018, the Company earned $0.6 million and $1.0 million, respectively, in investment advisory fees from unconsolidated VIEs which receive investment management services from the Company.

During the year ended December 31, 2019, and 2018, the Company offered loans to employees, excluding executive officers, for the purpose of financing tax obligations associated with compensatory stock and unit vesting. Loans are generally written for a seven-year period, at an interest rate equivalent to the Applicable Federal Rate, payable in annual installments, and collateralized by units held by the employee. These loans are full recourse in nature and totaled $1.7 million and $1.3 million at December 31, 2019, and 2018, respectively.

The operating company, as the investment adviser for certain Pzena branded SEC-registered mutual funds, private placement funds, and non-U.S. funds, has contractually agreed to waive a portion or all of its management fees and pay fund expenses to ensure that the annual operating expenses of the funds stay below certain established total expense ratio thresholds. The Company recognized $1.0 million of such expenses for the year ended December 31, 2019, and $1.1 million for the year ended December 31, 2018.

As of December 31, 2018, the operating company withdrew its initial cash investment in Pzena Emerging Market Value Fund and removed the equity method investment from its balance sheet. Due to the timing of trades, the Company recorded the transaction as a $2.8 million Receivable from Related Parties as of December 31, 2018.

The operating company manages the personal funds of certain of the Company's employees, including the CEO and its two Presidents. The operating company also manages accounts beneficially owned by a private fund in which certain of the Company's executive officers invest. Investments by employees in individual accounts are permitted only at the discretion of the executive committee of the operating company, but are generally not subject to the same minimum investment levels that are required of outside investors. The operating company also manages the personal funds of some of its employees' family members. Pursuant to the respective investment management agreements, the operating company waives or reduces its regular advisory fees for these accounts and personal funds. In addition, the operating company pays custody and administrative fees for certain of these accounts and personal funds in order to incubate products or preserve performance history. The aggregate value of the fees that the Company waived related to the Company's executive officers, other employees, and family members, was approximately $0.6 million for the year ended December 31, 2019, and $0.6 million in the year ended December 31, 2018. The aggregate value of the custody and administrative fees paid related to the Company's executive offers, other employees, and family members was less than $0.1 million and $ 0.1 million in the years 2019 and 2018, respectively.

Pursuant to a tax receivable agreement signed between the members of the operating company and the Company, 85% of the cash savings generated by tax elections discussed in Note 13 — Income Taxes, are distributed to the selling and converting shareholders upon the realization of this benefit. For the years ended December 31, 2019, and 2018, $0.8 million and $1.1 million, respectively, of such payments were made to certain directors, executive officers and employees of the Company.

Note 12 — Commitments and Contingencies

In the normal course of business, the Company enters into agreements that include indemnities in favor of third parties, such as engagement letters with advisers and consultants. In certain cases, the Company may have recourse against third parties with respect to these indemnities. The Company maintains insurance policies that may provide coverage against certain claims under these indemnities. The Company has had no claims or payments pursuant to these agreements, and it believes the likelihood of a claim being made is remote. Utilizing the methodology in the *Guarantees Topic* of the FASB ASC, the Company's estimate of the value of such guarantees is de minimis, and, therefore, no accrual has been made in the consolidated financial statements.

During the year ended December 31, 2015, the Company moved to its new corporate headquarters. The new office space is leased under a non-cancellable operating lease agreement that expires on December 31, 2025. The Company reflects minimum lease expense for its headquarters on a straight-line basis over the lease term. During September 2016, the Company terminated its five-year sublease agreement which commenced on May 1, 2015. The Company entered into a new four-year sublease agreement commencing on October 1, 2016, which terminated on January 31, 2019. The Company entered into a new sublease agreement commencing on February 1, 2019, that expires on December 31, 2025. The sublease agreement is cancelable by either the Company or sublessee given appropriate notice four months prior to February 1, 2021, and each annual period thereafter. Sublease income will continue to decrease annual lease expense by approximately $0.4 million per year.

During December 2018, the Company signed a non-cancellable amendment to the corporate headquarters lease to obtain additional space that expires on December 31, 2025. In accordance with ASC 842, Leases, the lease term commenced on February 1, 2019 and the Company recorded a Right-of-use Asset and Lease Liability on the consolidated statements of financial condition associated with the new lease.

During June 2019, the Company signed a non-cancellable lease to the business development and client service office in London lease to obtain additional space that expires on October 31, 2021. In accordance with ASC 842, Leases, the lease term commenced on November 1, 2019 and the Company recorded a Right-of-use Asset and Lease Liability on the consolidated statements of financial condition associated with the new lease.

Lease expenses were $2.8 million and $2.1 million, respectively, for the years ended December 31, 2019, and 2018, and are included in general and administrative expense. Lease expense for each of the years ended December 31, 2019 and 2018, was net of $0.4 million and $0.3 million, respectively, in sublease income.

The following table presents the components of operating lease expense, as well as supplemental cash flow information, related to the Company's leases:

	For the Years Ended December 31,	
	2019	2018
	(in thousands)	
Operating lease expense[1]	$ 2,532	$ —
Supplemental cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 2,431	$ —
Right-of-use assets obtained in exchange for lease obligations	$ 4,135	$ —

The following table presents information regarding the Company's operating leases:

	As of December 31, 2019
	(in thousands)
Operating lease right-of-use assets	$ 13,860
Operating lease liabilities	$ 14,235
Weighted-average remaining lease term (in years)	5.8
Weighted-average discount rate	4.4%

Future minimum lease payments are as follows:

Year Ending December 31,	Minimum Payments
	(in thousands)
2020	2,908
2021	2,853
2022	2,574
2023	2,596
2024	2,607
2025	2,607
Total	$ 16,144

Note 13 — Income Taxes

The operating company is a limited liability company that has elected to be treated as a partnership for tax purposes. Neither it nor the Company's other consolidated subsidiaries have made a provision for federal or state income taxes because it is the individual responsibility of each of these entities' members (including the Company) to separately report their proportionate share of the respective entity's taxable income or loss. The operating company has made a provision for New York City UBT and its U.K. consolidated subsidiary has made a provision for U.K. corporate taxes. The Company, as a "C" corporation under the Internal Revenue Code, is liable for federal, state and local taxes on the income derived from its economic interest in its operating company, which is net of UBT and U.K. taxes. Correspondingly, in its consolidated financial statements, the Company reports both the operating company's provision for UBT and U.K. taxes, as well as its provision for federal, state and local corporate taxes. The components of the income tax expense are as follows:

	For the Year Ended December 31,	
	2019[1]	2018
	(in thousands)	
Current Provision:		
Unincorporated and Other Business Taxes	$ 1,272	$ 2,778
Local Corporate Tax	29	27
State Corporate Tax	16	18
Federal Corporate Tax	278	335
Total Current Provision	$ 1,595	$ 3,158
Deferred Provision:		
Unincorporated and Other Business Taxes	$ 15	$ -
Local Corporate Tax	376	407
State Corporate Tax	196	266
Federal Corporate Tax	3,613	3,614
Total Deferred Provision	$ 4,200	$ 4,287
Impact of Change in Historical 754 Step-Up Calculations[2]	—	333
Total Income Tax Expense	$ 5,795	$ 7,778

1 During the years ended December 31, 2019 and 2018, the operating company recognized a $1.6 million and $0.5 million, respectively, tax benefit associated with the reversal of uncertain tax position liabilities and interest related to unincorporated and other business tax expenses.

2 Reflects the net impact of a change in the historical calculation of the 754 step-ups and related deferred tax asset and corresponding liability to selling and converting shareholders recognized during the year ended December 31, 2018.

A reconciliation between the provision for income taxes reported for financial reporting purposes, and the application of the statutory U.S. Federal tax rate to the reported income before income taxes for the years ended December 31, 2019 and 2018, were as follows:

	For the Year Ended December 31,			
	2019[1]		2018	
	Amount	% of Pretax Income	Amount	% of Pretax Income
	(in thousands, except % amounts)			
Federal Corporate Tax	$ 10,767	21.0%	$ 15,980	21.0%
State and Local Corporate Tax, net of Federal Benefit	617	1.2%	718	0.9%
Unincorporated and Other Business Tax	1,017	2.0%	2,195	2.9%
Non-Controlling Interests	(7,773)	(15.2)%	(11,450)	(15.0)%
Non-Deductible Share-Based Compensation	730	1.4%	—	—%
Impact of Change in Historical 754 Step-Up Calculations	—	—%	333	0.4%
Other	437	0.9%	2	—%
Income Tax Expense	$ 5,795	11.3%	$ 7,778	10.2%

1 During the years ended December 31, 2019 and 2018, the operating company recognized a $1.6 million and $0.5 million, respectively, tax benefit associated with the reversal of uncertain tax position liabilities and interest related to unincorporated and other business tax expenses.

The *Income Taxes Topic* of the FASB ASC establishes the minimum threshold for recognizing, and a system for measuring, the benefits of tax return positions in financial statements.

A reconciliation of the beginning and ending amount of total unrecognized tax benefits for the years ended December 31, 2019 and 2018 are as follows:

	For the Year Ended December 31, 2019
	(in thousands)
Balance at December 31, 2018	$ 6,460
Decreases Related to Prior Year Tax Positions	(1,218)
Increases Related to Current Year Tax Positions	1,951
Balance at December 31, 2019	$ 7,193

	For the Year Ended December 31, 2018
	(in thousands)
Balance at December 31, 2017	$ 4,672
Decreases Related to Prior Year Tax Positions	(374)
Increases Related to Current Year Tax Positions	2,162
Balance at December 31, 2018	$ 6,460

The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of Income Tax Expense on the consolidated statements of operations. As of December 31, 2019 and 2018, the Company had $7.2 million and $6.5 million in unrecognized tax benefits, that, if recognized, would affect the provision for income taxes. As of December 31, 2019 and 2018, the Company had interest related to unrecognized tax benefits of $1.1 million and $0.8 million, respectively. As a result of legislative changes, changes in judgment related to recognition or measurement, or potential settlements with taxing authorities, it is reasonably possible that the company's gross unrecognized tax benefits balance may change within the next twelve months by a range of zero to $4.5 million.

The Company and the operating company are generally no longer subject to U.S. Federal or state and local income tax examinations by tax authorities for any year prior to 2016. All tax years subsequent to, and including, 2016 are considered open and subject to examination by tax authorities.

As of December 31, 2019, the Company had no remaining net operating loss carryforwards available for U.S. Federal, state and local income tax reporting purposes. During the year ended December 31, 2018, the Company used the remaining balance of the net operating loss carryforward.

The acquisition of the Class B units of the operating company, noted below, has allowed the Company to make an election under Section 754 of the Internal Revenue Code ("Section 754") to step up its tax bases in the net assets acquired. This step up is deductible for tax purposes over a 15-year period.

Pursuant to a tax receivable agreement signed between the members of the operating company and the Company, 85% of the cash savings generated by this election will be distributed to the selling and converting shareholders upon the realization of this benefit.

If the Company exercises its right to terminate the tax receivable agreement early, the Company will be obligated to make an early termination payment to the selling and converting shareholders, based upon the net present value (based upon certain assumptions and deemed events set forth in the tax receivable agreement) of all payments that would be required to be paid by the Company under the tax receivable agreement. If certain change of control events were to occur, the Company would be obligated to make an early termination payment.

As discussed in Note 6, *Shareholders' Equity*, on December 23, 2019 and December 21, 2018, certain of the operating company's members exchanged an aggregate of 234,602 and 1,141,663, respectively, of their Class B units for an equivalent number of shares of Class A common stock of the Company. The Company elected to step up its tax basis in the incremental assets acquired in accordance with Section 754. Based on the exchange-date fair values of the Company's common stock and the tax basis of the operating company, this election gave rise to a less than $0.4 million deferred tax asset and corresponding less than $0.1 million liability to converting shareholders on December 23, 2019, and a $2.5 million deferred tax asset and corresponding $1.6 million liability to converting shareholders on December 21, 2018. As required by the *Income Taxes Topic* of the FASB ASC, the Company recorded the effects of these transactions in equity.

As of December 31, 2019 and 2018, the net values of all deferred tax assets were approximately $32.7 million and $37.2 million, respectively. These deferred tax assets primarily reflect the future tax benefits associated with the Company's initial public offering, and the subsequent and future exchanges by holders of Class B units of the operating company for shares of Class A common stock. At December 31, 2019 and 2018, the Company did not have a valuation allowance recorded against its deferred tax assets.

The change in the Company's deferred tax assets for the year ended December 31, 2019, is summarized as follows:

	Section 754	Other	Total
		(in thousands)	
Balance at December 31, 2018	$ 32,075	$ 5,157	$ 37,232
Deferred Tax (Expense)	(4,134)	(64)	(4,198)
Tax Impact of Transactions with Non-Controlling Shareholders	—	(744)	(744)
Unit Exchange	12	381	393
Balance at December 31, 2019	$ 27,953	$ 4,730	$ 32,683

The change in the Company's deferred tax liabilities, which is included in other liabilities on the Company's consolidated statements of financial condition, for the year ended December 31, 2019, is summarized as follows:

	Total
	(in thousands)
Balance at December 31, 2018	$ -
Deferred Tax (Expense)	(2)
Balance at December 31, 2019	$ (2)

The change in the Company's deferred tax assets for the year ended December 31, 2018 is summarized as follows:

	Section 754	Other	Total
		(in thousands)	
Balance at December 31, 2017	$ 34,713	$ 4,926	$ 39,639
Deferred Tax (Expense)	(4,172)	629	$ (3,543)
Tax Impact of Transactions with Non-Controlling Shareholders	—	(245)	$ (245)
Unit Exchange	1,867	595	$ 2,462
Impact of Change in Historical 754 Step-Up Calculations	(333)	—	$ (333)
Operating Loss Carryforward	—	(748)	$ (748)
Balance at December 31, 2018	$ 32,075	$ 5,157	$ 37,232

The change in the Company's deferred tax liabilities for the year ended December 31, 2018 is summarized as follows:

	Total
	(in thousands)
Balance at December 31, 2017	$ (2)
Deferred Tax Benefit/ (Expense)	2
Balance at December 31, 2018	$ -

As of December 31, 2019 and 2018, the net values of the liability to selling and converting shareholders were approximately $28.7 million and $32.4 million, respectively. The change in the Company's liability to selling and converting shareholders for the years ended December 31, 2019 and 2018, is summarized as follows:

	For the Year Ended December 31,	
	2019	2018
	(in thousands)	
Beginning Balance	$ 32,389	$ 36,441
Unit Exchanges	10	1,587
Tax Receivable Agreement Payments	(3,689)	(5,591)
Change in Liability	(58)	(48)
Ending Balance	$ 28,652	$ 32,389

Note 14 — Subsequent Events

The Company evaluated the need for disclosures and/or adjustments resulting from subsequent events through the date the financial statements were issued.

On January 28, 2020, the Company declared a year-end dividend of $0.46 per share of its Class A common stock which was paid on February 28, 2020 to holders of record on February 14, 2020.

Exhibit B

EXCHANGE RIGHTS OF CLASS B MEMBERS

ARTICLE I
GENERAL PROVISIONS

1.01. General. This Exhibit B is a part of the Amended and Restated Operating Agreement of Pzena Investment Management, LLC, dated as of [•] , 2019 (the "Agreement"). Capitalized terms used in this Exhibit B have the respective meanings given to them in Section 1.2 hereof or, if not defined therein, in Section 1.08 of the Agreement. Except as otherwise provided herein, references to Sections in this Exhibit B shall be references to Sections of this Exhibit B. In the event that the Company is dissolved pursuant to the Agreement, any exchange right provided in this Exhibit B shall expire on the final distribution of the assets of the Company.

1.02 Certain Definitions. As used in this Exhibit, the following terms shall have the following meanings:

"Annual Period" shall mean (a) the First Period and (b) each annual period beginning on a date after the First Period and ending on an annual anniversary of the IPO Date.

"Certificate" shall mean the Amended and Restated Certificate of Incorporation of Pzena Inc., filed with the Secretary of State of the State of Delaware on October 30, 2007, as thereafter amended from time to time.

"Class A Shares" shall mean shares of Class A Common Stock of Pzena Inc.

"Class B Shares" shall mean shares of Class B Common Stock of Pzena Inc.

"Closing" has the meaning set forth in Section 2.4(a).

"Closing Date" has the meaning set forth in Section 2.4(a).

"Employee Member Group" has the meaning set forth in Section 2.2(a)(i).

"Exchange" shall mean the exchange by a Class B Member of one or more Class B Units for an equal number of Class A Shares pursuant to the provisions of this Exhibit B.

"Exchange Date" has the meaning set forth in Section 2.3(a).

"Exchange Notice" has the meaning set forth in Section 2.1(b).

"Exchange Request" has the meaning set forth in Section 2.3.

"First Effective Date" shall mean the first effective date of a registration statement on Form S-3 filed by Pzena Inc.

"First Period" shall mean the period commencing on the First Effective Date and ending on the second anniversary of the IPO Date.

"Issued Incentive Units" shall mean the following Class B Units issued after October 30, 2007 and prior to March 5, 2012: (i) 403,036 Class B Units granted pursuant to the Company's Amended and Restated 2006 Equity Incentive Plan, and (ii) the 216,501 Class B Units granted pursuant to the Company's Amended and Restated Bonus Plan.

"IPO Date" shall mean the date of the closing of the initial public offering of the Class A Shares.

"Registration Rights Agreement" shall mean the Resale and Registration Rights Agreement, dated as of October 30, 2007, by and among Pzena Inc. and the Holders named on the signature pages thereto.

ARTICLE II
EXCHANGE

2.01. Exchange Dates; Exchange Notices.

(a) The Managing Member shall establish one or more dates in each Annual Period as a date on which the Class B Members shall be permitted to Exchange their Class B Units (such date, an "Exchange Date"), provided that the Managing Member may, by notice to each Class B Member, postpone any Exchange Date one or more times. For the avoidance of doubt, the Managing Member may establish as many Exchange Dates as it shall determine in its sole discretion.

(b) The Managing Member shall provide, in respect of at least one (1) Exchange Date in each Annual Period, a written notice (an "Exchange Notice") to all Class B Members at least fifteen (15) calendar days prior to such Exchange Date. In respect of any other Exchange Date within such Annual Period, the Managing Member may provide an Exchange Notice to one or more Class B Members such number of days prior to such Exchange Date as the Managing Member may determine in its sole discretion.

(c) The Managing Member may permit, in writing or orally, one or more Class B Members to submit Exchange Requests, such permission to be granted, withheld or granted on such terms and conditions as determined by the Managing Member in its sole discretion.

2.02 Permissible Exchanges by Class B Members.

(a) Employee Members.

(1) General Rule. Subject to Sections 2.2(a)(ii) and (iii), 2.2(c) and 2.5, during any Annual Period commencing on or following the First Effective Date and until the date of termination of employment of an Employee Member, each Employee Member and all Permitted Transferees of such Employee Member (collectively, the "Employee Member Group") shall be permitted collectively to Exchange a number of vested Class B Units in an amount of up

to fifteen percent (15%) of the aggregate number of vested and unvested Class B Units held by such Employee Member Group as of the first day of such Annual Period in which the applicable Exchange occurs, provided that, in the event the members of an Employee Member Group submit requests to Exchange a number of vested Class B Units that is greater than the number permitted under this Section 2.2(a)(i) and such members are unable to resolve any dispute among themselves as to the number of Class B Units that each member may Exchange within five (5) Business Days of notice by the Managing Member of such dispute, then each member of such Employee Member Group shall be permitted to Exchange a number of vested Class B Units in an amount of up to fifteen percent (15%) of the vested and unvested Class B Units held by such member of such Employee Member Group as of the first Business Day of such Annual Period.

(2) Initial Managing Principals. Notwithstanding Section 2.2(a)(i) but subject to Sections 2.2(c) and 2.5, during the period beginning on the day following the date of termination of employment of an Initial Managing Principal and ending on and including the third anniversary of such date, no Initial Managing Principal, nor any Permitted Transferee of such Initial Managing Principal, may Exchange vested Class B Units held by such Initial Managing Principal or such Permitted Transferee, as the case may be. Thereafter, an Initial Managing Principal and his Permitted Transferees shall be permitted to Exchange any or all of the vested Class B Units held by such Initial Managing Principal and his Permitted Transferees.

(3) Ordinary Employee Members. Notwithstanding Section 2.2(a)(i) but subject to Sections 2.2(c) and 2.5, (A) during the period beginning on the day following the date of termination of employment of an Ordinary Employee Member and ending on and including the first anniversary of such date, no Ordinary Employee Member, nor any Permitted Transferee of such Ordinary Employee Member, may Exchange vested Class B Units held by such Ordinary Employee Member or such Permitted Transferee, as the case may be and (B) beginning on the day following the first anniversary of the date of termination of employment of an Ordinary Employee Member and ending six months thereafter, if an Exchange Date occurs during such six month period, an Ordinary Employee Member, and each Permitted Transferee of such Ordinary Employee Member, shall be permitted to Exchange any number of vested Class B Units, provided that, except as may be agreed in writing by the Managing Member, such Ordinary Employee Member shall continue to hold throughout such period at least twenty-five percent (25%) of the aggregate number of vested and unvested Class B Units held by such Ordinary Employee Member and all Permitted Transferees of such Ordinary Employee Member on the date of termination of employment of such Ordinary Employee Member. Thereafter, an Ordinary Employee Member and all Permitted Transferees of such Ordinary Employee Member shall be permitted to Exchange any or all of the vested Class B Units held by such Ordinary Employee Member and such Permitted Transferees.

(b) Non-Employee Members. Subject to Sections 2.2(c) and 2.5, during any Annual Period that begins on the First Effective Date and ends on the third anniversary of the IPO Date, each Non-Employee Member shall be permitted to Exchange a number of vested Class B Units in an amount up to fifteen percent (15%) of the aggregate number of vested and unvested Class B Units held by such Non-Employee Member as of the first day of such Annual Period in which the applicable Exchange occurs. Following the third anniversary of the date hereof, each Non-Employee Member shall be permitted to Exchange any or all of the vested Class B Units held by such Non-Employee Member on an applicable Exchange Date.

(c) Exceptions. Notwithstanding Section 2.2(a) and (b), (i) following the First Effective Date, the Managing Member may permit any Class B Member to exchange vested Class B units in amounts exceeding those described in Section 2.2(a) and (b), which permission may be withheld, delayed, or granted on such terms and conditions as the Managing Member may determine in its sole discretion and (ii) in the event that the amount of income taxes payable by a member of an Employee Member Group due to the grant or vesting of Class B Units, the exercise of options to acquire Class B Units and/or the Exchange of Class B Units for Class A Shares (whether or not such member is or was an employee of the Company Group at the time that such tax payment obligation arises) exceeds the net proceeds such member would receive upon the sale of the Class A Shares issued to such member in exchange for vested Class B Units pursuant to this Section 2.2(a), as reasonably determined by the Managing Member based upon such reasonable simplifying assumptions as the Managing Member may make, such member shall instead be entitled to Exchange for Class A Shares the number of vested Class B Units such that the net proceeds from the sale of such Class A Shares would enable such member to satisfy such tax obligations, as reasonably determined by the Managing Member.

(d) Restrictions on Class A Shares. Each Class B Member hereby acknowledges and agrees that (i) neither the Company nor the Managing Member shall have any obligation to deliver Class A Shares that have been registered under the Securities Act, and (ii) the Company reserves the right on any Exchange Date to provide registered Class A Shares, unregistered Class A Shares or any combination of thereof, as it may determine in its sole discretion. The Managing Member and the Company reserve the right to cause certificates evidencing such Class A Shares to be imprinted with legends as to restrictions on transfer that it may deem necessary or appropriate, including legends as to applicable U.S. federal or state securities laws or other legal or contractual restrictions and may require any Class B Member to which Class A Shares are to be distributed to agree in writing (i) that such Class A Shares will not be transferred except in compliance with such restrictions and (b) to such other matters as the Managing Member may deem reasonably necessary or appropriate in light of applicable law and existing agreements.

(e) Unvested Class B Units. For the avoidance of doubt, a Class B Member may not Exchange any unvested Class B Units at any time.

(f) Notwithstanding anything else in this Section 2.02, this Exhibit or the Agreement, (i) no Class B Units may be exchanged until the first day after the first anniversary of the date or original issuance of each Class B Unit, and (2) none of the Issued Incentive Units may be exchanged until March 6, 2013.

(g) Notwithstanding anything else to the contrary in paragraphs (a) or (b) of this Section 2.02 or Section 2.01 of this Exhibit B, (i) the Company may grant Class B Units-based awards under any of the Plans after November 1, 2014 (a "Future Plan Award") pursuant to an award agreement between the Company and the grantee whereby the Company and the grantee agree that the first Exchange Date on which the grantee may exchange any vested Class B Units comprising or underlying any such Future Plan Award (the "Delayed Exchange Units") shall be seven or more years after the date of grant of such Future Plan Awards (the "Delayed Exchange Date"), (ii) up to all vested Delayed Exchange Units may be exchanged on the applicable Delayed Exchange Date or any subsequent Exchange Date established by the

Managing Member for the exchange of all vested Delayed Exchange Units or for exchanges of Class B Units by all Class B Members, irrespective of the 15% limitation referred to in paragraphs (a) or (b) of Section 2.02 of Exhibit B, and (iii) with respect to any Exchange Dates occurring before the Delayed Exchange Date, the Delayed Exchange Units shall not be considered held by the grantee for purposes of determining the total number of vested and unvested Units held by the grantee under Section 2.02(a)(1).

2.03. Exchange Request. Upon receiving the Exchange Notice or as permitted by the Managing Member pursuant to Section 2.1(c), a Class B Member may submit a request to effect an Exchange by delivering to the Company, not less than fourteen (14) calendar days prior to an Exchange Date (or such lesser number of days as the Managing Member may permit in its sole discretion), a written notice (the "Exchange Request"). An Exchange Request shall set forth the number of Class B Units such Class B Member elects to exchange for Class A Shares at the Closing on such Exchange Date. The Class B Member shall represent to each of the Company and the Managing Member that such Class B Member owns the Class B Units to be delivered at such Closing pursuant to Section 2.6, free and clear of all Liens, except as set forth therein, and, if there are any Liens identified in the Exchange Request, such Class B Member shall covenant that such Class B Member will deliver at the applicable Closing evidence reasonably satisfactory to the Company and the Managing Member, that all such Liens have been released. An Exchange Request is not revocable or modifiable, except with the written consent of the Managing Member and the Class B Member that submitted the request.

2.04. Closing Date.

(a) If an Exchange Request has been timely delivered pursuant to Section 2.3, then, on the next Exchange Date (as may be extended pursuant to this Section 2.4, the "Closing Date"), the parties shall effect the closing (the "Closing") of the transactions contemplated by this Article II at the offices of Pzena Inc. at 320 Park Avenue, 8th Floor, New York, NY 10022, or at such other time, at such other place, and in such other manner, as the applicable parties to such Exchange shall agree in writing; provided, however, that, except as may be determined otherwise by the Company in its sole discretion, if an applicable Exchange Date falls on a day during which directors, officers or other employees of Pzena Inc. or any of its affiliates are prohibited by the trading policies of Pzena Inc. from disposing of equity securities of Pzena Inc., then with respect to all requested Exchanges, the Closing Date shall instead be deemed to be the first Business Day after such Exchange Date that such officers and directors are allowed to dispose of equity securities of Pzena Inc. pursuant to the trading policies of Pzena Inc.

(b) No Exchange shall be permitted (and, if attempted, shall be void *ab initio*) if, in the good faith determination of the Managing Member, such an Exchange would pose a material risk that the Company would be a "publicly traded partnership" as defined in Section 7704 of the Code.

2.05. Closing Conditions.

(a) The obligations of any of the parties to consummate an Exchange pursuant to this Article II shall be subject to the conditions that there shall be no injunction, restraining order or decree of any nature of any Governmental or Regulatory Authority that is then in effect that restrains or prohibits the Exchange of Class B Units or the transfer of Class B Shares for redemption.

(b) The obligations of the Company and the Managing Member to consummate an Exchange pursuant to this Article II with respect to a Class B Member Exchanging Class B Units at such Closing shall be subject to the following conditions:

(1) Such Class B Member shall have taken all actions reasonably requested by Pzena Inc. to permit the automatic redemption, immediately following the Closing, of a number of Class B Shares equal to the number of Class B Units being Exchanged by such Class B Member at such Closing (including delivery to the Company of certificates evidencing such number of Class B Shares and confirmation that any Liens on such Class B Shares shall have been released); and

(2) If such Class B Member is not a party to the Registration Rights Agreement, such Class B Member shall have executed and delivered a counterpart signature page of the Registration Rights Agreement.

(c) The obligations of each Class B Member exchanging Class B Units at such Closing shall be subject to the following conditions:

(1) Pzena Inc. shall have taken all actions reasonably required to permit the automatic redemption, immediately following the Closing, of a number of Class B Shares held by such Class B Member equal to the number of Class B Units being Exchanged by such Class B Member at such Closing; and

(2) If such Class B Member is not a party to the Registration Rights Agreement, Pzena Inc. shall have executed and delivered a copy of the Registration Rights Agreement.

2.06. Closing Deliveries. At each Closing, the Company, the Managing Member and each Class B Member that has submitted an Exchange Request in respect of such Closing shall deliver the following:

(a) each such Class B Member shall deliver an instrument of transfer, substantially in the form of Annex A hereto or otherwise in form reasonably satisfactory to the Managing Member, sufficient (i) to transfer to the Company the number of vested Class B Units set forth in the Exchange Request of such Class B Member and (ii) in the case of an Employee Member, to affirm that such Class B Member agrees to comply with the covenants contained in Section 5.07 and 5.08 of the Agreement as may be applicable to such Employee Member at that time;

(b) if applicable, each such Class B Member shall deliver evidence reasonably satisfactory to the Company and the Managing Member, that all Liens on such Class B Member's Class B Units delivered pursuant to this Section 2.6 have been released;

(c) the Managing Member shall deliver to the Company a certificate or book-entry credit issued in the name of each such Class B Member representing an amount of Class A Shares equal to the number of Class B Units such Class B Member elected to Exchange; and

(d) the Company shall deliver to each such Class B Member a certificate or book-entry credit representing an amount of Class A Shares equal to the number of such Class B Units such Class B Member elected to Exchange.

2.07. Expenses. Each party hereto shall bear such party's own expenses in connection with the consummation of any of the transactions contemplated hereby, whether or not any such transaction is ultimately consummated.

2.08 Termination of Class B Membership; Cancellation of Class B Units; Issuance of Class A Units. Upon consummation of each Closing contemplated by this Article II, each Class B Unit transferred to the Company at such Closing shall be cancelled, the Company shall issue one Class A Unit to the Managing Member in respect of each such Class B Unit that was transferred and surrendered, and the Managing Member shall modify the Register of Members to reflect such cancellation and issuance. In the event that, as a result of an Exchange a Class B Member shall cease to hold any vested or unvested Class B Units, such Class B Member shall cease to be a "member" of the Company for any purpose under the Agreement or the Act.

2.09 Tax Treatment. As required by the Code and the Regulations: (i) the parties shall report an Exchange consummated hereunder as a taxable sale of Class B Units by a Class B Member to the Company (in conjunction with an associated cancellation of Class B Shares) and (ii) no party shall take a contrary position on any income tax return, amendment thereof or communication with a taxing authority.

2.10 Amendments. This Exhibit B may not be amended except as set forth in Section 11.01 of the Agreement.

ANNEX A

INSTRUMENT OF TRANSFER

This INSTRUMENT OF TRANSFER (this "Instrument") is made as of the Applicable Date by the undersigned (the "Transferor"). Capitalized terms used but not otherwise defined herein shall have the meanings set forth on the signature page to this Instrument and, if not defined therein, in the Amended and Restated Operating Agreement (as amended or modified, the "Operating Agreement") of the Pzena Investment Management, LLC, a Delaware limited liability company (the "Company").

W I T N E S S E T H

WHEREAS, Transferor is the owner of the Applicable Number of vested Class B Units (the "Transferred Units") and a party to the Operating Agreement; WHEREAS, Transferor has submitted to the Company an Exchange Request, dated as of the Exchange Request Date, electing to exchange (the "Exchange") the Transferred Units for an equal number of Class A Shares of Pzena Inc. (the "Exchange Shares"); and WHEREAS, in connection with the Exchange, Transferor desires to transfer to the Company all of Transferor's right, title and interest in, to and under the Transferred Units. NOW, THEREFORE, in consideration of the promises and mutual covenants set forth herein and in the Operating Agreement and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledges, Transferor hereby agrees as follows:

1. Transfer. Transferor hereby transfers, assigns and delivers to the Company, free and clear of all Liens, all of Transferor's right, title and interest in, to and under the Transferred Units.

2. Representations and Warranties. Transferor hereby represents and warrants to the Company as follows:

(a) Transferred Units. Immediately prior to giving effect to the transfer contemplated by this Instrument, Transferor owns, beneficially and of record, the Transferred Units free and clear of any Liens.

(b) Authority of Transferor. If Transferor is not a natural person, Transferor is duly formed or organized, validly existing and in good standing under the laws of the jurisdiction in which Transferor was formed or organized. Transferor has full right, authority, power and legal capacity to enter into this Instrument and each agreement, document and instrument to be executed and delivered by Transferor pursuant to, or as contemplated by, this Instrument and to carry out the transactions contemplated hereby and thereby. This Instrument and each agreement, document and instrument executed and delivered by Transferor pursuant to, or as contemplated by, this Instrument constitutes, or when executed and delivered will constitute, the legal, valid and binding obligations of Transferor enforceable in accordance with their respective terms. The execution, delivery and performance by Transferor of this Instrument and each such other agreement, document and instrument:

(i) does not and will not violate any laws applicable to Transferor, or require Transferor to obtain any approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made;

(ii) does not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of, any agreement, contract, instrument, lien, security interest, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which Transferor is a party or by which the property of Transferor is bound or affected, or result in the creation or imposition of any Lien on any of the assets of Transferor; and

(iii) in the event that Transferor is not a natural person, does not and will not violate any provision of any organization document of Transferor.

3. Employee Member Acknowledgement. In the event Transferor is an Employee Member, Transferor hereby acknowledges that he or she is receiving a significant economic benefit by Exchanging the otherwise illiquid Transferred Units into the Exchange Shares and therefore reaffirms his or her obligation to comply with the restive covenants contained in Sections 5.07 and 5.08 of the Operating Agreement as may be applicable to such Employee Member on and following the date hereof.

4. Further Assurance. Transferor hereby agrees to execute and deliver such further agreements and instruments and take such other actions as may be necessary to make effective the transfer contemplated by this Instrument.

5. Successors and Assigns. This Instrument shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto.

6. Governing Law. This Instrument shall be governed by and construed and enforced in accordance with the law of the State of Delaware, without regard to principles of conflict of laws.

7. Descriptive Headings. The descriptive headings in this Instrument are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provision of this Instrument.

8. Counterparts. This Instrument may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

9. Entire Agreement. This Instrument and any other schedules, certificates, lists and documents referred to herein, and any documents executed by any of the parties simultaneously herewith or pursuant thereto, constitutes the entire agreement of the parties hereto, except as expressly provided herein, and supersedes all prior agreements and understandings, discussions, negotiations and communications, written and oral, among the parties with respect to the subject matter hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, intending to be legally bound hereby, Transferor has executed this Instrument as of the Applicable Date.

TRANSFEROR:

_____

Name:

Acknowledged and accepted
as of the Applicable Date by:

PZENA INVESTMENT MANAGEMENT, LLC

_____

Name:
Title:

Certain Defined Terms

Applicable Date: _____

Transferor: _____

Applicable Number: _____

Exchange Request Date: _____

[Signature Page to Instrument of Transfer]

Exhibit D

EXCHANGE RIGHTS OF CLASS B-1 MEMBERS

ARTICLE I
GENERAL PROVISIONS

1.01. General. This Exhibit D is a part of the Amended and Restated Operating Agreement of Pzena Investment Management, LLC, dated as of [_____], 2019 (the "Agreement"). Capitalized terms used in this Exhibit D have the respective meanings given to them in Section 1.02 hereof or, if not defined therein, in Section 1.08 of the Agreement. Except as otherwise provided herein, references to Sections in this Exhibit D shall be references to Sections of this Exhibit D. In the event that the Company is dissolved pursuant to the Agreement, any exchange right provided in this Exhibit D shall expire on the final distribution of the assets of the Company.

1.02 Certain Definitions. As used in this Exhibit, the following terms shall have the following meanings:

"Aggregate Residual Value" shall mean the product of (i) the applicable Residual Value per Unit multiplied by (ii) the number of such Class B-1 Units exchanged by a Class B-1 Member on an Exchange Date.

"Annual Period" shall mean each annual period each annual period beginning on October 31 of each year and ending on October 30 of the following year.

"Certificate" shall mean the Amended and Restated Certificate of Incorporation of Pzena Inc., filed with the Secretary of State of the State of Delaware on October 30, 2007, as thereafter amended from time to time.

"Class A Shares" shall mean shares of Class A Common Stock of Pzena Inc.

"Class B Shares" shall mean shares of Class B Common Stock of Pzena Inc.

"Closing" has the meaning set forth in Section 2.04(a).

"Closing Date" has the meaning set forth in Section 2.04(a).

"Closing Date Value" shall mean the closing price of the Class A Shares on the applicable Exchange Date.

"Employee Member Group" has the meaning set forth in Section 2.02(a).

"Exchange" shall mean the exchange by a Class B-1 Member of one or more vested Class B-1 Units for Exchange Shares pursuant to the provisions of this Exhibit D.

"Exchange Date" has the meaning set forth in Section 2.01(a).

"Exchange Notice" has the meaning set forth in Section 2.01(b).

"Exchange Shares" shall mean the number of Class A Shares obtained by dividing the Aggregate Residual Value of the Class B-1 Units exchanged by a Class B-1 Member on any Exchange Date by the Closing Date Value and subtracting the Fractional Remainder.

"Fractional Remainder" shall mean the number of fractional Class A Shares in excess of the whole number of Class A Shares obtained by dividing the Aggregate Residual Value of the Class B-1 Units exchanged by a Class B-1 Member on any Exchange Date by the Closing Date Value.

"Post 12-Month Exchange Date" has the meaning set forth in Section 2.02(a).

"Post 18-Month Exchange Date" has the meaning set forth in Section 2.02(a).

"Registration Rights Agreement" shall mean the Resale and Registration Rights Agreement, dated as of October 30, 2007, by and among Pzena Inc. and the Holders named on the signature pages thereto.

"Residual Cash Value" shall mean the product of the Fractional Remainder multiplied by the Closing Date Value.

"Residual Value Per Unit" shall mean the difference between (i) the Closing Date Value minus (ii) the closing price of the Class A Shares on the date of issuance of a Class B-1 Unit, as adjusted to reflect the value of accumulated earnings yet to be distributed, as reasonably determined by Company.

"Termination Date" has the meaning set forth in Section 2.02(a).

ARTICLE II
EXCHANGE

2.01. Exchange Dates; Exchange Notices.

(a) The Managing Member shall establish one or more dates in each Annual Period as a date on which certain Class B-1 Members shall be required, in accordance with the terms and timing described in Section 2.02 below, to Exchange their Class B-1 Units (such date, an "Exchange Date"), provided that the Managing Member may, by notice to each Class B-1 Member, postpone any Exchange Date one or more times. For the avoidance of doubt, the Managing Member may establish as many Exchange Dates as it shall determine in its sole discretion.

(b) The Managing Member shall provide, in respect of at least one (1) Exchange Date in each Annual Period, a written notice (an "Exchange Notice") to all Class B-1 Members at least fifteen (15) calendar days prior to such Exchange Date. In respect of any other Exchange Date within such Annual Period, the Managing Member may provide an Exchange Notice to one or more Class B-1 Members such number of days prior to such Exchange Date as the Managing Member may determine in its sole discretion.

2.02 Exchanges by Class B-1 Members.

(a) General Rule. Subject to Sections 2.02(b) and 2.05, (i) on the first Exchange Date following the first anniversary of the date of termination of employment of an Employee Member (such date of termination for each such Employee Member, the "Termination Date" and such first anniversary, the "Post 12-Month Exchange Date"), each Employee Member and all Permitted Transferees of such Employee Member (collectively, the "Employee Member Group") shall Exchange a number of vested Class B-1 Units in an amount of seventy-five percent (75%) of the aggregate number of vested Class B-1 Units held by each member of such Employee Member Group as of the Post 12-Month Exchange Date and (ii) on the first Exchange Date following the 18-month anniversary of the Termination Date (the "Post 18-Month Exchange Date"), each member of the Employee Member Group shall Exchange all of the remaining Vested Class B-1 Units held by such member of such Employee Member Group as of the Post 18-Month Exchange Date.

(b) Exceptions. Notwithstanding Section 2.02(a), the Managing Member may permit any Class B-1 Member to exchange vested Class B-1 units in amounts exceeding those described in Section 2.02(a), which permission may be withheld, delayed, or granted on such terms and conditions as the Managing Member may determine in its sole discretion.

(c) Restrictions on Class A Shares. Each Class B-1 Member hereby acknowledges and agrees that (i) neither the Company nor the Managing Member shall have any obligation to deliver Class A Shares that have been registered under the Securities Act, and (ii) the Company reserves the right on any Exchange Date to provide registered Class A Shares, unregistered Class A Shares or any combination of thereof, as it may determine in its sole discretion. The Managing Member and the Company reserve the right to cause certificates evidencing such Class A Shares to be imprinted with legends as to restrictions on transfer that it may deem necessary or appropriate, including legends as to applicable U.S. federal or state securities laws or other legal or contractual restrictions and may require any Class B-1 Member to which Class A Shares are to be distributed to agree in writing (i) that such Class A Shares will not be transferred except in compliance with such restrictions and (b) to such other matters as the Managing Member may deem reasonably necessary or appropriate in light of applicable law and existing agreements.

(d) Unvested Class B-1 Units. For the avoidance of doubt, a Class B-1 Member or Permitted Transferee may not Exchange any unvested Class B-1 Units at any time.

2.03. Exchange Representations. As of any applicable Exchange Date, each Class B-1 Member and Permitted Transferee shall represent to each of the Company and the Managing Member that such Class B-1 Member or Permitted Transferee owns the Class B-1 Units to be delivered at such Closing pursuant to Section 2.06, free and clear of all Liens, except as set forth in a certificate delivered to the Company, and, if there are any such Liens set forth in such certificate, such Class B-1 Member or Permitted Transferee shall covenant that such Class B-1 Member or Permitted Transferee will deliver at the applicable Closing evidence reasonably satisfactory to the Company and the Managing Member, that all such Liens have been released.

2.04. Closing Date.

(a) On each applicable Exchange Date (as may be extended pursuant to this Section 2.04, the "Closing Date"), the parties shall effect the closing (the "Closing") of the transactions contemplated by this Article II at the offices of Pzena Inc. at 320 Park Avenue, 8th Floor, New York, NY 10022, or at such other time, at such other place, and in such other manner, as the applicable parties to such Exchange shall agree in writing; provided, however, that, except as may be determined otherwise by the Company in its sole discretion, if an applicable Exchange Date falls on a day during which directors, officers or other employees of Pzena Inc. or any of its affiliates are prohibited by the trading policies of Pzena Inc. from disposing of equity securities of Pzena Inc., then with respect to all applicable Exchanges, the Closing Date shall instead be deemed to be the first Business Day after such Exchange Date that such officers and directors are allowed to dispose of equity securities of Pzena Inc. pursuant to the trading policies of Pzena Inc.

(b) No Exchange shall be permitted (and, if attempted, shall be void *ab initio*) if, in the good faith determination of the Managing Member, such an Exchange would pose a material risk that the Company would be a "publicly traded partnership" as defined in Section 7704 of the Code.

2.05. Closing Conditions.

(a) The obligations of any of the parties to consummate an Exchange pursuant to this Article II shall be subject to the conditions that there shall be no injunction, restraining order or decree of any nature of any Governmental or Regulatory Authority that is then in effect that restrains or prohibits the Exchange of Class B-1 Units or the transfer of Class B-1 Shares for redemption.

(b) The obligations of the Company and the Managing Member to consummate an Exchange pursuant to this Article II with respect to a Class B-1 Member or Permitted Transferee Exchanging Class B-1 Units at such Closing that is not a party to the Registration Rights Agreement shall be subject to the execution and delivery by such Class B-1 Member or Permitted Transferee of a counterpart signature page of the Registration Rights Agreement.

(c) The obligations of each Class B-1 Member or Permitted Transferee exchanging Class B-1 Units at such Closing that is not a party to the Registration Rights Agreement shall be subject to the execution and delivery by Pzena Inc. of a counterpart signature page of the Registration Rights Agreement.

2.06. Closing Deliveries. At each Closing, the Company, the Managing Member and each Class B-1 Member and Permitted Transferee participating in an Exchange in respect of such Closing shall deliver the following:

(a) each such Class B-1 Member or Permitted Transferee shall deliver an instrument of transfer, substantially in the form of Annex A hereto or otherwise in form reasonably satisfactory to the Managing Member, sufficient (i) to transfer to the Company the number of vested Class B-1 Units subject to the Exchange of such Class B-1 Member or Permitted Transferee and (ii) in the case of an Employee Member, to affirm that such Class B-1 Member agrees to comply with the covenants contained in Section 5.07 and 5.08 of the Agreement as may be applicable to such Employee Member at that time;

(b) if applicable, each such Class B-1 Member or Permitted Transferee shall deliver evidence reasonably satisfactory to the Company and the Managing Member, that all Liens on such Class B-1 Member's Class B-1 Units delivered pursuant to this Section 2.06 have been released;

(c) each such Class B-1 Member or Permitted Transferee shall deliver a non-foreign affidavit dated as of the date of the Closing, in form and substance required under the Treasury Regulations issued pursuant to Code Section 1445 and 1446, stating that such Class B-1 Member or Permitted Transferee is not a "foreign person" as defined in Code Section 1445 and 1446, and an IRS Form W-9 claiming a complete exemption from backup withholding;[1]

(d) the Managing Member shall deliver to the Company a certificate or book-entry credit issued in the name of each such Class B-1 Member or Permitted Transferee representing the Exchange Shares; and

(d) the Company shall deliver to each such Class B-1 Member or Permitted Transferee a certificate or book-entry credit representing the Exchange Shares and a cash payment equal to the Residual Cash Value.

2.07. Expenses. Each party hereto shall bear such party's own expenses in connection with the consummation of any of the transactions contemplated hereby, whether or not any such transaction is ultimately consummated.

2.08 Termination of Class B-1 Membership; Cancellation of Class B-1 Units; Issuance of Class A Units. Upon consummation of each Closing contemplated by this Article II, each Class B-1 Unit transferred to the Company at such Closing shall be cancelled, the Company shall issue one Class A Unit to the Managing Member in respect of each such Class B-1 Unit that was transferred and surrendered, and the Managing Member shall modify the Register of Members to reflect such cancellation and issuance. In the event that, as a result of an Exchange a Class B-1 Member or Permitted Transferee shall cease to hold any vested or unvested Units, such Class B-1 Member or Permitted Transferee shall cease to be a "member" of the Company for any purpose under the Agreement or the Act.

2.09 Tax Treatment. As required by the Code and the Regulations: (i) the parties shall report an Exchange consummated hereunder as a taxable sale of Class B-1 Units by a Class B-1 Member or Permitted Transferee to the Company and (ii) no party shall take a contrary position on any income tax return or amendment thereof unless challenged by a taxing authority.

2.10 Amendments. This Exhibit D may not be amended except as set forth in Section 11.01 of the Agreement.

[1] Note to Pzena – Presumably member should also deliver a FIRPTA/1446(f) certificate. To be discussed if there are to be any foreign holders. Presumably this should also be replicated for Class B/Class A exchanges.

ANNEX A

INSTRUMENT OF TRANSFER

This INSTRUMENT OF TRANSFER (this "Instrument") is made as of the Applicable Date by the undersigned (the "Transferor"). Capitalized terms used but not otherwise defined herein shall have the meanings set forth on the signature page to this Instrument and, if not defined therein, in the Amended and Restated Operating Agreement (as amended or modified, the "Operating Agreement") of the Pzena Investment Management, LLC, a Delaware limited liability company (the "Company").

W I T N E S S E T H

WHEREAS, Transferor is the owner of the Applicable Number of vested Class B-1 Units (the "Transferred Units") and a party to the Operating Agreement; WHEREAS, Transferor has submitted to the Company an Exchange Request, dated as of the Exchange Request Date, electing to exchange (the "Exchange") the Transferred Units for a number of Class A Shares of Pzena Inc. (the "Exchange Shares"); and WHEREAS, in connection with the Exchange, Transferor desires to transfer to the Company all of Transferor's right, title and interest in, to and under the Transferred Units. NOW, THEREFORE, in consideration of the promises and mutual covenants set forth herein and in the Operating Agreement and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledges, Transferor hereby agrees as follows:

1. Transfer. Transferor hereby transfers, assigns and delivers to the Company, free and clear of all Liens, all of Transferor's right, title and interest in, to and under the Transferred Units.

2. Representations and Warranties. Transferor hereby represents and warrants to the Company as follows:

(a) Transferred Units. Immediately prior to giving effect to the transfer contemplated by this Instrument, Transferor owns, beneficially and of record, the Transferred Units free and clear of any Liens.

(b) Authority of Transferor. If Transferor is not a natural person, Transferor is duly formed or organized, validly existing and in good standing under the laws of the jurisdiction in which Transferor was formed or organized. Transferor has full right, authority, power and legal capacity to enter into this Instrument and each agreement, document and instrument to be executed and delivered by Transferor pursuant to, or as contemplated by, this Instrument and to carry out the transactions contemplated hereby and thereby. This Instrument and each agreement, document and instrument executed and delivered by Transferor pursuant to, or as contemplated by, this Instrument constitutes, or when executed and delivered will constitute, the legal, valid and binding obligations of Transferor enforceable in accordance with their respective terms. The execution, delivery and performance by Transferor of this Instrument and each such other agreement, document and instrument:

(i) does not and will not violate any laws applicable to Transferor, or require Transferor to obtain any approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made;

(ii) does not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of, any agreement, contract, instrument, lien, security interest, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which Transferor is a party or by which the property of Transferor is bound or affected, or result in the creation or imposition of any Lien on any of the assets of Transferor; and

(iii) in the event that Transferor is not a natural person, does not and will not violate any provision of any organization document of Transferor.

3. [Employee Member] Acknowledgement. [In the event Transferor is an Employee Member,] Transferor hereby acknowledges that he or she is receiving a significant economic benefit by Exchanging the otherwise illiquid Transferred Units into the Exchange Shares and therefore reaffirms his or her obligation to comply with the restive covenants contained in Sections 5.07 and 5.08 of the Operating Agreement as may be applicable to such Employee Member on and following the date hereof.

4. Further Assurance. Transferor hereby agrees to execute and deliver such further agreements and instruments and take such other actions as may be necessary to make effective the transfer contemplated by this Instrument.

5. Successors and Assigns. This Instrument shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto.

6. Governing Law. This Instrument shall be governed by and construed and enforced in accordance with the law of the State of Delaware, without regard to principles of conflict of laws.

7. Descriptive Headings. The descriptive headings in this Instrument are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provision of this Instrument.

8. Counterparts. This Instrument may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

9. Entire Agreement. This Instrument and any other schedules, certificates, lists and documents referred to herein, and any documents executed by any of the parties simultaneously herewith or pursuant thereto, constitutes the entire agreement of the parties hereto, except as expressly provided herein, and supersedes all prior agreements and understandings, discussions, negotiations and communications, written and oral, among the parties with respect to the subject matter hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, intending to be legally bound hereby, Transferor has executed this Instrument as of the Applicable Date.

TRANSFEROR:

_____

Name:

Acknowledged and accepted
as of the Applicable Date by:

PZENA INVESTMENT MANAGEMENT, LLC

_____

Name:
Title:

Certain Defined Terms

Applicable Date: _____

Transferor: _____

Applicable Number: _____

Exchange Request Date: _____

[Signature Page to Instrument of Transfer]

Exhibit 4.6

DESCRIPTION OF CAPITAL STOCK

The following is a description of the material terms of our capital stock.

Our authorized capital stock consists of 750 million shares of Class A common stock, par value $0.01 per share, 750 million shares of Class B common stock, par value $0.000001 per share and 200 million shares of preferred stock, par value $0.01 per share. As of December 31, 2019, 18,009,350 shares of Class A common stock, 52,952,519 shares of Class B common stock and no shares of preferred stock were outstanding. All outstanding shares of our common stock are fully paid and non-assessable.

As of December 31, 2019, only our Class A common stock is registered under Section 12 of the Securities Exchange Act.

Our Class A common stock is described below. Shares of our Class B common stock are issuable only in connection with the issuance of Class B units of Pzena Investment Management, LLC.

Common Stock

Class A Common Stock

Voting Rights

Our Class A stockholders are entitled to one vote for each share held of record on all matters submitted to a vote of our stockholders. Our Class B stockholders are entitled to five votes for each share held of record on all matters submitted to a vote of our stockholders, until the first time that the number of shares of our Class B common stock outstanding constitutes less than 20% of the number of all shares of our common stock outstanding. From this time, and thereafter, our Class B stockholders will be entitled to one vote for each share held of record on all matters submitted to a vote of our stockholders. Our common stockholders are not entitled to cumulate their votes in the election of directors. Generally, all matters voted on by stockholders must be approved by a majority (or, in the case of election of directors, by a plurality) of the votes entitled to be cast by all holders of Class A common stock and Class B common stock present in person or represented by proxy, voting together as a single class. Except as otherwise provided by law or described below in "— Anti-Takeover Effects of Delaware Law and Our Amended and Restated Certificate of Incorporation — Amendment of Certificate of Incorporation and Bylaws," amendments to our amended and restated certificate of incorporation must be approved by a majority of the combined voting power of all shares of Class A common stock and Class B common stock, voting together as a single class. However, amendments to our amended and restated certificate of incorporation that would alter or change the powers, preferences or special rights of the Class A common stock or the Class B common stock, so as to affect them adversely, also must be approved by a majority of the votes entitled to be cast by the holders of the shares affected by the amendment, voting as a separate class. Notwithstanding the foregoing, any amendment to our amended and restated certificate of incorporation to increase or decrease the authorized shares of Class A common stock must be approved by the vote of the majority of our Class A stockholders and any amendment to our amended and restated certificate of incorporation to increase or decrease the authorized shares of Class B common stock must be approved by the vote of the majority of our Class B stockholders.

Dividend Rights

Class A stockholders are entitled to receive dividends, when and if declared by our board of directors, out of funds legally available therefor, subject to any statutory or contractual restrictions on the payment of dividends and to any restrictions on the payment of dividends imposed by the terms of any outstanding preferred stock. Dividends consisting of shares of Class A common stock may be paid only as follows: (i) shares of Class A common stock may be paid only to holders of shares of Class A common stock; and (ii) shares will be paid proportionally with respect to each outstanding share of our Class A common stock. Our Class B stockholders do not participate in any dividends declared by our board of directors.

Liquidation Rights

Upon our liquidation, dissolution or winding up, or the sale of all, or substantially all, of our assets, after payment in full of all amounts required to be paid to creditors and to holders of preferred stock having liquidation preference, if any, the Class A stockholders will be entitled to share ratably in our remaining assets available for distribution to Class A stockholders and Class B stockholders will only be entitled to receive the par value of our Class B common stock.

Other Matters

In the event of our merger or consolidation with or into another company in connection with which shares of common stock are converted into, or exchangeable for, shares of stock, other securities or property (including cash), Class A stockholders, regardless of class, will be entitled to receive the same kind and amount of shares of stock and other securities and property (including cash); provided, that if shares of Class A common stock are exchanged for shares of capital stock, such shares exchanged for, or changed into, may differ to the extent that the shares of Class A common stock and the Class B common stock differ.

No shares of Class A common stock will be subject to redemption or have preemptive rights to purchase additional shares of Class A common stock.

All the outstanding shares of Class A common stock will be legally issued, fully paid and non-assessable.

Exchanges of Class B Units and Class B-1 Units for Class A Common Stock

Vested Class B units of Pzena Investment Management, LLC are exchangeable for shares of our Class A common stock, on a one-for-one basis, subject to customary adjustments for share splits, dividends and reclassifications. Vested Class B-1 units of Pzena Investment Management, LLC may be exchanged for shares of our Class A common stock in an amount based upon the appreciation in price of the Class A common stock from the date of grant of the Class B-1 units and the date of exchange. Class B-1 units may not be exchanged until the Class B-1 unit holder is no longer employed with us.

Anti-Takeover Effects of Delaware Law and Our Amended and Restated Certificate of Incorporation

Our amended and restated certificate of incorporation and our amended and restated bylaws, contain provisions which may have the effect of delaying, deterring or preventing a future takeover or change in control of our company. These provisions include the following:

Issuance of Preferred Stock. Our board of directors is authorized to issue 200 million shares of preferred stock and determine the powers, preferences and special rights of any unissued series of preferred stock, including voting rights, dividend rights, and terms of redemption, conversion rights and the designation of any such series, without the approval of our stockholders. As a result, our board of directors could issue preferred stock quickly and easily, which could adversely affect the rights of holders of our common stock. Our board of directors could issue the preferred stock with terms calculated to delay or prevent a change in control or make removal of management more difficult.

Elimination of Stockholder Action by Written Consent. Our amended and restated certificate of incorporation provides that stockholder action can be taken only at an annual or special meeting of stockholders and cannot be taken by written consent in lieu of a meeting.

Elimination of the Ability to Call Special Meetings. Our amended and restated certificate of incorporation provides that, except as otherwise required by law, special meetings of our stockholders can only be called pursuant to a resolution adopted by a majority of our board of directors, a committee of the board of directors that has been duly designated by the board of directors and whose powers and authority include the power to call such meetings, or by the chairman of our board of directors. Stockholders are not permitted to call a special meeting or to require our board to call a special meeting.

Advance Notice Procedures for Stockholder Proposals. Our amended and restated bylaws establish an advance notice procedure for stockholder proposals to be brought before an annual meeting of our stockholders, including proposed nominations of persons for election to our board. Stockholders at our annual meeting may only consider proposals or nominations specified in the notice of meeting, or brought before the meeting by, or at the direction of, our board, or by a stockholder who was a stockholder of record on the record date for the meeting, who is entitled to vote at the meeting and who has given to our secretary timely written notice, in proper form, of the stockholder's intention to bring that business before the meeting.

Removal of Directors; Board of Directors Vacancies. Our amended and restated bylaws provide that only our board of directors may fill vacant directorships, except in limited circumstances. These provisions would prevent a stockholder from gaining control of our board of directors by removing incumbent directors and filling the resulting vacancies with such stockholder's own nominees.

Amendment of Certificate of Incorporation and Bylaws. The General Corporation Law of the State of Delaware, or DGCL, provides generally that the affirmative vote of a majority of the outstanding shares entitled to vote is required to amend or repeal a corporation's certificate of incorporation or bylaws, unless the certificate of incorporation requires a greater percentage. Our amended and restated certificate of incorporation and bylaws provide that the holders of at least two-thirds of the voting power of the issued and outstanding shares of our capital stock entitled to vote in connection with the election of directors have the power to amend any provision of our certificate of incorporation relating to (i) the elimination of the ability of stockholder to act by written consent, (ii) the removal of directors and vacant directorships, or (iii) the amendment of our certificate of incorporation or bylaws and also have the power to amend or repeal our bylaws. In addition, our amended and restated certificate of incorporation grants our board of directors the authority to amend and repeal our bylaws without a stockholder vote in any manner not inconsistent with the laws of the State of Delaware or our amended and restated certificate of incorporation.

The foregoing provisions of our amended and restated certificate of incorporation and bylaws could discourage potential acquisition proposals and could delay or prevent a change in control. These provisions are intended to enhance the likelihood of continuity and stability in the policies formulated by our board of directors and to discourage certain types of transactions that may involve an actual or threatened change of control. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal. The provisions also are intended to discourage certain tactics that may be used in proxy fights. However, such provisions could have the effect of discouraging others from making tender offers for our equity securities and, as a consequence, they also may inhibit fluctuations in the market price of our Class A common stock that could result from actual or rumored takeover attempts. Such provisions also may have the effect of preventing changes in our management, or delaying or preventing a transaction that might benefit you or other minority stockholders.

Exhibit 10.1

EXECUTION VERSION

AMENDED AND RESTATED OPERATING AGREEMENT

PZENA INVESTMENT MANAGEMENT, LLC

(A Delaware Limited Liability Company)

Organized as of
November 27, 1995

Restated as of
January 3, 1996

Amended and Restated as of
January 3, 2005

Further Amended and Restated as of
January 3, 2006

Further Amended and Restated as of
December 31, 2006,
as amended as of March 31, 2007

Further Amended and Restated as of
October 30, 2007

Further Amended and Restated as of
December 30, 2019

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AMENDED AND RESTATED OPERATING AGREEMENT
OF
PZENA INVESTMENT MANAGEMENT, LLC

This Amended and Restated Operating Agreement made as of November 27, 1995, restated as of January 3, 1996, further amended and restated as of January 3, 2005, further amended and restated as of January 3, 2006, further amended and restated as of December 31, 2006, further amended as of March 31, 2007, further amended and restated as of October 30, 2007 and further amended and restated as of December 30, 2019 by and among Pzena Investment Management, Inc., a Delaware corporation ("Pzena Inc"), and each other person that executes and delivers a counterpart of this Agreement and is included in the Register of Members. Capitalized terms used herein without definition have the meanings set forth in Section 1.08.

WHEREAS, Pzena Investment Management, LLC was formed on November 27, 1995 pursuant to and in accordance with the Delaware Limited Liability Company Act (6 Del. C. § 18-101, et seq.) (the "Act");

WHEREAS, the obligations of the Members are governed pursuant to a certain Amended and Restated Operating Agreement of Pzena Investment Management, LLC, dated as of October 30, 2007, and as subsequently amended (as so amended, the "2007 Operating Agreement");

WHEREAS, the Members desire to amend and restate the 2007 Operating Agreement on the terms herein provided; and

WHEREAS, the Members desire to participate in the Company for the purposes described herein.

NOW, THEREFORE, in consideration of the agreements and covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby amend and restate the 2007 Operating Agreement in its entirety on the foregoing and following terms and conditions:

ARTICLE I
GENERAL PROVISIONS

1.01 Formation, Continuation and Name. The Company has been formed under the laws of the State of Delaware. The Managing Member and the other Members hereby agree to continue the Company under and pursuant to the terms of the Act and agree further that the rights, duties and obligations of the Members shall be as provided in the Act except as otherwise provided in this Agreement. The name of the Company shall be Pzena Investment Management, LLC, provided that the Managing Member shall have the right to change the name of the Company, upon written notice to each of the Members.

1.02 Principal Place of Business; Registered Office. The principal office of the Company shall be maintained at 320 Park Avenue, 8th Floor, New York, NY 10022, or at such other location as the Managing Member may designate from time to time. The registered office of the Company shall be 251 Little Falls Drive, Wilmington, New Castle, DE 19808. The name of the registered agent at that address is The Corporation Trust Company.

1.03 Purposes and Powers. The purpose of the Company shall be to manage investment portfolios for, and provide investment advice to, investors of all kinds, including individuals, endowments, trusts and estates, charitable foundations, partnerships, corporations, mutual funds, investment funds and other investment companies, and tax-exempt funds such as pension and profit-sharing plans, to engage in any and all businesses and activities similar to, related to or which will enhance any of the foregoing and to engage in any other lawful act or activity for which limited liability companies may be formed under the Act. In furtherance of the aforesaid purposes, the Company shall have authority to do all things necessary or convenient for the accomplishment thereof, alone or with others, as principal or agent, including, without limiting the foregoing, the following:

(a) invest in and trade, for and on behalf of itself or its advisory clients, equity or debt securities, or options, convertible securities, interest-bearing or interest rate sensitive marketable securities (including those issued or guaranteed by any Governmental or Regulatory Authority of the United States or instrumentalities of any Governmental or Regulatory Authority of the United States), derivative securities of all kinds, currency and commodities contracts, options, futures and forward contracts with respect to any of the foregoing, and any other instruments which are traded in normal channels of trading for securities and commodities (all of the foregoing sometimes referred to herein as "Securities"), and to vote such Securities, solicit the voting of such Securities and to otherwise engage with respect to such Securities in transactions in connection with mergers, consolidations, acquisitions, transfers of assets, tender offers, exchange offers, recapitalizations, liquidations, or other similar transactions;

(b) to hold all or any part of the assets, property or funds of the Company in cash or cash equivalents;

(c) to borrow or obtain credit from time to time, including for the purpose of financing transactions in Securities, to secure the payment of any such indebtedness or credit by mortgage, pledge, conveyance or assignment in trust, of the whole or any part of the assets or property of the Company, whether at the time owned or thereafter acquired, to enter into repurchase agreements and to buy, sell, pledge or otherwise dispose of any evidence of such indebtedness or obligation;

(d) to lend any of its assets, property or funds, including any Securities, either with or without security;

(e) to select brokers and dealers for its clients and to open, maintain and close accounts with such brokers, including margin accounts;

(f) to open, maintain and close bank accounts and draw checks and other orders for the payment of money;

(g) to engage accountants, solicitors, custodians, attorneys and any and all other agents, employees or assistants, both professional and nonprofessional, and to compensate them for such services;

(h) to file statements and forms under the Advisers Act and other applicable regulatory Laws;

(i) to sue, prosecute, settle or compromise all claims against third parties, to compromise, settle or accept judgment in respect of claims against the Company and to execute all documents and make all representations, admissions and waivers in connection therewith; and

(j) to enter into, make and perform all other contracts, indemnifications, guarantees, agreements and undertakings of any kind as the Managing Member may deem necessary, appropriate, advisable or incident to carrying out the purpose of the Company.

1.04 Organization. The Company was organized upon the filing of its certificate of formation in the Office of the Secretary of State of Delaware on November 27, 1995, and the Company shall continue until the occurrence of an act or event specified in Section 8.01 hereof.

1.05 Classes and Sub-Classes of Members. The Company shall have three classes of Members: (a) the Managing Member, (b) the Class B Members and (c) the Class B-1 Members. The Class B Members shall be comprised of three sub-classes: (a) Employee Members; (b) Permitted Transferees of Employee Members; and (c) Non-Employee Members. The Employee Member sub-class shall be comprised of two groups: (a) Initial Managing Principals and (b) Ordinary Employee Members. The Ordinary Employee Member group shall be comprised of two sub-groups: (a) 1% Employee Members and (b) other Ordinary Employee Members. All Class B-1 Members shall be Employee Members or Permitted Transferees of Employee Members.

1.06 Classes of Units. The Company shall have three classes of Units: (a) Class A Units, which shall be held by the Managing Member and only by the Managing Member; (b) Class B Units, which shall be held by the Class B Members and only by the Class B Members and (c) Class B-1 Units, which shall be held by the Class B-1 Members and only by the Class B-1 Members. An Employee Member who holds Class B Units and Class B-1 Units shall be both a Class B Member and a Class B-1 Member. The Class B Units may be vested or unvested and, except as expressly provided herein, any reference to Class B Units shall be a reference to vested and unvested Class B Units. Except as provided in this Agreement, (i) vested and unvested Class B Units shall share equally in rights to allocations and distributions by the Company; (ii) vested Class B Units may be exchanged pursuant to Exhibit B and unvested Class B Units may not be so exchanged; (iii) unvested Class B Units shall vest pursuant to the provisions of Section 6.02; and (iv) vested and unvested Class B Units may be forfeited by a Class B Member under the circumstances and in the number set forth in this Agreement. The Class B-1 Units may be vested or unvested and, except as expressly provided herein, any reference to Class B-1 Units shall be a reference to vested and unvested Class B-1 Units. Except as provided in this Agreement, (i) vested and unvested Class B-1 Units shall share equally in rights to allocations and distributions by the Company; (ii) vested Class B-1 Units may be exchanged pursuant to Exhibit D and unvested Class B-1 Units may not be so exchanged; (iii) unvested Class B-1 Units shall vest

pursuant to the provisions of Section 6.02; and (iv) vested and unvested Class B-1 Units may be forfeited by a Class B-1 Member under the circumstances and in the number set forth in this Agreement. Each Class B-1 Unit shall be identical to all other Class B-1 Units in all respects (other than with respect to differences relating to the terms and conditions of such Units imposed under the applicable Plan or any related Award Agreement or relating to Section 3.03(d), the Threshold Value of any such Class B-1 Unit, or as otherwise determined necessary, in the sole judgment of the Managing Member, to ensure that such Class B-1 Unit is a Profits Interest) and shall entitle the holder thereof to the rights, interests, preferences and privileges of a holder of a Class B-1 Unit as set forth in this Agreement (and in the applicable Plan and the Award Agreement pursuant to which such Class B-1 Unit is or was issued). The total number of Class B-1 Units which the Company shall have authority to issue shall be set forth in the applicable Plan. The Class B-1 Units shall be issued only pursuant to awards granted under the applicable Plan and pursuant to Award Agreements in a form approved by the Managing Member. Except as expressly provided in the Act or in this Agreement, the Class B-1 Members are not entitled to vote, and the consent, approval or agreement of the Class B-1 Members is not required, on any matter presented to the Members.

1.07 Register of Members. The Managing Member shall maintain and modify, or cause to be maintained and modified, a register (the "Register of Members") that sets forth (a) the name and address of each Member; (b) the class and, if applicable, sub-class of each Member; (c) with respect to a Permitted Transferee of an Employee Member, the name of such Employee Member; (d) with respect to any unvested Class B Units or Class B-1 Units, the number and date of issuance of each tranche of Units issued or awarded to such Member; (e) the vesting provisions, if any, applicable to each such tranche (which vesting provisions may be specified by reference to other documents held with the records of the Company); and (f) such other information as the Managing Member may deem to be appropriate. In connection with any modification, the Managing Member or an Administrative Officer designated by the Managing Member shall duly execute a copy of the Register of Members maintained in accordance with this Agreement. Absent manifest error, a duly executed Register of Members shall be conclusive evidence as to the information contained therein.

1.08 Certain Definitions. For the purposes of this Agreement, the following terms have the following meanings:

"2007 Operating Agreement" has the meaning set forth in the recitals hereto.

"Accounting Period" shall mean, as the context may require: (a) the period commencing on the date of this Agreement and ending on December 31 of the same year; (b) any subsequent twelve (12) month period beginning on January 1 and ending on December 31 and (c) any portion of the period described in clauses (a) or (b) for which the Company is required or elects to allocate items of Company Income and Company Loss, or any other items of Company income, gain, loss or deduction pursuant to this Agreement.

"Act" has the meaning set forth in the recitals hereto.

"Administrative Officer" has the meaning set forth in Section 7.03 hereof.

"Advisers Act" shall mean the Investment Advisers Act of 1940, as amended.

"Affiliate(s)" shall mean, with respect to any Person, any other Person that directly, or through one (1) or more intermediaries, controls or is controlling, controlled by, or under common control with, such Person. For the purposes of this definition, the term "control" and its corollaries shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities, contract, as trustee or executor or otherwise.

"Agreement" shall mean this Amended and Restated Operating Agreement, including each schedule and exhibit hereto, as amended, supplemented or restated from time to time, provided that the Register of Members shall not be a part of this Agreement.

"Award Agreement" means, with respect to any Class B Unit or Class B Units or any Class B-1 Unit or Class B-1 Units, the applicable award agreement under the Plan governing the issuance of such Class B Unit or Class B Units or such Class B-1 Unit or Class B-1 Units.

"Business Day" shall mean any day on which commercial banks located in New York, New York are not required or authorized by Law to remain closed.

"Capital Account(s)" has the meaning set forth in Section 2.04(a) hereof.

"Capital Contribution(s)" shall mean the contribution made by a Member to the capital of the Company from time to time pursuant to Section 2.01 or 2.02 hereof.

"Capital Percentage" shall mean, with respect to a Member, as of any determination date, a percentage, expressed as a fraction the numerator of which is the Capital Account balance of such Member and the denominator of which is the aggregate Capital Accounts balances of all Members.

"Capital Transaction Proceeds" means any and all proceeds (whether in the form of cash or property) received by the Company or receivable by its Members from a Capital Transaction, reduced by expenses incurred by the Company in connection with such Capital Transaction, liabilities of the Company which are repaid out of the proceeds from such Capital Transaction, and such reserves as the Managing Member may determine to be necessary for the needs of the Company, as well as any other cash or other property that the Managing Member determines shall be distributable by the Company to its Members in connection with a Capital Transaction.

"Capital Transaction" means a sale or disposition of all, or a significant portion of, the Company's business, whether by a sale of assets, merger, consolidation or other transaction, an equity or debt financing or any other extraordinary event that is not in the ordinary course of business. The Managing Member's determination of whether a transaction is a Capital Transaction will be conclusive.

"Capital Transaction Company Income" and "Capital Transaction Company Loss" mean for each Accounting Period, an amount equal to the Company Income or Company Loss for such Accounting Period as determined pursuant to the definition of Company Income and Company Loss except that such amounts shall be calculated only with respect to items of income, gain, loss, expense or deduction associated with Capital Transactions of the Company. Capital Transaction Company Income and Capital Transaction Company Loss shall be deemed to include any allocable items attributable to paragraph (iv) of the definition of Company Income and Company Loss. The Managing Member shall use its reasonable discretion in determining whether items of income, gain, loss, expense, or deduction of the Company are properly includible in the computation of Capital Transaction Company Income and Capital Transaction Company Loss or the computation of Operating Company Income and Operating Company Loss.

"Capital Transaction Percentage" shall mean, with respect to any Member, a percentage, expressed as a fraction the numerator of which is the number of vested and unvested Units held by such Member and the denominator of which is the aggregate number of vested and unvested Units held by all Members.

"Cause" shall mean, with respect to an Employee Member, (a) such Employee Member's being charged or indicted for a felony involving the Company Group's business, or being convicted of any other felony (or guilty plea, or nolo contendere plea in connection therewith), (b) such Employee Member's willfully and materially defrauding the Company Group, or (c) such Employee Member's committing a willful and material breach of such Employee Member's obligations to protect the Company Group's confidential information, such Employee Member's obligation of loyalty to the Company Group or such Employee Member's obligation to comply with the Company Group's Code of Ethics or any other compliance regulations, policies or procedures, (d) the gross negligence or willful misconduct of such Employee Member in the performance of such Employee Member's duties which gross negligence or willful misconduct has the purpose, or the reasonably likely effect, of causing material harm to the Company Group, or (e) such Employee Member fails to maintain in good standing any and all licenses, registrations or other permits necessary for the performance of his duties hereunder. For purposes of the definition of Cause, "materially," and "material" shall mean damages caused to the Company Group in excess of $100,000 or any significant damage to the reputation of the Company Group.

"Chairman" shall mean the chairman of the Board of Directors of the Managing Member or, if no Person shall hold such title, the senior most executive officer of the Managing Member, whether designated as the chief executive officer, the president or otherwise.

"Chief Compliance Officer" has the meaning set forth in Section 7.03(b) hereof.

"Class A Share(s)" shall mean share(s) of Class A common stock of the Managing Member.

"Class A Unit(s)" shall mean those Unit(s) in the Company held by the Managing Member.

"Class B Share(s)" shall mean share(s) of Class B common stock of the Managing Member.

"Class B Member(s)" shall mean those Person(s) that have executed and delivered a counterpart of this Agreement and are named in the Register of Members as Class B Members with respect to their Class B Units.

"Class B-1 Member(s)" shall mean those Person(s) that have executed and delivered a counterpart of this Agreement and are named in the Register of Members as Class B-1 Members with respect to their Class B-1 Units.

"Class B Stockholders Agreement" shall mean the Class B Stockholders' Agreement, dated as of the date hereof, by and among the Managing Member and holders of Class B Shares, as amended or modified from time to time.

"Class B Unit(s)" shall mean those Unit(s) in the Company held by Class B Member(s). The Class B Units shall have the relative rights, preferences, privileges, limitations and qualifications set forth in this Agreement, the applicable Plan and the applicable Award Agreement(s), if issued pursuant to a Plan.

"Class B-1 Unit(s)" shall mean those Unit(s) in the Company held by Class B-1 Member(s). The Class B-1 Units shall have the relative rights, preferences, privileges, limitations and qualifications set forth in this Agreement, the applicable Plan and the applicable Award Agreement(s), all of which will be issued pursuant to a Plan.

"Client" shall mean, for purposes of Section 5.07(b) hereof, any Person who, in its own name or through an Affiliate, has assets under management of at least $5,000,000 with the Company Group and any Person with an account of $5,000,000 or more in any mutual fund or other collective investment vehicle advised or subadvised by the Company Group as of the date of cessation of the Employee Member's employment, or, in either such case, within any time within six (6) months prior to the date of cessation and any other Person who was solicited (in person or by phone) by the Company Group for the purpose of placing assets under management within six (6) months before such termination (a "Prospect"), except that such Prospect shall cease to be a Client hereunder if such Prospect does not actually place assets under the Company Group's management within six (6) months after the termination of the Employee Member's employment with the Company Group.

"Code" shall mean the Internal Revenue Code of 1986, as it may be amended from time to time (or any succeeding Law), and the Treasury Regulations promulgated pursuant thereto. References to sections of the Code shall include amended or successor provisions thereto.

"Company" shall mean this limited liability company.

"Company Group" shall mean the Managing Member, the Company and any Person controlled by the Managing Member or the Company.

"Company Income" and "Company Loss" shall mean, for each Fiscal Year or other period, an amount equal to the Company's taxable income or loss for such Fiscal Year or period, determined in accordance with Section 703(a) of the Code (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Section 703(a)(l) of the Code shall be included in taxable income or loss), with the following adjustments:

(i) Income of the Company that is exempt from federal income tax and not otherwise taken into account in computing Company Income and Company Loss shall be added to such taxable income or loss.

(ii) Expenditures of the Company described in Section 705(a)(2)(B) of the Code or treated as such expenditures pursuant to Treasury Regulation §1.704-l(b)(2)(iv)(i), and not otherwise taken into account in computing Company Income or Company Loss shall be subtracted from such taxable income or loss.

(iii) Gain or loss resulting from any disposition of Company assets with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value.

(iv) In the event the Gross Asset Value of any Company asset is adjusted pursuant to the definition of Gross Asset Value, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Gross Asset Value of the asset) or an item of loss (if the adjustment decreases the Gross Asset Value of the asset) from the disposition of such asset and shall be taken into account for purposes of computing Company Income and Company Loss.

(v) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing taxable income or loss, there shall be taken into account Depreciation for such fiscal year or other period.

Notwithstanding any other provision of this definition, any items which are specially allocated pursuant to Section 3.01(d) hereof shall not be taken into account in computing Company Income or Company Loss.

The amounts of the items of Company income, gain, loss or deduction available to be specially allocated pursuant to Section 3.01(d) hereof shall be determined by applying rules analogous to those set forth in subparagraphs (i) through (v) above

"Confidential Information" has the meaning set forth in Section 5.08(a) hereof.

"Covered Person" shall mean the Managing Member, each Member, each officer and director of the Managing Member, each Executive Committee member, the Chief Compliance Officer and any Administrative Officer.

"Depreciation" means, for each Fiscal Year or other period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such Fiscal Year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year or other period bears to such beginning adjusted tax basis. In the event that the federal income tax depreciation, amortization, or other cost recovery deduction is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method.

"Disabling Conduct" has the meaning set forth in Section 7.08(a) hereof.

"Employee Member" shall mean a Member who is or was at any time employed by the Company Group.

"Equity Proceeds" has the meaning set forth in Section 5.11(e)(i) hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"Executive Committee" has the meaning set forth in Section 7.02 hereof.

"Fiscal Year" shall mean the calendar year.

"GAAP" shall mean generally accepted accounting principles in the United States as in effect at the time any applicable financial statements were prepared.

"Governmental or Regulatory Authority" shall mean any instrumentality, subdivision, court, administrative agency, commission, official or other authority of the United States or any other country or any state, province, prefect, municipality, locality or other government or political subdivision thereof, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority.

"Gross Asset Value" shall mean, with respect to any asset of the Company, such asset's adjusted basis for federal income tax purposes, except as follows:

(a) the initial aggregate Gross Asset Values of the assets of the Company as of the date of this Agreement shall be as set forth on the books and records of the Company;

(b) the initial Gross Asset Value of any asset contributed by a Member to the Company will be the gross fair market value of such asset, as determined by the Managing Member in its sole discretion;

(c) the Gross Asset Value of all Company assets will be adjusted to equal their respective gross fair market values, as determined by the Managing Member in its sole discretion, immediately prior to: (i) the contribution of more than a de minimis amount of assets to the Company by a new or an existing Member as consideration for an Interest; (ii) the distribution by the Company to a Member of more than a de minimis amount of Company assets as consideration for the Interest of such Member; (iii) the issuance, forfeiture (or redemption) of more than a de minimis amount of Units after the date of this Agreement; (iv) the liquidation of the Company within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(g); and (v) such other times as the Managing Member may determine in its sole discretion; provided, that adjustments pursuant to clauses (i), (ii) and (iii) of this sentence will be made only if the Managing Member, in its sole discretion, determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Members in the Company;

(d) the Gross Asset Value of any Company asset distributed to any Member will be adjusted so as to equal the gross fair market value of such asset on the date of distribution, as determined by the Managing Member, in its sole discretion, and any increase or decrease required to effect such adjustment will be treated as an item of Company Income or Company Loss, as applicable; and

(e) if the Gross Asset Value of an asset has been determined or adjusted pursuant to paragraph (b), (c) or (d) above, such Gross Asset Value will thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Company Income and Company Loss.

"Initial Managing Principal" shall mean each of Richard S. Pzena, John P. Goetz, A. Rama Krishna and William L. Lipsey.

"Interest(s)" when used in reference to an interest in the Company, shall mean the entire ownership interest of a Member in the Company at any particular time.

"Investment Advisory Service" shall mean any services that involve (1) the management of an investment account or fund (or portions thereof or a group of investment accounts or funds), (2) the giving of advice with respect to the investment and/or reinvestment of assets or funds (or any group of assets or funds), or (3) otherwise acting as an "investment adviser" within the meaning of the Advisers Act (whether or not required to be registered under such act), and performing activities related or incidental thereto, provided that "Investment Advisory Services" shall exclude any service in respect of which no compensation or economic benefit is provided directly or indirectly to any person in respect of such service.

"Law" shall mean any statute, law, ordinance, rule or regulation of any Governmental or Regulatory Authority.

"Legal Representative(s)" shall mean any and all executors, administrators, committees, guardians, conservators or trustees, in bankruptcy or otherwise, of a Member.

"Lien" shall mean a mortgage, pledge, hypothecation, right of others, claim, security interest, encumbrance, easement, right of way, restriction on the use of real property, title defect, title retention agreement, voting trust agreement, option, right of first refusal, lien, charge, license to third parties, lease to third parties, restriction on transfer or assignment, or other restriction or limitation of any nature or irregularities in title.

"Majority In Interest of the Class B Members" shall mean, as of the time of determination, Class B Members holding more than 50% of the issued and outstanding Class B Units at such time.

"Managing Member" shall mean Pzena Inc. and any other successor of Pzena Inc.

"Member(s)" shall mean each of those Persons identified on the Register of Members as the Managing Member, Class B Members and Class B-1 Members for so long they own Interests and any Person who becomes a substitute Member in accordance with Section 5.04 hereof.

"Non-Compete Period" shall mean (a) with respect to an Initial Managing Principal, the period from the date of this Agreement through the third anniversary of the date of termination of employment of such Initial Managing Principal with the Company Group, (b) with respect to a 1% Member, the period from the date of this Agreement through the end of the Non-Compete Period applicable to such 1% Member as set forth in Section 5.07(f) and (c) with respect to an Employee Member other than an Initial Managing Principal or a 1% Member, the period from the date of this Agreement through the date of termination of employment of such Employee Member with the Company Group.

"Non-Employee Member" shall mean a Class B Member that is not (a) an Employee Member or (b) a Permitted Transferee of an Employee Member.

"Non-Solicitation Period" shall mean (a) with respect to an Initial Managing Principal, the period from the date of this Agreement through the third anniversary of the date of termination of employment of such Initial Managing Principal with the Company Group and (b) with respect to any other Member, the period from the date of this Agreement through the eighteenth month anniversary of the date of termination of employment of such other Member with the Company Group.

"1% Member" shall mean, at the time of determination, (a) with respect to an Employee that is employed by the Company Group, an Employee Member holding, together with Units transferred by such Employee Member to, and held by, his or her Permitted Transferees, not less than 1% of all outstanding Units of the Company at such time and (b) with respect to an Employee Member that was, but is no longer, employed by the Company Group, an Employee Member holding, together with Units transferred by such Employee Member to, and held by, his or her Permitted Transferees, not less than 1% of all outstanding Units of the Company on the date of termination of employment of such Employee Member so long as, pursuant to Section 5.07(f), (i) the Managing Member elects to treat such Employee Member as a 1% Member and (ii) the Company Group satisfies its payment obligations to such 1% Member.

"Operating Company Income" and "Operating Company Loss" mean for each Accounting Period, all Company Income and Company Loss, respectively, of the Company other than Capital Transaction Company Income and Capital Transaction Company Loss. The Managing Member shall use its reasonable discretion in determining whether items of income, gain, loss, expense, or deduction of the Company are properly includible in the computation of Capital Transaction Company Income and Capital Transaction Company Loss or the computation of Operating Company Income and Operating Company Loss.

"Ordinary Employee Member" shall mean an Employee Member other than an Initial Founding Principal.

"Partnership" shall mean Pzena Investment Management, LP.

"Partnership Agreement" shall mean the Amended and Restated Agreement of Limited Partnership of Pzena Investment Management, LP, dated as of the date hereof, by and among the Managing Member and holders of Class B Units and Class B-1 Units, as amended or modified from time to time.

"Permitted Transferee" shall mean, with respect to an Employee Member, any Person to whom such Employee Member (or, in the case of a subsequent Transfer, a Permitted Transferee of such Employee Member) transferred Class B Units or Class B-1 Units pursuant to the terms of this Agreement, provided that (a) neither the Company nor the Managing Member shall be designated as a Permitted Transferee of an Employee Member following a Transfer of Class B Units or Class B-1 Units to the Company or the Managing Member, as the case may be, and (b) the Managing Member and such Employee Member may agree in writing that a transferee of such Class B Units of such Employee Member shall be designated as an Employee Member or a Non-Employee Member rather than as a Permitted Transferee of such Employee Member. For the avoidance of doubt, Class B-1 Units may only be transferred to a Permitted Transferee.

"Person(s)" shall mean any individual, partnership (whether general or limited), joint venture, corporation, limited liability company, trust, an incorporated organization and a Governmental or Regulatory Authority or other entity.

"Plan" shall mean (a) the 2006 Plan, (b) the 2007 Plan or (c) any other equity incentive plan that may hereinafter be adopted by the Company.

"Prime Rate" shall mean U.S. prime rate published in The Wall Street Journal on the business day immediately prior to the date of determination.

"Profits Interest" means a "profits interest" within the meaning of Internal Revenue Service Revenue Procedure 93-27, 1993-2 C.B. 343, as clarified by Revenue Procedure 2001-43, 2001-2 C.B. 191, and Internal Revenue Service Notice 2005-43, and any future Internal Revenue Service guidance.

"Pzena Inc." has the meaning set forth in the preamble hereto.

"Register of Members" has the meaning set forth in Section 1.07 hereof.

"Registration Rights Agreement" shall mean the Resale and Registration Rights Agreement, dated as of the date hereof, by and between Pzena Inc. and the Persons who, on or following such date, may become parties to such agreement.

"Revised Partnership Audit Procedures" means the provisions of Subchapter C of Subtitle F, Chapter 63 of the Code, as amended by the Bipartisan Budget Act of 2015, P.L. 114-74, and the Consolidated Appropriations Act, 2018, P.L. 115-141 (together with any subsequent amendments thereto, Treasury Regulations promulgated thereunder and published administrative interpretations thereof).

"Securities" has the meaning set forth in Section 1.03(a) hereof.

"Selling Holders" has the meaning set forth in Section 6.03 hereof.

"Securities Act" shall mean the Securities Act of 1933, as amended, and the rules and regulations thereunder.

"Sharing Percentage" shall mean, with respect to any Member, a percentage, expressed as a fraction the numerator of which is the number of vested and unvested Units held by such Member and the denominator of which is the aggregate number of vested and unvested Units held by all Members, in each case excluding any Class B-1 Units held by a Class B-1 Member who has ceased to be employed by the Company Group.

"Super Majority In Interest of the Class B Members" shall mean, as of the time of determination, Class B Members holding more than 66 2/3% of the issued and outstanding Class B Units at such time.

"Tax Allowance Amount" shall mean, with respect to any Member for any fiscal quarter of the Company, an amount equal to the product of: (i) the highest combined federal and applicable state and local tax rate applicable to any Member in respect of the taxable income and taxable loss of the Company in respect of such fiscal quarter, taking into account the deductibility of state and local taxes for federal income tax purposes, times (ii) an amount equal to the remainder of (a) such Member's share of the estimated net taxable income allocable to such Member arising from its ownership of an interest in the Company calculated through such fiscal quarter minus (b) the sum of (1) any net losses (for income tax purposes) of the Company for prior Fiscal Years and such fiscal quarter that are allocable to such Member that were not previously utilized in the calculation of the Tax Allowance Amounts in a prior Fiscal Year and (2) the amount of all prior distributions (including distributions of Tax Allowance Amounts) for such Fiscal Year, all as determined by the Managing Member.

"Tax Matters Representative" has the meaning set forth in Section 10.04(a) hereof.

"Threshold Value" has the meaning set forth in Section 3.03(d) hereof.

"Transfer" shall mean, as a noun, any voluntary or involuntary transfer, sale, assignment, pledge, hypothecation, creation of a security interest or other disposition and, as a verb, voluntarily or involuntarily to transfer, sell, assign, pledge, hypothecate, grant a security interest in or otherwise dispose of.

"2007 Plan" shall mean the Pzena Investment Management, Inc. Equity and Incentive Plan, as hereafter amended, modified or supplemented, and any other successor incentive plan.

"2006 Plan" shall mean the Pzena Investment Management, LLC 2006 Equity Incentive Plan in the form attached hereto as Exhibit A, as hereafter amended, modified or supplemented.

"Unit(s)" shall mean the Class A Units, the Class B Units and the Class B-1 Units (whether or not vested).

"Works" has the meaning set forth in Section 5.08(g) hereof.

1.09 Construction. For the purposes of this Agreement (a) any reference in this Agreement to gender shall include all genders; (b) any words imparting the singular number only shall include the plural and visa versa; (c) the terms "herein," "hereinafter," "hereof," "hereby" and "hereunder" and words of similar import refer to this Agreement as a whole (including all of the exhibits and schedules hereto) and not merely to a subdivision in which such words appear unless the context otherwise requires; (d) the word "including" or any variation thereof means "including, without limitation" and shall not be construed to limit any general statement that it follows to the specific or similar items or matters immediately following it; (e) any reference in this Agreement to "dollars" or ($) shall mean United States dollars; (f) the word "or" shall not be exclusive; (g) all references to any period of days shall be deemed to be to the relevant number of calendar days unless otherwise specified; (h) all references to an "employee" of the Company Group shall include any natural person that provides personal services to any member of the Company Group, whether or not such natural person is treated as a "partner" (rather than as an employee) for tax and tax withholding purposes; (i) any reference in this Agreement to "writing" or comparable expressions includes a reference to facsimile transmissions or comparable means of communication; and (j) references to any statute or statutory provision shall include a reference to that statute or statutory provision as amended, consolidated or replaced from time to time (whether before or after the date of this Agreement) and include subordinate legislation made under the relevant statute or statutory provision.

ARTICLE II
CAPITALIZATION

2.01 Contributions.

(a) The Managing Member and each Class B Member and Class B-1 Member identified on the Register of Members has the number of Units of such designation as set forth opposite such Member's name and each has been duly admitted to the Company. The Company shall also set forth in its books and records Capital Contributions made by each Member.

(b) At the time of admittance as a Class B Member or Class B-1 Member, each Person being so admitted shall have its name and the number of Units being granted to such Class B Member or Class B-1 Member upon admittance, including any conditions, adjustments or special provisions determined by the Managing Member to be applicable to such Class B Member or Class B-1 Member, added to the Register of Members and shall have its Capital Contributions, if any, recorded in the books and records of the Company. The Managing Member may admit Class B Members or Class B-1 Members and issue Class B Units or Class B-

1 Units for contributions, or on terms and conditions determined by the Managing Member in its sole discretion, it being expressly understood and agreed among the Class B Members and Class B-1 Members that such contribution and such terms and conditions may be different from the corresponding terms and conditions for other Class B Members and Class B-1 Members.

(c) No Member shall be entitled to the return of its Capital Contributions at any particular time.

2.02 Additional Capital Contributions. No Member shall be obligated to make any additional Capital Contributions. In addition, no Member shall be permitted to make additional Capital Contributions of cash or property without the express permission of the Managing Member, which permission may be withheld for any or no reason.

2.03 Members and the Executive Committee Not Liable. None of the Managing Member, any other Member or any member of the Executive Committee shall be liable for any obligation or liability of the Company or for distribution, return or payment of all or any portion of the Capital Contributions or any additions to the Capital Accounts of any Member (or successor, assignee or transferee), it being expressly agreed that any such distribution, return or payment as may be made at any time, or from time to time, shall be made solely from the assets (which shall not include any right of contribution from the Managing Member, any Member or any member of the Executive Committee) of the Company.

2.04 Capital Accounts.

(a) A separate capital account (a "Capital Account") shall be maintained for each Member on the books of the Company.

(b) The Capital Account for each Member will be maintained in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv) and the following provisions:

(1) to such Member's Capital Account there will be credited such Member's Capital Contributions, such Member's distributive share of Company Income and other items of income or gain specially allocated hereunder, and the amount of any Company liabilities that are assumed by such Member or that are secured by any Company assets distributed to such Member;

(2) to such Member's Capital Account there will be debited the amount of cash and the Gross Asset Value of any other property of the Company distributed to such Member pursuant to any provision of this Agreement, such Member's distributive share of Company Losses and other items of loss, expense and deduction specially allocated hereunder, and the amount of any liabilities of such Member that are assumed by the Company or that are secured by any property contributed by such Member to the Company;

(3) in determining the amount of any liability for purposes of this subsection (b), there will be taken into account Section 752(c) of the Code and any other applicable provisions of the Code and the Treasury Regulations; and

(4) such Member's Capital Account will be appropriately adjusted to take into account any adjustments to the Gross Asset Value of Company assets in accordance with the definition of the term "Gross Asset Value" set forth in Section 1.08.

(c) After the date of this Agreement, in the event that all or a portion of any Interest in the Company is Transferred (other than pursuant to the granting of a Lien) in accordance with the terms of this Agreement, the transferee will succeed to the Capital Account of the transferor to the extent such Capital Account relates to the portion of the Interest so Transferred, except to the extent otherwise agreed by the transferor, the transferee and the Managing Member.

(d) No Member shall be entitled to receive any interest on or in respect of any amount credited to his/her/its Capital Account.

(e) Except as otherwise provided in this Agreement, no Member shall have the right to receive a return of any portion of its Capital Account.

ARTICLE III
INCOME AND LOSSES; ALLOCATION; DISTRIBUTIONS

3.01 Allocation of Company Income and Loss. Subject to Section 3.01(d) hereof, Company Income and Company Loss or, to the extent necessary to accomplish the purpose of this Section 3.01, gross items of income, gain, deduction, and loss constituting such Company Income and Company Loss, for each Accounting Period will be allocated to the Members as follows:

(a) *Operating Company Income and Operating Company Loss*. Operating Company Income and Operating Company Loss shall be allocated among the Members in accordance with their respective Sharing Percentage.

(b) *Capital Transaction Company Income and Capital Transaction Company Loss*. Capital Transaction Company Income and Capital Transaction Company Loss shall be allocated among the Members in a manner so as to ensure, to the extent possible, that the Capital Accounts of the Members as of the end of such Accounting Period, as increased by the Members' shares of "partnership minimum gain" and "partner nonrecourse debt minimum gain" (as such terms are used in Treasury Regulations Section 1.704-2) not otherwise required to be taken into account in such Accounting Period, plus any other amount which such Member is deemed obligated to restore pursuant to Treasury Regulations Section 1.704-1(b)(2)(ii)(c), are equal to the aggregate distributions that Member would be entitled to receive (assuming all Units are vested) if all of the assets of the Company were sold for their Gross Asset Values (assuming for this purpose only that the Gross Asset Value of an asset that secures a non-recourse liability for purposes of Treasury Regulations Section 1.1001-2 is no less than the amount of such liability that is allocated to such asset in accordance with Treasury Regulations Section 1.704-2(d)(2)), all liabilities of the Company were repaid from the proceeds of sale and the net remaining proceeds were distributed as of the end of such Accounting Period in accordance with Section 3.03(c)(2).

The allocations made pursuant to Sections 3.01(a) and 3.01(b) are intended to reflect the Members' economic interests in the Company as set forth in Section 3.03, and Sections 3.01(a) and 3.01(b) will be interpreted in a manner consistent with such intention.

(c) For purposes of determining the Company Income, Company Loss, or any other items allocable to any Accounting Period, Company Income, Company Loss and any such other items will be determined on a daily, monthly or other basis (but no less frequently than once annually), as determined by the Managing Member using any permissible method described in Code Section 706 and the Treasury Regulations thereunder; provided that Company Income, Company Loss, and such other items will be allocated at such times as the Gross Asset Values of the Company are adjusted pursuant to subparagraph (c) of the definition of Gross Asset Value in Article I.

(d) The allocations set forth in Section 3.01(a) and (b) are intended to allocate Company Income and Company Loss to the Members in compliance with the requirements of section 704(b) of the Code and the Treasury Regulations promulgated thereunder. If the Managing Member determines that the allocation of Company Income or Company Loss for any period pursuant to the provisions of Section 3.01(a) and (b) does not satisfy the "substantial economic effect safe harbor" of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder (including the minimum gain and partner minimum gain chargeback requirements of §1.704-2 of the Treasury Regulations and the qualified income offset requirement of §1.704-1(b)(2)(ii)(d) of the Treasury Regulations), then notwithstanding anything to the contrary contained in this Agreement, items otherwise included in the computation of Company Income and Company Loss shall be specially allocated in such manner as the Managing Member shall determine to be required by Section 704(b) of the Code and the Treasury Regulations promulgated thereunder; provided, however, that, if the Managing Member exercises its authority to make such allocations, then, notwithstanding the other provisions of this Article III, but subject to section 704(b) of the Code and the Treasury Regulations promulgated thereunder, the Managing Member shall reallocate other items of income, gain, deduction, loss, or other items otherwise included in the computation of Company Income or Company Loss among the Members so as to cause the Members' respective separate Capital Accounts to have balances (or as close thereto as possible) they would have if Company Income and Company Loss and all other items of income, gain, deduction or loss were allocated without reference to the allocations permitted by this Section 3.01(d).

3.02 Tax Allocations.

(a) Allocations for Income Tax Purposes. The income, gains, losses, deductions and credits of the Company shall be allocated for federal, state and local income tax purposes among the Members in the same manner as their corresponding book items were allocated pursuant to Section 3.01. If any Interest is transferred, or is increased or decreased by reason of the admission of a new Member or otherwise, during any Accounting Period, each item of income, gain, loss, deduction, or credit of the Company for such Accounting Period allocable may be allocated based on any method consistent with Section 706(d) of the Code, in the sole discretion of the Managing Member.

(b) Section 704(c) Allocations. Notwithstanding any other provision in this Section 3.02, in accordance with Code Section 704(c) and the Treasury Regulations promulgated thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Company shall, solely for tax purposes, be allocated among the Members so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its fair market value on the date of contribution. If the Gross Asset Value of any Company asset is adjusted pursuant to subparagraph (c) of the definition of Gross Asset Value, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Treasury Regulations thereunder. Allocations pursuant to this Section 3.02(b) are solely for purposes of federal, state and local taxes. As such, they shall not affect or in any way be taken into account in computing a Member's Capital Account or share of Company Income, Company Loss, or other items or distributions pursuant to any provisions of this Agreement.

3.03 Distributions. Subject to applicable Law, any limitations contained elsewhere in this Agreement including Section 8.02, distributions of all capital, earnings, income and other distributable items from the Company:

(a) shall be made at such times as the Managing Member shall determine from time to time;

(b) may take the form of cash, securities or other property, as determined by the Managing Member; and

(c) any distributions determined by the Managing Member to be made shall be made to the Members as follows:

(1) any such amounts other than Capital Transaction Proceeds (as determined by the Managing Member in accordance with the definition of Capital Transaction Proceeds) shall be distributed to the Members holding Units *pro rata* in proportion to their respective Sharing Percentages; and

(2) any Capital Transaction Proceeds shall be distributed to the Members *pro rata* in proportion to their respective Capital Transaction Percentages, subject to the limitations set forth in Section 3.03(d) with respect to Class B-1 Units.

(d) The Class B-1 Units are intended to be treated as Profits Interests and the provisions of this Section 3.03 shall at all times be interpreted in a manner consistent with such intent. Accordingly, (i) the portion of a Member's Capital Account associated with each Class B-1 Unit at the time of its issuance shall be equal to zero and (ii) no Class B-1 Unit shall be entitled to receive distributions pursuant to Section 3.03(c)(2) until a cumulative amount of distributions pursuant to Section 3.03(c)(2) have been made with respect to all Units after the date of issuance of such Class B-1 Unit equal to the "Threshold Value" of such Class B-1 Unit (as determined in good faith by the Managing Member). The Threshold Value with respect to a Class B-1 Unit shall be equal to or greater than the amount that would be distributed pursuant to Section 3.03(c)(2) with respect to all Units outstanding immediately prior to the grant of such Class B-1 Unit (including any Class B-1 Unit with a lower Threshold Value) in a hypothetical transaction

in which the Company sold all of its assets for fair market value and distributed the proceeds therefrom in liquidation pursuant to this Agreement. The Managing Member shall designate a Threshold Value for each Class B-1 Unit in the applicable award agreement for such Class B-1 Unit. The Company and each holder of a Class B-1 Unit shall file all federal income tax returns (and state, local, and foreign tax returns where applicable) consistent with this Section 3.03(d) and the characterization of the Class B-1 Units as Profits Interests, although none of the Managing Member, the Company or any Member makes any representation as to the tax treatment of the Class B-1 Units. The Threshold Value of each Class B-1 Unit shall be appropriately adjusted by the Managing Member in the event of a capital contribution to the Company, a recapitalization of the Company or any similar transaction to ensure that a holder of Class B-1 Units does not become entitled to any distributions not relating to appreciation in the value of, or profits derived by, the Company occurring after the issuance of such holder's Class B-1 Units. The Managing Member shall have the discretion to make any determinations required under this Section 3.03(d), including as to the extent to which a Class B-1 Unit will be excluded from participating in Company distributions on account of this Section 3.03(d). Subject to the foregoing limitations, distributions shall be made to holders of Class B-1 Units without regard to vesting.

Notwithstanding the foregoing provisions of this Section 3.03, the Managing Member may in its sole reasonable discretion determine which Class B-1 Members may participate in a distribution with respect to all or a portion of their Class B-1 Units under this Section 3.03 in order to further the purpose of this Section 3.03. For example, the Managing Member may determine that earnings generated during a prior Fiscal Year should only be distributed with respect to the Class B-1 Units issued and outstanding as of that Fiscal Year, rather than based on the Class B-1 Units issued and outstanding as of a subsequent Fiscal Year.

3.04 Tax Distributions. Notwithstanding Section 3.03 hereof, on or before the date that estimated income taxes are required to be paid, the Managing Member shall determine the Tax Allowance Amount for each Member in respect of such quarter. Upon such determination, the Company shall distribute each Member's Tax Allowance Amount to such Member. All such distributions shall have priority over any distributions pursuant to Section 3.03 hereof. Amounts distributed pursuant to this Section 3.04 shall be treated as distributions for all purposes of this Agreement and shall be offset against and reduce subsequent distributions made pursuant to Section 3.03.

3.05 Restrictions on Distributions. Notwithstanding the provisions of Sections 3.03 and 3.04 hereof to the contrary, no distribution shall be made to the Members if such distribution would (i) violate any contract or agreement to which the Company is then a party or any Law then applicable to the Company, (ii) have the effect of rendering the Company insolvent or (iii) result in the Company having net capital lower than that required by applicable Law. Without limiting the generality of the foregoing, the Company shall not make a distribution to a Member to the extent that at the time of the distribution, after giving effect to the distribution, the aggregate of the liabilities of the Company and liabilities for which the recourse of creditors is limited to specified property of the Company, exceed the fair value of the assets of the Company (including, without limitation, the fair value of the Company's goodwill), except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of the Company only to the extent that the fair value of that property exceeds that liability.

3.06 Withholding. Each Member hereby authorizes the Company to withhold and to pay to any appropriate taxing authority any taxes payable by the Company as a result of such Member's participation in the Company; if and to the extent that the Company shall be required to withhold and pay any such taxes, such Member shall be deemed for all purposes of this Agreement to have received a payment from the Company in the amount of the sum withheld as of the time such withholding is required to be paid to any appropriate taxing authority, which payment shall be deemed to be a distribution to such Member to the extent that the Member is then entitled to receive a distribution.

3.07 Indemnification and Reimbursement for Payments on Behalf of a Member. If the Company is required by law to make any payment to a Governmental or Regulatory Entity that is specifically attributable to a Member or a Member's status as such (including federal withholding taxes, state or local personal property taxes and state or local unincorporated business taxes), then such Member shall indemnify the Company in full for the entire amount paid (including interest, penalties and related expenses). A Member's obligation to indemnify the Company under this Section 3.07 shall survive termination, dissolution, liquidation and winding up of the Company, and for purposes of this Section 3.07, the Company shall be treated as continuing in existence. The Company may pursue and enforce all rights and remedies it may have against each Member under this Section 3.07, including instituting a lawsuit to collect such indemnification, with interest calculated at a rate equal to Prime Rate plus 2% (but not in excess of the highest rate per annum permitted by law).

ARTICLE IV
COSTS AND EXPENSES

4.01 Operating Costs. The Company shall (i) pay, or cause to be paid, all costs, fees, operating expenses and other expenses of the Company (including the costs, fees and expenses of attorneys, accountants or other professionals and the compensation of all personnel providing services to the Company) incurred in pursuing and conducting, or otherwise related to, the activities of the Company, and (ii) in the sole discretion of the Managing Member, reimburse the Managing Member or any member of the Executive Committee, any Administrative Officer, or any Company employee for any out-of-pocket costs, fees and expenses incurred by them in connection therewith. In light of the fact that the Managing Member is the managing member of the Company and provides a means through which Class B Members and Class B-1 Members may exchange their Class B Units and Class B-1 Units for securities of the Managing Member, the Managing Member may cause the Company to pay or bear all expenses of the Managing Member, including, without suggesting any limitation of any kind, costs of securities offerings not borne directly by Class B Members or Class B-1 Members, Board of Directors compensation and meeting costs, cost of periodic reports to its stockholders, litigation costs and damages arising from litigation, accounting and legal costs and franchise taxes, provided that, without limiting the right of the Managing Member to receive distributions pursuant to Sections 3.03 and 3.04, the Company shall not pay or bear any income tax obligations of the Managing Member pursuant to this Section 4.01.

ARTICLE V
MEMBERS

5.01 Liability of Members. Except as otherwise provided by the Act or herein, the debts, obligations and liabilities of the Company, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the Company, and the Members shall not be obligated personally for any such debt, obligation or liability of the Company solely by reason of being a member of the Company.

5.02 Management of Business. The business, property and affairs of the Company shall be managed under the exclusive direction of the Managing Member, which may from time to time delegate duties and authority in accordance with this Agreement to the Executive Committee, to the Administrative Officers or to others to act on behalf of the Company. The Class B Members and Class B-1 Members, in their capacity as members of the Company, shall not take part in the management or control of the Company. No Class B Member or Class B-1 Member shall transact any business for the Company, and none may bind or obligate the Company, unless specifically authorized by the Managing Member or the Executive Committee to do so as part of the delegation of duties to such Class B Member or Class B-1 Member as an Administrative Officer.

5.03 Withdrawal. The Managing Member may not withdraw or resign from the Company. Except as otherwise provided herein, a Class B Member or Class B-1 Member may not withdraw or resign from the Company without the prior written consent of the Managing Member; provided, that at such time as a Class B Member or Class B-1 Member no longer owns any Units, such Class B Member or Class B-1 Member shall cease to be a member of the Company. The resignation or cessation of membership of a Class B Member or Class B-1 Member shall not dissolve the Company.

5.04 Substitute Member.

(a) No Class B Member or Class B-1 Member shall have the right to substitute in his place a purchaser, assignee, transferee, donee, heir, legatee, distributee, or other recipient of interests of such Class B Member or Class B-1 Member (other than in compliance with the provisions of Section 5.04(b) hereof), provided that any purchaser, assignee, transferee, donee, heir, legatee, distributee or other recipient of interests shall be admitted to the Company as a substitute Class B Member or Class B-1 Member with, and only with, the consent of the Managing Member, which consent may be granted or withheld in the sole discretion of the Managing Member. Any such consent by the Managing Member shall be binding and conclusive without the consent of the Class B Members or Class B-1 Members.

(b) No Person shall become a substitute Class B Member or Class B-1 Member until such Person shall have satisfied the following requirements: (i) such Person shall, by written instrument in form and substance reasonably satisfactory to the Managing Member, make representations and warranties to each nontransferring Member (w) with respect to the capacity, power and authority of the transferee to accept and adopt the terms and provisions of this Agreement, (x) that the execution, delivery and performance of this Agreement by the transferee does not require any consent or approval and does not violate any agreement to which

the transferee is a party, (y) that the transferee has not committed any act which could serve as a basis for (I) denial, suspension or revocation of the registration of any investment adviser, including the Company, under Section 203(e) of the Advisers Act or Rule 206(4)-4(b) thereunder, or for disqualification of any investment adviser, including the Company, as an investment adviser to a registered investment company pursuant to Sections 9(a) or 9(b) of the Investment Company Act of 1940, (II) precluding the Company from acting as a fiduciary by operation of Section 411 of the Employee Retirement Income Security Act of 1974, as amended, or (III) the Company failing to qualify as a Qualified Professional Asset Manager within the meaning of Prohibited Transaction Exemption 84-14, and (z) that are otherwise determined by the Managing Member as necessary or desired by the Company in order to comply with securities Laws, and (ii) such Person accepts and adopts the terms and provisions of this Agreement pursuant to a written instrument acceptable to the Managing Member in its sole discretion.

(c) For the purpose of allocating Company Income and Company Losses, a Person with respect to whom the Managing Member has given consent as provided in Section 5.04(a) hereof shall be treated as having become, and shall appear in the records of the Company as, a Member on the date of the Transfer to such Person.

5.05 Power of Attorney. Each of the Class B Members and Class B-1 Members hereby constitutes and appoints the Managing Member his true and lawful representative and attorney-in-fact in his name, place and stead, with full power of substitution, to make, execute, sign, acknowledge and file with respect to the Company:

(a) all instruments which the Managing Member deems appropriate to reflect any duly adopted amendment, change or modification of the Company's Certificate of Formation or this Agreement in accordance with the terms of this Agreement;

(b) any amendment to this Agreement and all such other instruments, documents and certificates, which may from time to time be required by the laws of the State of Delaware, the United States of America (including tax laws and regulations), or any other jurisdiction in which the Company shall determine to do business, or any political subdivision or agency thereof, to effectuate, implement, continue and defend the valid and subsisting existence of the Company as a limited liability company and to be treated as a partnership for tax purposes;

(c) all applications, certificates, certifications, reports or similar instruments or documents required to be submitted by or on behalf of the Company to any Governmental or Regulatory Authority or to any securities or commodities exchange, board of trade, clearing corporation or association or similar institution or to any other self-regulatory organization or trade association; and

(d) all papers which may be deemed necessary or desirable by the Managing Member to effect the dissolution and liquidation of the Company if approved in accordance with the terms of this Agreement;

provided, that no such representative and attorney-in-fact shall have any right, power or authority to amend or modify this Agreement when acting in such capacity. The foregoing Power of Attorney is hereby declared to be a power coupled with an interest and irrevocable, and shall not be revoked by the death of a Class B Member and Class B-1 Member and shall extend to such Member's Permitted Transferees.

5.06 Voting. The Class B Units shall have no voting or consent rights except as set forth in Sections 6.03, 7.01(b), 8.01(a) and 11.01. The Class B-1 Units shall have no voting or consent rights except as otherwise required by Law. If a vote, consent or approval of the Class B Members is required by this Agreement, then each such Class B Member shall have one vote for each Class B Unit held by such Class B Member. Except as otherwise expressly provided for herein, (i) the Class B Members and Class B-1 Members hereby consent to the exercise by the Managing Member of all such powers and rights conferred on each Class B Member and Class B-1 Member by the Act with respect to the management and control of the Company and (ii) if a vote, consent or approval of the Class B Members or Class B-1 Members is required by the Act or other applicable Law with respect to any act to be taken by the Company or matter considered by the Managing Member, each Class B Member and Class B-1 Member agrees that it shall be deemed to have consented to or approved such act or voted on such matter in accordance with the actions of the Managing Member on such act or matter.

5.07 Non-Solicitation/Non Compete.

(a) In consideration of the Class B Units and Class B-1 Units granted and to be granted to the Employee Members from time to time by the Company, each Employee Member agrees that during the entire term of the Non-Compete Period applicable to such Employee Member, such employee shall not, directly or indirectly, whether as an officer, director, owner, partner, investor, member, adviser, representative, consultant, agent, employee, co-venturer or otherwise, provide Investment Advisory Services, except in the performance of his duties with the Company Group, or engage, or assist others to engage, in whole or in part, in any business in competition with the business of the Company Group.

(b) In consideration of the Class B Units and Class B-1 Units granted and to be granted to the Employee Members from time to time by the Company Group, each Employee Member agrees that during the entire term of the Non-Solicitation Period applicable to such Employee Member, such Employee Member shall not, directly or indirectly (other than in the course of performing his duties to the Company Group) (i) solicit the hiring of or hire any employee of the Company Group or any Person who, within the prior six months had been an employee of the Company Group, assist in, or encourage such hiring by any Person or encourage any such employee to terminate or alter his relationship with the Company Group; (ii) in competition with the Company Group, solicit, seek, induce, pursue in any way, or accept a business relationship of any kind with, any Person who is a Client of the Company Group, including by way of indirect or sub-advisory arrangements (such obligation to include the duty of the Employee Member to decline any such offered business activity even if unsolicited); (iii)

otherwise solicit, encourage or induce any Client to terminate or reduce its business or relationship with the Company Group; or (iv) otherwise take any action or have any communication with any Person which purpose is, or the reasonably likely effect of which could be, to cause any such Client to terminate, alter, reduce, modify or restrict in any way its relationship or business with the Company Group.

(c) In the event that the Employee Member, upon notice from the Company of an inadvertent breach of Section 5.07(b) by such Employee Member, promptly pays to the Company all fees and other compensation that are earned by such Employee Member during the Non-Solicitation Period in connection with such breach, such inadvertent breach shall not be treated as a breach resulting in a forfeiture of Class B Units or Class B-1 Units pursuant to Section 6.02(b)(2) or (3).

(d) Each Employee Member acknowledges and agrees that the covenants set forth in this Section 5.07 are reasonable and necessary for the protection of the Company. Each Employee Member further agrees that irreparable injury will result to the Company in the event of any breach of any of the terms of Section 5.07, and that in the event of any actual or threatened breach of any of the provisions contained in Section 5.07, the Company will have no adequate remedy at Law. Each Employee Member accordingly agrees that in the event of any actual or threatened breach by such Employee Member of any of the provisions contained in this Section 5.07, the Company shall be entitled to seek such injunctive and other equitable relief as may be deemed necessary or appropriate by a court of competent jurisdiction, without the necessity of showing actual monetary damages and without posting any bond or other security.

(e) If any court of competent jurisdiction shall at any time deem the term of any particular restrictive covenant contained in this Section 5.07 too lengthy or the geographic scope too extensive, the other provisions of this Section 5.07 shall nevertheless stand, the Non-Compete Period and the Non-Solicitation Period applicable to such Employee Member shall be deemed to be the longest period permissible by applicable Law under the circumstances and the geographic scope shall be deemed to comprise the largest territory permissible by applicable Law under the circumstances. The court in each case shall reduce the Non-Compete Period, the Non-Solicitation Period and/or geographic scope to permissible duration or size.

(f) During the six (6) month period following the termination of employment of a 1% Member with the Company Group, the Managing Member may, in its sole discretion, elect to cause the Company Group to provide base and bonus compensation to such 1% Member at the same rate and the same time as it was then compensating such 1% Member, provided that the bonus component of such compensation applicable to such six (6) month period shall equal 50% (subject to reduction pursuant to the last sentence of this Section 5.07(f)) of the annual bonus earned by such 1% Member most recently prior to such termination of employment and shall be paid in cash promptly following the end of such six (6) month period. In the event the Managing Member elects to provide such 1% Member such compensation, the Non-Compete Period applicable to such 1% Member shall continue until the last day of such six (6) month period. In order to make such election, the Managing Member shall, within five (5) Business Days upon issuing to or receiving from a 1% Member a written notice of termination of employment, notify such 1% Member in writing whether the Company Group will provide such base and bonus compensation for such six (6) month period. If the Managing Member does not

timely make such an election, then the Non-Compete Period shall end when such 1% Member's employment with the Company Group terminates. Notwithstanding the foregoing, to the extent that a 1% Member gives a notice of termination of employment at least fourteen (14) days in advance of such termination, (i) such 1% Members' Non-Compete Period shall be reduced, for up to ninety (90) days, by the number of days elapsed between the date of such notice and the date of the termination of such 1% Member's employment (such number, the "Reduced Number of Days"), (ii) the period during which the Company shall provide compensation pursuant to this Section 5.07(f) shall be reduced by the Reduced Number of Days and (iii) the percentage contained in the proviso to the first sentence of this Section 5.07(f) (including with respect to the annual bonus) shall equal the product of 50% multiplied by a fraction the numerator of which is 182 minus the Reduced Number of Days and the denominator of which is 182.

5.08 Confidentiality; Work for Hire. In consideration of the benefits provided in this Agreement, each Employee Member hereby agrees to the following:

(a) During the entire term of the Employee Member's employment with the Company Group, the Employee Member will have access to and become acquainted with confidential proprietary information of the Company Group, including, without limitation, confidential or proprietary investment methodologies and models, market analysis, trade secrets, know-how, designs, formulae, software programs, proprietary or confidential plans, client identities and relationships, compilations of information, client lists or files, service providers, business operations or techniques, records, specifications, and data owned or used in the course of business by the Company Group (collectively, "Confidential Information"). The Employee Member shall not disclose any of the Confidential Information, directly or indirectly, or use it in any way, either during the Employee Member's employment with the Company Group or at any time thereafter, except as required in the course of the Employee Member's employment by the Company Group. All files, records, documents, drawings, specifications, equipment and similar items relating to the business of the Company Group, whether prepared by the Employee Member or otherwise coming into the Employee Member's possession, will remain the exclusive property of the Company Group, and if removed from the premises of the Company Group will be immediately returned to the Company Group upon any termination of the Employee Member's employment.

(b) Each Employee Member agrees that any and all presently existing investment advisory businesses of the Company Group and all businesses developed by the Company Group, including by the Employee Member or any other employee or agent of the Company Group, including all investment methodologies, all client investment advisory contracts, fees and fee schedules, commissions, records, data, client lists, agreements, trade secrets, and any other incident of any business developed by the Company Group or earned or carried on by the Employee Member for the Company Group, and all trade names, service marks and logos under which the Company Group does business, and any combinations or variations thereof, are and shall be, the exclusive property of the Company Group for its sole use, and (where applicable) shall be, payable directly to the Company Group. In addition, the Employee Member acknowledges and agrees that the investment performance of the accounts managed by the Company Group is attributable to the efforts of the team of professionals of the Company Group (including by the Employee Member during the Employee Member's employment with the Company Group) and not to the efforts of any single individual, and that, therefore, (i) the

performance records of the accounts managed by the Company Group (including by the Employee Member during the Employee Member's employment with the Company Group) are and shall be the exclusive property of the Company Group and (ii) such records may not be used or cited by such Employee Member at any time except as required in the course of the Employee Member's employment by the Company Group or with the prior written consent of the Managing Member.

(c) As used in this Section 5.08, the term "Confidential Information" does not include information that the Employee Member can document (i) becomes or has been generally available to the public other than as a result of the Employee Member's or its representative's disclosure; (ii) was available to the Employee Member on a non confidential basis prior to its disclosure by the Company Group; or (iii) is independently developed or becomes available to the Employee Member on a nonconfidential basis from a source other than the Company Group.

(d) The Employee Member agrees that the Employee Member has not and will not during the term of the Employee Member's employment with the Company Group: (i) improperly use or disclose any proprietary information or trade secrets of any former employer or other Person with which the Employee Member has an agreement or duty to keep in confidence information acquired by the Employee Member, if any; or (ii) bring onto the premises of the Company Group any document or confidential or proprietary information belonging to such employer or Person unless consented to in writing by such employer or Person. The Employee Member will indemnify the Company and hold it harmless from and against all claims, liabilities, damages and expenses, including reasonable attorneys' fees and costs of suit, arising out of or in connection with any violation of the foregoing.

(e) The Employee Member recognizes that the Company Group may have received, and in the future may receive, from third parties their confidential or proprietary information subject to a duty on the Company Group's part to maintain the confidentiality of such information and to use it only for certain limited purposes. The Employee Member agrees that the Employee Member owes the Company Group and such third parties, during the Employee Member's employment by the Company Group and thereafter, a duty to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any Person and to use it in a manner consistent with, and for the limited purposes permitted by, the Company Group's agreement with such third party.

(f) In the event of the Employee Member's termination of employment with the Company for any reason whatsoever, the Employee Member agrees promptly to surrender and deliver to the Company all records, notes, materials, equipment, drawings, documents and data of any nature pertaining to any Confidential Information or to his employment, and the Employee Member will not retain or take with the Employee Member any tangible materials containing or pertaining to any Confidential Information that the Employee Member may produce, acquire or obtain access to during the course of his employment.

(g) Works Made for Hire.

(1) The Employee Member acknowledges that all work performed by the Employee Member for the Company Group, including without limitation copyrights, patents, inventions or any other works (collectively, the "Works"), shall be considered "works made for hire" as defined in the United States Copyright Act, as amended. For purposes of this Agreement, the Company is the Person for whom this work is prepared and is considered the sole and original author of any work done by the Employee Member hereunder. Therefore, the Company owns all of the right, title and interest in and to the Works, and shall have the sole and exclusive right (and may grant to others the right) in perpetuity throughout the universe, to copyright, use, modify, change, adapt or exploit the Works (and permit others to do the same) by any means, for any purpose, in any media, now known or hereafter devised. The Employee Member hereby waives any and all moral rights that he, or any Person working on his behalf, may have pursuant to any Laws or in any jurisdiction regarding the Works.

(2) In the event that a court of competent jurisdiction ever determines that any of the Works are not "works made for hire," then such Works and all rights therein shall be deemed assigned to the Company (and/or its successors or assigns). The foregoing assignment includes all worldwide rights of any kind in and to the Works (whether or not such rights are recognized in the United States or any other country in the world) including, all rights incident to copyright ownership (including renewals or extensions), to claims for damages by reason of past infringement and to the right to sue and recover such damages for the use and benefit of the Company. Upon the Company's reasonable request, the Employee Member agrees to execute additional documents, if any, necessary to evidence, establish, maintain or protect the Company Group's (or its licensees', successors' or assigns') rights in and ownership of the Works and hereby appoints the Company (and its successors or assigns) as his attorney-in-fact to execute such documents.

5.09 New Class B Members and Class B-1 Members and Issuance of Class B Units and Class B-1 Units. Subject to the terms of this Agreement, the Managing Member may admit one (1) or more additional Class B Members or Class B-1 Members or issue additional Class B Units or Class B-1 Units to an existing Class B Member or Class B-1 Member, as applicable, at any time. As determined by the Managing Member, the admission of additional Class B Members or Class B-1 Members may result in dilution of the Interests of the Company's then existing Members. No existing Member shall be entitled to be compensated or reimbursed on account of any such dilution, nor will any Member be entitled to rights of first refusal, pre-emptive rights or any other rights or benefits as a result of the issuance of additional Units to any existing Member or the admission of a new Class B Member or Class B-1 Member. The Managing Member may do all things appropriate or convenient in connection with the issuance of Units or the admission of any additional Class B Member or Class B-1 Member. The admission of an additional Class B Member or Class B-1 Member to the Company shall not dissolve the Company.

5.10 Investment Representations of Members. Each Member hereby represents, warrants and acknowledges to the Company that:

(a) Such Member has all requisite power to execute, deliver and perform this Agreement; the performance of its obligations hereunder will not result in a breach or a violation of, or a default under, any material agreement or instrument by which such Member or any of such Member's properties is bound or any statute, rule, regulation, order or other law to which it is subject, nor require the obtaining of any consent, approval, permit or license from or filing with, any governmental authority or other Person by such Person in connection with the execution, delivery and performance by such Member of this Agreement.

(b) This Agreement constitutes (assuming its due authorization and execution by the other Members) such Member's legal, valid and binding obligation.

(c) Such Member is acquiring its Interest for investment solely for such Member's own account and not for distribution, transfer or sale to others in connection with any distribution or public offering.

(d) Such Member (i) has received all information that such Member deems necessary to make an informed investment decision with respect to an investment in the Company and (ii) has had the unrestricted opportunity to make such investigation as such Member desires pertaining to the Company and an investment therein and to verify any information furnished to such Member.

(e) Such Member understands that such Member must bear the economic risk of an investment in the Company for an indefinite period of time because (i) the Interests have not been registered under the Securities Act and applicable state securities laws and (ii) the Interests may not be sold, transferred, pledged or otherwise disposed of except in accordance with this Agreement and then only if they are subsequently registered in accordance with the provisions of the Securities Act and applicable state securities laws or registration under the Securities Act or any applicable state securities laws is not required.

5.11 Relationship With the Managing Member.

(a) It is the intention of each of the Managing Member and the Class B Members that, unless otherwise determined by the Managing Member, the number of the Class A Shares and Class B Shares outstanding shall at all times equal the number of Class A Units and Class B Units outstanding, respectively, and each of the Company, the Managing Member and the Class B Members agrees to cooperate to give effect to the intent of this Section 5.11(a).

(b) The Managing Member shall not, directly or indirectly, enter into or conduct any business, or hold any assets other than (i) business conducted and assets held by the Company and its Subsidiaries, (ii) the ownership, acquisition and disposition of equity interests of the Company, (iii) the management of the business of the Company and its Subsidiaries, (iv) the offering, sale, syndication, private placement or public offering of shares, bonds, securities or other interests in compliance with this Section 5.11, (v) any activity or transaction contemplated by this Agreement and the Registration Rights Agreement and (vi) such activities as are incidental to the foregoing.

(c) The Managing Member shall not own any assets or take title to assets (other than temporarily in connection with an acquisition prior to contributing such assets to the Company) other than equity interests in the Company and such cash and cash equivalents, bank accounts or similar instruments or accounts as the Board of Directors of the Managing Member deems reasonably necessary for the Managing Member to carry out its responsibilities contemplated under this Agreement.

(d) The Managing Member shall, directly, maintain at all times ownership of all outstanding Class A Units, and shall not permit any Person to possess or exercise a right or ability to remove, replace, appoint or elect the Managing Member of the Company.

(e) If the Managing Member issues any equity securities after the date of this Agreement:

(i) at any time the Managing Member issues any equity securities other than pursuant to the 2007 Plan, the Managing Member shall immediately contribute all the cash proceeds, assets or other consideration or payments received from or in respect of the issuance of securities and from the exercise of any rights contained in any such securities, including from a Class B Member or Class B-1 Member in respect of such issuance (collectively, the "Equity Proceeds") (x) to the Company and the Company shall immediately issue to the Managing Member, in exchange for the Equity Proceeds contributed to the Company and any deemed Capital Contributions pursuant to Section 5.11(e)(iii), (A) in the case of an issuance of a Class A Share, one Class A Unit, and (B) in the case of an issuance of any other equity securities by the Managing Member, a new class or series of units or other equity securities with designations, preferences and other rights, terms and provisions that are substantially the same as those of such Managing Member's equity securities equal in number to the number of the Managing Member's equity securities issued or, (y) if otherwise agreed in writing by the Managing Member and any other Member, to such Member and such Member shall immediately transfer to the Manager, in exchange for such Equity Proceeds, applicable Class B Units held by such Member, which Class B Units shall be automatically converted upon transfer, (A) in the case of an issuance of a Class A Share, one Class A Unit or, (B) in the case of an issuance of any other securities by the Managing Member, a new class or series of units or other equity securities with designations, preferences and other rights, terms and provisions that are substantially the same as those of such Managing Member's equity securities equal in number to the number of the Managing Member's equity securities issued;

(ii) at any time the Managing Member issues a Class A Share pursuant to the 2007 Plan (whether pursuant to the exercise of a stock option or the grant of a stock award or otherwise), (x) the Managing Member shall be deemed to have contributed to the Company an amount of cash equal to the per share closing price of its Class A common stock on the New York Stock Exchange on the trading day immediately prior to the date of such issuance (or, if earlier, on the date the related option is exercised) and shall concurrently transfer the Equity Proceeds, if any, to the Company (such Equity Proceeds shall not constitute a Capital Contribution) and (y) the Company shall be deemed to have purchased from the Managing Member the Class A Shares for the amount of cash deemed contributed by the Managing Member to the Company pursuant to clause (x) above and shall issue one Class A Unit to the Managing Member; and

(iii) in the event of any issuance of Class A Shares by the Managing Member, and the contribution to the Company, by the Managing Member, of the cash proceeds or other consideration or payments received from or in respect of such issuance (including from a Class B Member in respect of such issuance), if the cash proceeds or other consideration or payments actually received by the Managing Member are less than the gross proceeds of such issuance as a result of any underwriter's discount or other expenses paid or incurred in connection with such issuance (after giving effect to any consideration or payments paid by Class B Members in respect of such issuance), the Managing Member shall be deemed to have made a capital contribution to the Company in the amount equal to the sum of the cash proceeds or other consideration or payments of such issuance plus the amount of such underwriter's discount and other expenses paid by the Managing Member, which discount and expense shall be treated as an expense for the benefit of the Company for purposes of Section 4.01.

(f) If, at any time, any Class A Shares (or such other class or series of equity securities) of the Managing Member is to be redeemed by the Managing Member for cash, the Company shall, immediately prior to such redemption, redeem one (1) Class A Unit (or such other class or series of equity securities in the Company) held by the Managing Member, upon the same term and for the same price per Class A Unit (or such other class or series of equity securities in the Company), as such Class A Shares (or such other class or series of equity securities of the Managing Member).

(g) Neither the Company nor the Managing Member shall in any manner subdivide (by split, distribution, reclassification, recapitalization or otherwise) or combine (by reverse split, reclassification, recapitalization or otherwise) their respective class or series of outstanding units and common stock with designations, preferences and other rights, terms and provisions that are substantially the same, unless such class of series of units or common stock are subdivided or combined concurrently in an identical manner.

(h) Each Class B Member shall, concurrently with the execution and delivery of this Agreement or, in the event that any Class B Units are issued by the Company to such Class B Member subsequent to the date hereof, concurrently with such subsequent issuance, (i) execute and deliver to the Managing Member a subscription agreement in form satisfactory to the Managing Member, subscribing to a number of Class B Shares equal to the number of Class B Units held by such Class B Member as of the date hereof or, with respect to a subsequent issuance, the number of Class B Units to be issued to such Class B Member at such subsequent issuance, (ii) pay to the Managing Member consideration for such subscribed Class B Shares at the par value, (iii) if such Class B Member is not a party to the Class B Stockholders Agreement, execute and deliver to the Managing Member a counterpart to the Class B Stockholders Agreement or an additional party signature page thereto and (iv) execute and deliver to the Managing Member such instruments, certificates, agreements and other documents as may be reasonably required by the Managing Member to effect the issuance of such subscribed Class B Shares. The Managing Member shall issue to such Class B Member, upon receipt of the foregoing, the Class B Shares so subscribed.

(i) Notwithstanding the foregoing provisions of this Section 5.11, the Managing Member may incur indebtedness and may take other actions if the Managing Member determines in good faith that such indebtedness or other actions are in the best interests of the Company.

ARTICLE VI
TRANSFER OF UNITS

6.01 Transfer of Units.

(a) No Class B Member or Class B-1 Member or transferee thereof shall, without the prior written consent of the Managing Member, which may be withheld in its sole discretion, create, or suffer the creation of, a Lien in such Member's Units.

(b) The Managing Member shall not Transfer any Class A Units.

(c) No Class B Member or Class B-1 Member shall Transfer, or suffer the Transfer of, such Class B Member's or Class B-1 Member's Units (including by way of indirect transfer resulting from the direct or indirect transfer of control of any entity which is a Class B Member or Class B-1 Member), in whole or in part, nor enter into any agreement as the result of which any Person shall become interested with such Class B Member or Class B-1 Member therein except subject to Section 6.01(d), (i) with the prior written consent of the Managing Member, which may be withheld in its sole discretion, (ii) by last will and testament to: (A) spouses or lineal descendants, (B) inter vivos trusts, (C) family limited partnerships or similar entities or (D) devices for the benefit of spouses and lineal descendants, on the condition in each case that each Transferee thereof expressly acknowledges and agrees in writing that such transferred Interests (or a portion thereof) are subject to this Agreement and all of the terms and conditions hereof, (iii) pursuant to Exhibit B or Exhibit D hereof or (iv) to the Partnership in accordance with the Partnership Agreement.

(d) Except with the written consent of the Managing Member, no Transfer of a Unit shall be permitted (and, if attempted, shall be void *ab initio*) if, in the determination of the Managing Member,

(1) such Transfer is made to any Person who lacks the legal right, power or capacity to own such Unit;

(2) such Transfer would require the registration of such transferred Unit or of any class of Unit pursuant to any applicable United States federal or state securities laws (including, without limitation, the Securities Act or the Exchange Act) or other foreign securities laws or would constitute a non-exempt distribution pursuant to applicable state securities laws;

(3) to the extent requested by the Managing Member, the Company does not receive such legal and/or tax opinions and written instruments (including, without limitation, copies of any instruments of Transfer and such Assignee's consent to be bound by this Agreement as an Assignee) that are in a form satisfactory to the Managing Member, as determined in the Managing Member's sole discretion;

(4) such a Transfer would pose a material risk that the Company would be a "publicly traded partnership" as defined in Section 7704 of the Code;

(5) in the case of a Class B Unit, such transfer shall have been made in accordance with the Class B Stockholders Agreement;

(e) Notwithstanding Section 6.02(b), (i) at any time prior to or following a Transfer of Class B Units by a Class B Member or a Transfer of Class B-1 Units by a Class B-1 Member, the transferring Class B Member or Class B-1 Member, the transferee and the Managing Member may agree in writing, in the sole discretion of each such Person, that all or any portion of the Class B Units or Class B-1 Units that may be forfeited by a Permitted Transferee pursuant to Section 6.02(b) shall instead be forfeited by the Employee Member that transferred such Class B Units or Class B-1 Units; and (ii) with respect to any Class B Units or Class B-1 Units transferred by an Employee Member to a Permitted Transferee prior to the date hereof, such Class B Units shall not be subject to forfeiture by such Permitted Transferee and such Employee Member shall instead forfeit an additional number of Class B Units or Class B-1 Units equal to the number of Class B Units or Class B-1 Units that otherwise would have been forfeited by such Permitted Transferees pursuant to Section 6.02(b) (for example, if an Ordinary Employee Member transferred twenty (20) Class B Units to a Permitted Transferee prior to the date hereof, retained eighty (80) Class B Units and thereafter breached Section 5.07 during the term of his employment, such Ordinary Employee Member shall forfeit twenty five (25) Class B Units and such Permitted Transferee shall not forfeit any Class B Units).

(f) Any purported Transfer of Units not in compliance with this Section 6.01 shall be void and shall not create any obligation of the party of the Company or its Members to recognize such Transfer.

6.02 Vesting and Forfeiture of Units.

(a) Vesting of Units.

(1) Units Held by the Managing Member and the Non-Employee Members. All Class A Units held by the Managing Member and, except as may be agreed in writing by the Managing Member and a Non-Employee Member, all Class B Units held by a Non-Employee Member shall be fully vested and shall not be subject to forfeiture under this Section 6.02 for any reason.

(2) Units Held by Employee Members and their Permitted Transferees. All Class B Units and Class B-1 Units shall be vested or subject to vesting provisions as set forth on the Register of Members or the applicable Award Agreement. Unvested Class B Units and Class B-1 Units shall vest in accordance with the Plan or the applicable Award Agreement under which such Class B Units or Class B-1 Units were issued. Except as may be agreed in writing by the Managing Member and a Class B Member or Class B-1 Member, Class B Units or Class B-1 Units held by a Permitted Transferee of an Employee Member shall vest at the same times as such Class B Units or Class B-1 Units would have vested had such Class B Units or Class B-1 Units continued to be held by such Employee Member.

(3) Forfeiture of Unvested Class B Units and Unvested Class B-1 Units. Except as provided in the Plan pursuant to which an unvested Class B Unit or unvested Class B-1 Unit is issued or as otherwise may be agreed in writing by the Company and a Class B Member or Class B-1 Member, as applicable, all unvested Class B Units and unvested Class B-1 Units held by an Employee Member and all unvested Class B Units or Class B-1 Units transferred by such Employee Member to, and held by, his or her Permitted Transferees, on the date of termination of employment of such Employee Member with the Company Group shall be forfeited upon such termination.

(b) Additional Forfeiture of Class B Units and Class B-1 Units.

(1) Termination for Cause. Subject to Section 6.01(e), in the event that an Employee Member's employment by the Company Group has been terminated for Cause, such Employee Member and each of his or her Permitted Transferees shall each forfeit seventy-five percent (75%) of the number of vested Class B Units and Class B-1 Units and one hundred percent (100%) of the unvested Class B Units and Class B-1 Units held by such Member as of the date of such termination, unless the Board of Directors of the Managing Member, in its sole discretion, determines otherwise.

(2) Initial Managing Principal Breach of Restrictive Covenants. Subject to Section 6.01(e), in the event that an Initial Managing Principal breaches Section 5.07 during the term of his employment with the Company Group or during the three years period following such term of employment, in addition to any forfeiture that may result from the application of Section 6.02(a)(3) (should such breach result in a termination of employment), unless the Board of Directors of the Managing Member, in its sole discretion, determines otherwise, such Initial Managing Principal and each of his or her Permitted Transferees shall each forfeit one hundred percent (100%) of unvested Class B Units, and the excess of (A) fifty (50%) of the number of vested Class B Units held by such Member as of the earlier of (i) the date of such breach and (ii) the date of termination of such Initial Managing Principal's employment with the Company Group over (B) the aggregate number of vested Class B Units (if any) previously forfeited by such Member under this Section 6.03(b)(2).

(3) Ordinary Employee Member Breach of Restrictive Covenants. Subject to Section 6.01(e), in the event that an Ordinary Employee Member breaches Section 5.07 during the term of his or her employment or during the eighteen (18) month period following such term of employment, in addition to any forfeiture that may result from the application of Section 6.02(a)(3) (should such breach result in a termination of employment) , unless the Board of Directors of the Managing Member, in its sole discretion, determines otherwise, such Ordinary Employee Member and each of his or her Permitted Transferees shall each forfeit one hundred percent (100%) of unvested Class B Units and Class B-1 Units, and the excess of (A) 25% of the number of vested Class B Units and Class B-1 Units held by such Member as of the earlier of (i) the date of such breach and (ii) the date of termination of such Ordinary Employee Member's employment with the Company Group over (B) the aggregate number of vested Class B Units and Class B-1 Units (if any) previously forfeited by such Member under this Section 6.03(b)(3).

(c) Consequences of Forfeiture. In the event a Class B Member's Class B Units or a Class B-1 Member's Class B-1 Units are forfeited pursuant to Section 6.02(b), (i) the exact number of Class B Units or Class B-1 Units (if not a whole number) shall be determined by rounding to the nearest whole number of Class B Units or Class B-1 Units, (ii) such Class B Member or Class B-1 Member shall cease to hold such number of Class B Units or Class B-1 Units, (iii) forfeited Class B Units and Class B-1 Units shall be held in the treasury of the Company and thereafter may be awarded pursuant to a Plan and (iv) the Managing Member shall reflect the reduction of the number of units by revising the Register of Members. In addition, such Class B Member shall reasonably cooperate with the Managing Member to assist in the redemption of an equal number of Class B Shares held by such Class B Member.

6.03 Drag Along Rights. If holders of more than 50% of the outstanding Class B Units held by Class B Members (the "Selling Holders") propose to sell to a third party any Class B Units held by such Class B Members (including Class B Units transferred by such Class B Members to, and held by, their Permitted Transferees) (whether such sale is by way of purchase, merger, recapitalization or other form of transaction), then upon (i) the request of the Selling Holders and (ii) the consent of the Managing Member and a Majority in Interest of Class B Members, each other Class B Member and each Class B-1 Member, shall sell the same percentage, as applicable, of the Class B Units or Class B-1 Units beneficially owned by such Class B Member or Class B-1 Member as the percentage to be sold by the Selling Holders to such third party buyer pursuant to the same terms and conditions negotiated by the Selling Holders for the sale of the Class B Units held by the Selling Holders; provided that the price paid per Unit may differ depending upon the applicable class of Unit. For example, if the Selling Holders propose to sell 35% of the Class B Units held by each of them, any other Member shall, upon request of the Selling Holders and the consent of the Managing Member and the Majority in Interest of Class B Members, sell 35% of the Class B Units and Class B-1 Units held by such other Class B Member or Class B-1 Member. Each of the Class B Members and Class B-1 Members agrees to such sale and to execute such agreements, powers of attorney, voting proxies or other documents and instruments as may be necessary or desirable to consummate such sale. Each of the Class B Members and Class B-1 Members further agrees to timely take such other actions as the Managing Member may reasonably request as necessary in connection with the consummation of such sale. Each Class B Member and Class B-1 Member shall be required to make customary representations and warranties in connection with such transfer with respect to his, her or its own authority to transfer his, her or its title to the Class B Units or Class B-1 Units transferred, together with such other representations and warranties with respect to the Company as are made by the Selling Holders in connection with such sale; provided, however, that the liability of each Class B Member and Class B-1 Member with respect to the representations and warranties concerning the Company shall be limited to his pro rata portion of the proceeds paid in such sale. Each Class B Member and Class B-1 Member shall pay his pro rata portion (based on the total value of the consideration received by such Class B Member or Class B-1 Member, as applicable, compared to the aggregate consideration received by all Members in the transaction) of the reasonable out-of-pocket expenses incurred in connection with a sale consummated pursuant to this Section 6.03.

ARTICLE VII
MANAGING MEMBER; EXECUTIVE COMMITTEE; OFFICERS

7.01 Powers of the Managing Member.

(a) The business and affairs of the Company shall be under the sole and exclusive direction, management and supervision of the Managing Member. In addition to all powers provided or permitted by the Laws of the State of Delaware or any other applicable Law, the Managing Member is hereby authorized on behalf of the Company: to expend Company funds in furtherance of the business and purpose of the Company; to admit Members and issue Units for consideration and on terms and conditions in his discretion; to incur obligations for and on behalf of the Company in connection with its business; to open, maintain and close, in the name of the Company, brokerage and bank accounts, and to draw checks or other orders for the payment of money; to borrow or raise moneys for and on behalf of the Company upon such terms and conditions as may be necessary or advisable and without limit as to amount or manner and time of repayment; to issue, accept, endorse and execute promissory notes, drafts, bills of exchange, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness; to hypothecate, mortgage or pledge the whole or any part of the property or credit of the Company, whether at the time owned or thereafter acquired; to repay in whole or in part, refinance, modify or extend any security interest affecting property owned by the Company and, in connection therewith, to execute for and on behalf of the Company any or all extensions, renewals, or modifications of such security interests; to lend funds and other property of the Company either with or without security; to waive any default under any agreement to which the Company is a party; to apply for membership or participation in any exchanges, clearing agencies, trade associations or other organizations and to take any actions and disclose any information necessary or appropriate in connection with such applications; to determine, subject to the provisions of this Agreement, the terms of any offering of Units and the manner of complying with applicable Law and to take any additional action as he shall deem necessary or desirable to effectuate the offering of Units; to prepare, execute, file and deliver any documents, instruments or agreements; to employ such agents, brokers, traders, consultants, advisers, employees, attorneys and accountants as he deems appropriate and necessary to the conduct of the Company, at such rates and fees as it deems necessary or appropriate, whether or not they are associates or Affiliates of the Company or the Managing Member; to obtain insurance for the proper protection of the Company and the Members; to commence or defend any litigation or arbitration involving the Managing Member in its capacity as Managing Member, and to retain legal counsel in connection therewith and to pay out of the assets of the Company any and all liabilities and expenses, including fees of legal counsel, incurred in connection therewith (except if the Managing Member is or becomes liable therefor under Section 7.07 hereof); to take any other action contemplated to be taken by the Managing Member pursuant to this Agreement; and to make such other decisions and enter into any other agreements or take such other action as he believes to be necessary or desirable to carry out the business and purpose of the Company.

(b) Notwithstanding the foregoing, the Managing Member shall not, without the consent of a Majority in Interest of the Class B Members, have the power and authority to effectuate the sale, lease, transfer, exchange or other disposition of all or substantially all of the assets of the Company (including, but not limited to, the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by the Company) or the merger, consolidation, reorganization or other combination of the Company with or into another entity.

7.02 Executive Committee. The Company shall have an executive committee (the "Executive Committee") to which the Managing Member may delegate such power and authority as the Managing Member may determine, subject to the right of Managing Member to revoke or modify such delegation. The Executive Committee shall consist of the Chairman of the Managing Member, together with such other Administrative Officers as may be designated and/or removed by the Chairman. Each member of the Executive Committee shall have one (1) vote in any decision of the Executive Committee. The Executive Committee may act only with majority vote or majority written consent of its members and may act in accordance with such rules and procedures as it may determine from time to time. Initially, Richard S. Pzena, John P. Goetz, A. Rama Krishna and William L. Lipsey shall serve as members of the executive committee.

7.03 Administrative Officers.

(a) The Managing Member may from time to time appoint or remove one (1) or more administrative officers (individually, an "Administrative Officer," and collectively, the "Administrative Officers") from among the employees of the Company to carry out the day-to-day affairs of the Company. No Administrative Officer need be a Member. Each Administrative Officer's title and authority shall be as determined from time to time by the Managing Member.

(b) The Managing Member shall appoint a chief compliance officer of the Company to report directly to the Managing Member (the "Chief Compliance Officer"). The responsibilities of the Chief Compliance Officer shall include (i) recommending to the Managing Member policies and procedures reasonably designed to prevent violation by the Company and its employees of federal securities laws, (ii) administering the policies and procedures adopted and implemented for such purpose and (iii) such other matters as the Managing Member shall prescribe.

7.04 Binding Company. (a) No Class B Member or Class B-1 Member, acting individually in its capacity as such, has the right or authority to act for or bind, or to otherwise assume any obligation or responsibility on behalf of, the Company except as specifically authorized in accordance with this Agreement. The Company may only act and bind itself through:

(i) the action of the Managing Member in accordance with this Agreement;

(ii) the collective action of the members of the Executive Committee if and to the extent authorized by the Managing Member or this Agreement or by the Managing Member; or

(iii) the action of an Administrative Officer if and to the extent authorized by this Agreement, the Managing Member or the Executive Committee in accordance with this Agreement.

7.05 Reliance by Third Parties. Persons dealing with the Company are entitled to rely conclusively upon the power and authority of the Managing Member or the Executive Committee as hereinabove set forth and upon the certificate of the Managing Member or an Administrative Officer (i) as to who the Members hereunder are, (ii) as to the existence or nonexistence of any fact or facts which constitute conditions precedent to acts by the Members or in any other manner germane to the affairs of the Company, (iii) as to who is authorized to execute and deliver any instrument or document on behalf of the Company, (iv) as to the authenticity of any copy of this Agreement and amendments hereto, (v) as to any act or failure to act by the Company or as to any other matter whatsoever involving the Company or any Member (solely with respect to the activities of the Company), or (vi) as to the authority of any Administrative Officer to act. Any corporation, brokerage firm or transfer agent called upon to transfer any securities to or from the name of the Company shall be entitled to rely on instructions or assignments signed or purporting to be signed by a Managing Member or an Administrative Officer without inquiry as to the authority of the person signing or purporting to sign such instructions or assignments or as to the validity of any transfer to or from the name of the Company. At the time of any such transfer, any such corporation, brokerage firm or transfer agent shall be entitled to assume that (i) the Company is then in existence and (ii) that this Agreement is in full force and effect and has not been amended, in each case unless such corporation, brokerage firm or transfer agent shall have received written notice to the contrary.

7.06 Duties of Managing Member, the Executive Committee and Employee Members. During the continuance of the Company, the Managing Member, each member of the Executive Committee and each Employee Member shall devote such time and effort to the Company business as may be necessary to promote adequately the interests of the Company. Failure of any the Managing Member, any member of the Executive Committee or any Employee Member to devote his time, skill and attention to the Company to the extent required pursuant to this Section 7.06 due to illness shall not constitute a breach of his obligation to the Company pursuant to this Section 7.06.

7.07 Liability of Managing Member and the Executive Committee. Notwithstanding anything to the contrary contained herein, a Managing Member or an Executive Committee member, individually, or the Executive Committee, collectively, shall not be liable, responsible or accountable in damage or otherwise to the Company or to any Member, successor, assignee or transferee except by reason of acts or omissions due to fraud or intentional misconduct or that constitute a violation of the implied contractual duty of good faith and fair dealing.

7.08 Indemnification, Reliance and Fiduciary Duty.

(a) Indemnification by the Company. To the fullest extent permitted by applicable Law, the Company shall indemnify, defend and hold any Covered Person harmless from and against any loss, liability, damage, cost or expense, including reasonable attorneys' fees, in defense of any demands, claims or lawsuits against such Covered Person in or as a result of or relating to its capacity, acts or omissions as Managing Member, Executive Committee member, Chief Compliance Officer, Administrative Officer or as an agent, employee, officer, adviser, or consultant, concerning the business, or activities undertaken on behalf of the Company, including any demands, claims or lawsuits initiated by a Member or resulting from or relating to the offer and sale of the Units in the Company, provided that the acts or omissions of such Covered Person are not the result of fraud, intentional misconduct or a violation of the implied contractual duty of good faith and fair dealing, or such a lesser standard of conduct as under applicable Law prevents indemnification hereunder or were taken in the knowledge that such actions were not within the stated purposes and powers of the Company (the "Disabling Conduct").

A Covered Person shall be entitled to receive, upon application, advances to cover the costs of defending any claim or action against such Covered Person; provided, however, that such advances shall be repaid to the Company if such Covered Person violated any of the standards set forth in the preceding paragraph. All rights of a Covered Person shall survive the dissolution of the Company and the death, retirement, removal, dissolution, incompetency or insolvency of such Covered Person, provided that notice of a potential claim for indemnification hereunder is made by or on behalf of such Covered Person seeking such indemnification prior to the time distribution in liquidation of the property of the Company is made pursuant to Section 8.02 hereof.

(b) Reliance. A Covered Person shall be fully protected in relying in good faith upon the records of the Company and upon such information, opinions, reports or statements presented to the Company by any Person (other than such Covered Person) as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company, including information, opinions, reports or statements as to the value and amount of the assets, liabilities, profits, losses, or any other facts pertinent to the existence and amount of assets from which distributions to Members might properly be paid.

(c) Fiduciary Duty. To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duties) and liabilities relating to the Company or to another Member or any Affiliate of another Member, a Covered Person acting pursuant to the terms, conditions and limitations of this Agreement shall not be liable to the Company or to another Member or any Affiliate of another Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they expand or restrict the duties and liabilities of a Covered Person otherwise existing at law or equity, are agreed by the Members to modify to that extent such other duties and liabilities of the Covered Person to the extent permitted by law.

To the fullest extent permitted by applicable law and unless otherwise expressly provided herein, (i) whenever a conflict of interest exists or arises between the Managing Member and the Company or another Member, or (ii) whenever this Agreement or any other agreement contemplated herein provides that the Managing Member shall act in a manner that is fair and reasonable to the Company or any other Member, the Managing Member shall resolve such conflict of interest or take such action, considering in each case the relative interest of the Company, each other Member and the Managing Member, to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. So long as the Managing Member acts, based on the foregoing sentence, in good faith and in a manner consistent with the foregoing sentence, the resolution or action so made or taken by the Managing Member shall not constitute a breach of this Agreement or any other agreement contemplated herein.

Notwithstanding anything to the contrary in the Agreement or under applicable Law, whenever in this Agreement the Managing Member is permitted or required to make a decision or take an action or omit to do any of the foregoing acting solely in its capacity as the Managing Member, the Managing Member shall, except where an express standard is set forth, be entitled to make such decision in its sole discretion (and the words "in its sole discretion" should be deemed inserted therefor in each case in association with the words "Managing Member," whether or not the words "sole discretion" are actually included in the specific provisions of this Agreement), and in so acting in its sole discretion the Managing Member shall be entitled to consider only such interests and factors as it desires, including its own interests, and, except as set forth in the preceding paragraph in the case of a conflict of interest, shall have no duty or obligation to give any consideration to any interest of or factors affecting the Company, any of the Company's Affiliates, any other Member or any other Person. To the fullest extent permitted by applicable Law, if pursuant to this Agreement the Managing Member, acting solely in its capacity as the Managing Member, is permitted or required to make a decision in its "good faith" or under another express standard, the Managing Member shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or otherwise other applicable Law.

The Managing Member may consult with the legal counsel and accountants and any act or omission suffered or taken by the Managing Member on behalf of the Company in furtherance of the interests of the Company in good faith in reliance upon and in accordance with the advice of such counsel or accountants will be full justification for any such act or omission, and the Managing Member will be fully protected in so acting or omitting to act so long as such counsel or accountants were selected with reasonable care.

(d) Insurance. To the fullest extent permitted by Law, the Company may purchase and maintain insurance on behalf of any Covered Person against any liability asserted against such Covered Person, whether or not the Company would have the power to indemnity such Covered Person against such liability under the provision of this Section 7.08.

ARTICLE VIII
DISSOLUTION, LIQUIDATION AND TERMINATION OF THE COMPANY

8.01 Dissolution. The Company shall dissolve upon the first to occur of the following:

(a) a determination by the Managing Member and a Majority in Interest of the Class B Members that the Company should dissolve; or

(b) the entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act.

Upon the dissolution of the Company, no further business shall be done in the Company name except the completion of any incomplete transactions and the taking of such action as shall be necessary for the winding up of the affairs of the Company and the distribution of its assets.

8.02 Liquidation.

(a) Subject to the provisions of Article IX, upon dissolution of the Company, the Managing Member shall (i) cause such of the Company property as the Managing Member shall deem appropriate to be sold in the manner and at the price the Managing Member determines, (ii) determine each Member's Capital Account pursuant to Article III hereof, (iii) determine each Member's pro rata share of Company Income and Company Loss in accordance with Sections 3.01 and 3.02 hereof; and (iv) take the following actions and make the following distributions out of the property of the Company in the following manner and order:

(1) pay all debts and liabilities of the Company and expenses of liquidation in the order of priority provided by Law; and

(2) distribute the remainder of the property in cash to the Members in accordance with Section 3.03(c)(2).

(b) No Member shall be obligated to restore a negative Capital Account.

Anything in the foregoing provisions of this Section 8.02 to the contrary notwithstanding, each Member hereby agrees that any such dissolution or distribution shall be postponed for such period of time as may be required by the Securities and Exchange Commission or any other Governmental or Regulatory Authority having jurisdiction over the Company or its business, and any property of the Company so retained by the Company shall continue at the risk of the Company and be subject to all debts and other obligations of the Company; provided that the Managing Member will use his best efforts to obtain the regulatory approvals necessary to effect such dissolution or distribution.

ARTICLE IX
RESERVES UPON DISSOLUTION

9.01 Reserves. The amount of any distribution upon a dissolution shall be made in cash or in kind or partially in cash, as the Managing Member shall determine, less a reserve determined in the sole discretion of the Managing Member.

9.02 Distribution of Reserves. Any reserve amounts so withheld will be deposited by the Managing Member in an interest bearing account at a major bank headquartered in New York City. Upon determination by the Managing Member that circumstances no longer require the retention of any amount reserved pursuant to this Agreement, the Managing Member shall pay such sum to the Members (or their respective Legal Representative), along with any interest earned on such account, at the earliest practicable time.

ARTICLE X
ACCOUNTING

10.01 Accounts of the Company. The books and records of account of the Company shall be maintained in accordance with GAAP consistently applied and shall be reconciled to comply with the methods followed by the Company for United States Federal income tax purposes, consistently applied. The books and records shall be maintained at the Company's principal office or at a location designated by the Managing Member.

10.02 Annual Reports to Members. Within one hundred twenty (120) days after the end of each Fiscal Year, the Managing Member shall cause to be prepared and mailed to each Member one (1) or more reports setting forth, as of the end of such Fiscal Year, (a) a statement of Company Income and the amount of such Member's Capital Account and, as soon as thereafter practicable, the amount of such Member's share of the Company's taxable income or loss for such Fiscal Year, in sufficient detail to enable him to prepare his federal, state and other tax returns and (b) a balance sheet and statements of operations and cash flows for the Company and its subsidiaries as of and for the Fiscal Year. The financial statements described in this Section 10.02 shall be prepared in accordance with GAAP applied on a consistent basis (except as may be noted therein).

10.03 Tax Returns and Tax Elections.

(a) The Company's accountants shall prepare all federal, state and local tax returns of the Company for each year for which such returns are required to be filed. The Managing Member, in his or its sole discretion, shall determine the accounting methods and conventions under the tax laws of the United States, the several states and other relevant jurisdictions as to the treatment of income, gain, loss, deduction and credit of the Company or any other method or procedure related to the preparation of such tax returns. The Managing Member, in its sole discretion, may cause the Company to make or refrain from making any and all elections permitted by such tax laws, provided that the Company shall make an election under Section 754 of the Code promptly following the date hereof to the extent it does not already have a Code Section 754 in place.

(b) Each Member agrees that, in respect of any year in which he has or had any interest in the Company, he shall not (i) treat, on his individual income tax returns, any item of income, gain, loss, deduction or credit relating to his interest in the Company in a manner inconsistent with the treatment of such item by the Company as reflected on the Form K-1 or other information statement furnished by the Company to such Member for use in preparing his income tax returns or (ii) file any claim for refund relating to any such item based upon, or that would result in, such inconsistent treatment unless such Member has been advised by counsel that treating such item in a manner consistent with the treatment of such item by the Company would subject such Member to penalties under the Code.

10.04 Tax Matters Representative.

(a) The Managing Member, or a Person designated by the Managing Member, shall serve as the "tax matters partner" within the meaning of Section 6231(a)(7) of the Code prior to its amendment by the Revised Partnership Audit Procedures and as the "partnership representative" of the Company for any tax period subject to the provisions of Section 6223 of the Code, as amended by the Revised Partnership Audit Procedures (in each such capacity, the "Tax Matters Representative"), and in such capacity shall represent the Company in any disputes, controversies or proceedings with the Internal Revenue Service or with any state, local, or non-U.S. taxing authority and is hereby authorized to take any and all actions that it is permitted to take by applicable law when acting in that capacity. The Tax Matters Representative shall have all of the rights, authority and power, and shall be subject to all of the obligations, of a tax matters partner/partnership representative to the extent provided in the Code and the Treasury Regulations, and the Members hereby agree to be bound by any actions taken by the Tax Matters Representative in such capacity. The Tax Matters Representative shall represent the Company in all tax matters to the extent allowed by law. Without limiting the foregoing, the Tax Matters Representative is authorized and required to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including administrative and judicial proceedings, and to expend Company funds for professional services and costs associated therewith. Any decisions made by the Tax Matters Representative, including, without limitation, whether or not to settle or contest any tax matter, and the choice of forum for any such contest, and whether or not to extend the period of limitations for the assessment or collection of any tax, shall be made in the Tax Matters Representative's sole discretion. Without limiting the generality of the foregoing, the Tax Matters Representative (i) shall have the sole and absolute authority to make any elections on behalf of the Company permitted to be made pursuant to the Code or the Treasury Regulations promulgated thereunder and (ii) without limiting the foregoing, may, in its sole discretion, make an election on behalf of the Company under Sections 6221(b) or 6226 of the Code, as amended by the Revised Partnership Audit Procedures, as in effect for the first Fiscal Year beginning after December 31, 2017 and thereafter, and (iii) may take all actions the Tax Matters Representative deems necessary or appropriate in connection with the foregoing.

(b) Each Member agrees to provide promptly and to update as necessary at any times requested by the Tax Matters Representative, all information, documents, self-certifications, tax identification numbers, tax forms, and verifications thereof, that the Tax Matters Representative deems necessary in connection with (1) any information required for the Company to determine the scope of Sections 6221-6235 of the Code, as amended by the Revised Partnership Audit Procedures; (2) an election by the Company under Section 6221(b) or 6226 of the Code, as amended by the Revised Partnership Audit Procedures, and (3) an audit or a final adjustment of the Company by a taxing authority. Each Member covenants and agrees to take any action reasonably requested by the Company in connection with an election by the Company under Section 6221(b) or 6226 of the Code, amended by the Revised Partnership Audit Procedures, or an audit or a final adjustment of the Company by a taxing authority (including, without limitation, promptly filing amended tax returns and promptly paying any related taxes, including penalties and interest).

(c) To the extent payments are made by the Company on behalf of or with respect to a current Member, such amounts shall, at the election of the Tax Matters Representative, (i) be applied to and reduce the next distribution(s) otherwise payable to such Member under this Agreement or (ii) be paid by the Member to the Company within thirty (30) days of written notice from the Tax Matters Representative requesting the payment. In addition, if any such payment is made on behalf of or with respect to a former Member, that Member shall pay over to the Company an amount equal to the amount of such payment (including interest and penalties) made on behalf of or with respect to it within thirty (30) days of written notice from the Tax Matters Representative requesting the payment; provided, that, the Tax Matters Representative, in its sole discretion, may request the payment of a lower amount than the total payment (including interest and penalties) made on behalf of and with respect to a former Member.

(d) The Company shall indemnify and hold harmless the Tax Matters Representative from and against any loss, liability, damage, cost or expense (including reasonable attorneys' fees) sustained or incurred as a result of any act or decision concerning Company tax matters and within the scope of the Tax Matters Representative's responsibilities as the Tax Matters Representative. The Tax Matters Representative shall be entitled to rely on the advice of legal counsel as to the nature and scope of its Tax Matters and authority as the Tax Matters Representative, and any act or omission of the Tax Matters Representative pursuant to such advice shall in no event subject the Tax Matters Representative to liability to the Company or any Member.

(e) The provisions contained in this Section 10.4 shall survive the termination of the Company, the termination of this Agreement and, with respect to any Member, the transfer or assignment of any portion of such Member's interest in the Company.

10.05 No Further Rights to Books and Records. Except for the information required to be provided to the Members under this Agreement, no Class B Member or Class B-1 Member shall have the right to demand from the Company, and the Company shall have no obligation to provide to any Class B Member or Class B-1 Member, any books or records of the Company.

ARTICLE XI
MISCELLANEOUS

11.01 Amendments. (a) The terms and provisions of this Agreement (including, for the avoidance of doubt, any Exhibit or Schedule hereto) may be modified or amended at any time and from time to time with the written consent of the Managing Member and a Majority in Interest of the Class B Members, provided that the Managing Member may, without the consent of any of the other Members, amend this Agreement:

(i) to satisfy any requirements, conditions, guidelines or opinions contained in any opinion, directive, order, ruling or regulation of the Securities and Exchange Commission, the Internal Revenue Service or any other U.S. federal or state or non-U.S. governmental agency, or in any U.S. federal or state or non-U.S. statute, compliance with which the Managing Member deems to be in the best interest of the Company;

(ii) (A) to ensure that the Company will not be treated as (x) an association taxable as a corporation for U.S. federal income tax purposes or (y) a "publicly traded partnership" for purposes of Section 7704 of the Code or (B) to comply with the then existing requirements of the Code, final or temporary Treasury Regulations and the rulings of the Internal Revenue Service affecting the treatment of the Company as a partnership for federal income tax purposes;

(iii) to enable the Company to comply with the requirement of the "liquidation value safe harbor" election within the meaning of the proposed revenue procedure of Notice 2005-43, 2005-24 I.R.B. 1, Proposed Treasury Regulations § 1.83-3(1) or Proposed Treasury Regulations § 1.704-1(b) (4)(xii) at such time, if any, as such proposed revenue procedure and Treasury Regulations are promulgated in final or temporary form and made effective as to the Company, and to make any such other related amendments as may be required by pronouncements or final or temporary Treasury Regulations issued by the Internal Revenue Service or Treasury Department after the date of this Agreement and applicable to the Company;

(iv) to make any change necessary, appropriate or desirable to give effect to the express intentions and provisions of Section 5.11, so long as such change does not have a material adverse effect or result in a material adverse change to the rights or obligations of any sub-class or group of Class B Members specified in Section 1.05 singularly or the Class B Members as a whole;

(v) to change the name of the Company; or

(vi) to make any other change that is for the benefit of, or not adverse to the interests of, the Class B Members.

(b) Notwithstanding the provisions of Section 11.01(a), no modification of or amendment to this Agreement shall be made that will:

(i) materially and adversely affect the rights of a Class B Member or Class B-1 Member in a manner that discriminates against such Class B Member or Class B-1 Member vis-à-vis the other Class B Members or Class B-1 Members, as applicable, or increase the Capital Contribution obligations of a Class B Member or Class B-1 Member, without the written consent of such Class B Member or Class B-1 Member, as applicable;

(ii) modify or amend Sections 5.07, 5.08 or 6.02 in a manner adverse to any Employee Member without the written consent of either (x) such Employee Member or (y) a Super Majority in Interest of the Class B Members, provided, that (A) no such modification or amendment pursuant to clause (y) of this Section 11.01(b)(ii) shall be effective unless each Employee Member adversely affected thereby shall have received at least sixty (60) days' prior notice thereof, (B) any such modification or amendment shall only apply to such Employee Member if such Employee Member is an employee of the Company Group at the end of such sixty (60) day period and (C) any Employee Member who resigns during such sixty (60) day notice period shall be subject to such sections as in effect prior to such amendment or modification, provided, further, however, that the Managing Member may, without the consent of any of the other Members, modify or amend Sections 5.07, 5.08 or 6.02 in a manner that applies solely to Members admitted following the time of such amendment; or

(iii) modify or amend the requirement in any provision of this Agreement (including this Section 11.01) calling for the consent, vote or approval of a Majority in Interest of the Class B Members, of a Super Majority in Interest of the Class B Member or of a Class B Member, without the written consent of such Majority in Interest of the Class B Members, such Super Majority in Interest of the Class B Members or such Class B Member, as the case may be.

11.02 Severability. If any term, provision, agreement, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, agreements, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not effected in any manner materially adverse to any party. Upon such a determination, the parties hereof shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

11.03 Notices. All notices to the Company shall be addressed to its principal office. All notices addressed to a Member or his Legal Representative or to the Members as a group shall be addressed to such Member or Legal Representative or Members at the address of such Member or Legal Representative for the Members set forth on the Register of Members. Any Member or the Legal Representative of any Member may designate a new address by notice to such effect given to the Company. All notices and other communications to be given to a Member or his Legal Representative shall be sufficiently given for all purposes hereunder (a) when received, if in writing and delivered by hand, (b) two (2) Business Days following deposit with a nationally recognized courier or overnight delivery service, (c) three (3) days after being mailed by certified or registered mail, return receipt requested, with appropriate postage prepaid, or (d) when sent, if sent in the form of an e-mail message or facsimile if receipt thereof is confirmed by telephone.

11.04 No Waiver. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other subsequent breach or condition, whether of like or different nature.

11.05 Copy on File. Each Member hereby agrees that one executed counterpart of this Agreement or set of executed counterparts shall be held at the principal office of the Company, that a Certificate of Formation and all amendments thereto shall be filed in the Office of the Secretary of State of Delaware and copies thereof shall be held at the principal office of the Company and that there shall be distributed to each Member, upon the request of such Member, a conformed copy of this Agreement, as amended from time to time.

11.06 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

11.07 Binding Effect. Except as otherwise provided in this Agreement, every covenant, term, and provision of this Agreement shall be binding upon and inure to the benefit of the Members and their respective heirs, personal representatives, successors, permitted transferees and permitted assigns.

11.08 Entire Agreement. This Agreement constitutes the full and entire understanding and agreement, whether written or oral, among the parties with regard to the subject matter of this Agreement and supersedes all prior agreements and understandings with respect to such subject matter.

11.09 Other Activities. Neither the Company nor any Member (or any Affiliate of any Member) shall have any right by virtue of this Agreement either to participate in or to share in any other now existing or future ventures, activities or opportunities of any of the other Members or their Affiliates, or in the income or proceeds derived from such ventures, activities or opportunities.

11.10 Further Assurances. Each Member agrees to execute and deliver any and all additional instruments and documents and do any and all acts and things as may be necessary or expedient to effectuate more fully this Agreement or any provisions hereof or to carry on the business contemplated hereunder.

11.11 Counterparts. This Agreement may be executed in one or more counterparts, including counterparts executed by additional Class B Members or Class B-1 Members admitted to the Company, and each of such counterparts shall, for all purposes, be deemed to be an original, but all of such counterparts shall constitute one and the same instrument.

11.12 Table of Contents and Captions Not Part of Agreement. The table of contents and captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provisions hereof.

11.13 Waiver of Right to Partition. Each of the Members irrevocably waives during the term of the Company any right that such Member may have to maintain any action for partition with respect to the property and assets of the Company, and hereby agrees not to file a bill for a membership accounting or otherwise proceed adversely in any manner whatsoever against the other Members or the Company, except for bad faith, gross negligence, fraud, intentional misconduct or violation of this Agreement.

[Signatures on next page]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of this 30th day of December, 2019.

MANAGING MEMBER:

PZENA INVESTMENT MANAGEMENT, INC.

BY:/s/ Richard S. Pzena
Name: Richard S. Pzena
Title: Chief Executive Officer

CLASS B MEMBERS:

PZENA INVESTMENT MANAGEMENT, INC., as Attorney-in-Fact for each of the Class B Members

BY:/s/ Richard S. Pzena
Name: Richard S. Pzena
Title: Chief Executive Officer

Exhibit A

2006 Plan

Exhibit B

EXCHANGE RIGHTS OF CLASS B MEMBERS

ARTICLE I
GENERAL PROVISIONS

1.01. General. This Exhibit B is a part of the Amended and Restated Operating Agreement of Pzena Investment Management, LLC, dated as of [•] , 2019 (the "Agreement"). Capitalized terms used in this Exhibit B have the respective meanings given to them in Section 1.2 hereof or, if not defined therein, in Section 1.08 of the Agreement. Except as otherwise provided herein, references to Sections in this Exhibit B shall be references to Sections of this Exhibit B. In the event that the Company is dissolved pursuant to the Agreement, any exchange right provided in this Exhibit B shall expire on the final distribution of the assets of the Company.

1.02 Certain Definitions. As used in this Exhibit, the following terms shall have the following meanings:

"Annual Period" shall mean (a) the First Period and (b) each annual period beginning on a date after the First Period and ending on an annual anniversary of the IPO Date.

"Certificate" shall mean the Amended and Restated Certificate of Incorporation of Pzena Inc., filed with the Secretary of State of the State of Delaware on October 30, 2007, as thereafter amended from time to time.

"Class A Shares" shall mean shares of Class A Common Stock of Pzena Inc.

"Class B Shares" shall mean shares of Class B Common Stock of Pzena Inc.

"Closing" has the meaning set forth in Section 2.4(a).

"Closing Date" has the meaning set forth in Section 2.4(a).

"Employee Member Group" has the meaning set forth in Section 2.2(a)(i).

"Exchange" shall mean the exchange by a Class B Member of one or more Class B Units for an equal number of Class A Shares pursuant to the provisions of this Exhibit B.

"Exchange Date" has the meaning set forth in Section 2.3(a).

"Exchange Notice" has the meaning set forth in Section 2.1(b).

"Exchange Request" has the meaning set forth in Section 2.3.

"First Effective Date" shall mean the first effective date of a registration statement on Form S-3 filed by Pzena Inc.

"First Period" shall mean the period commencing on the First Effective Date and ending on the second anniversary of the IPO Date.

"Issued Incentive Units" shall mean the following Class B Units issued after October 30, 2007 and prior to March 5, 2012: (i) 403,036 Class B Units granted pursuant to the Company's Amended and Restated 2006 Equity Incentive Plan, and (ii) the 216,501 Class B Units granted pursuant to the Company's Amended and Restated Bonus Plan.

"IPO Date" shall mean the date of the closing of the initial public offering of the Class A Shares.

"Registration Rights Agreement" shall mean the Resale and Registration Rights Agreement, dated as of October 30, 2007, by and among Pzena Inc. and the Holders named on the signature pages thereto.

ARTICLE II
EXCHANGE

2.01. Exchange Dates; Exchange Notices.

(a) The Managing Member shall establish one or more dates in each Annual Period as a date on which the Class B Members shall be permitted to Exchange their Class B Units (such date, an "Exchange Date"), provided that the Managing Member may, by notice to each Class B Member, postpone any Exchange Date one or more times. For the avoidance of doubt, the Managing Member may establish as many Exchange Dates as it shall determine in its sole discretion.

(b) The Managing Member shall provide, in respect of at least one (1) Exchange Date in each Annual Period, a written notice (an "Exchange Notice") to all Class B Members at least fifteen (15) calendar days prior to such Exchange Date. In respect of any other Exchange Date within such Annual Period, the Managing Member may provide an Exchange Notice to one or more Class B Members such number of days prior to such Exchange Date as the Managing Member may determine in its sole discretion.

(c) The Managing Member may permit, in writing or orally, one or more Class B Members to submit Exchange Requests, such permission to be granted, withheld or granted on such terms and conditions as determined by the Managing Member in its sole discretion.

2.02 Permissible Exchanges by Class B Members.

(a) Employee Members.

(1) General Rule. Subject to Sections 2.2(a)(ii) and (iii), 2.2(c) and 2.5, during any Annual Period commencing on or following the First Effective Date and until the date of termination of employment of an Employee Member, each Employee Member and all Permitted Transferees of such Employee Member (collectively, the "Employee Member Group") shall be permitted collectively to Exchange a number of vested Class B Units in an amount of up

to fifteen percent (15%) of the aggregate number of vested and unvested Class B Units held by such Employee Member Group as of the first day of such Annual Period in which the applicable Exchange occurs, provided that, in the event the members of an Employee Member Group submit requests to Exchange a number of vested Class B Units that is greater than the number permitted under this Section 2.2(a)(i) and such members are unable to resolve any dispute among themselves as to the number of Class B Units that each member may Exchange within five (5) Business Days of notice by the Managing Member of such dispute, then each member of such Employee Member Group shall be permitted to Exchange a number of vested Class B Units in an amount of up to fifteen percent (15%) of the vested and unvested Class B Units held by such member of such Employee Member Group as of the first Business Day of such Annual Period.

(2) Initial Managing Principals. Notwithstanding Section 2.2(a)(i) but subject to Sections 2.2(c) and 2.5, during the period beginning on the day following the date of termination of employment of an Initial Managing Principal and ending on and including the third anniversary of such date, no Initial Managing Principal, nor any Permitted Transferee of such Initial Managing Principal, may Exchange vested Class B Units held by such Initial Managing Principal or such Permitted Transferee, as the case may be. Thereafter, an Initial Managing Principal and his Permitted Transferees shall be permitted to Exchange any or all of the vested Class B Units held by such Initial Managing Principal and his Permitted Transferees.

(3) Ordinary Employee Members. Notwithstanding Section 2.2(a)(i) but subject to Sections 2.2(c) and 2.5, (A) during the period beginning on the day following the date of termination of employment of an Ordinary Employee Member and ending on and including the first anniversary of such date, no Ordinary Employee Member, nor any Permitted Transferee of such Ordinary Employee Member, may Exchange vested Class B Units held by such Ordinary Employee Member or such Permitted Transferee, as the case may be and (B) beginning on the day following the first anniversary of the date of termination of employment of an Ordinary Employee Member and ending six months thereafter, if an Exchange Date occurs during such six month period, an Ordinary Employee Member, and each Permitted Transferee of such Ordinary Employee Member, shall be permitted to Exchange any number of vested Class B Units, provided that, except as may be agreed in writing by the Managing Member, such Ordinary Employee Member shall continue to hold throughout such period at least twenty-five percent (25%) of the aggregate number of vested and unvested Class B Units held by such Ordinary Employee Member and all Permitted Transferees of such Ordinary Employee Member on the date of termination of employment of such Ordinary Employee Member. Thereafter, an Ordinary Employee Member and all Permitted Transferees of such Ordinary Employee Member shall be permitted to Exchange any or all of the vested Class B Units held by such Ordinary Employee Member and such Permitted Transferees.

(b) Non-Employee Members. Subject to Sections 2.2(c) and 2.5, during any Annual Period that begins on the First Effective Date and ends on the third anniversary of the IPO Date, each Non-Employee Member shall be permitted to Exchange a number of vested Class B Units in an amount up to fifteen percent (15%) of the aggregate number of vested and unvested Class B Units held by such Non-Employee Member as of the first day of such Annual Period in which the applicable Exchange occurs. Following the third anniversary of the date hereof, each Non-Employee Member shall be permitted to Exchange any or all of the vested Class B Units held by such Non-Employee Member on an applicable Exchange Date.

(c) Exceptions. Notwithstanding Section 2.2(a) and (b), (i) following the First Effective Date, the Managing Member may permit any Class B Member to exchange vested Class B units in amounts exceeding those described in Section 2.2(a) and (b), which permission may be withheld, delayed, or granted on such terms and conditions as the Managing Member may determine in its sole discretion and (ii) in the event that the amount of income taxes payable by a member of an Employee Member Group due to the grant or vesting of Class B Units, the exercise of options to acquire Class B Units and/or the Exchange of Class B Units for Class A Shares (whether or not such member is or was an employee of the Company Group at the time that such tax payment obligation arises) exceeds the net proceeds such member would receive upon the sale of the Class A Shares issued to such member in exchange for vested Class B Units pursuant to this Section 2.2(a), as reasonably determined by the Managing Member based upon such reasonable simplifying assumptions as the Managing Member may make, such member shall instead be entitled to Exchange for Class A Shares the number of vested Class B Units such that the net proceeds from the sale of such Class A Shares would enable such member to satisfy such tax obligations, as reasonably determined by the Managing Member.

(d) Restrictions on Class A Shares. Each Class B Member hereby acknowledges and agrees that (i) neither the Company nor the Managing Member shall have any obligation to deliver Class A Shares that have been registered under the Securities Act, and (ii) the Company reserves the right on any Exchange Date to provide registered Class A Shares, unregistered Class A Shares or any combination of thereof, as it may determine in its sole discretion. The Managing Member and the Company reserve the right to cause certificates evidencing such Class A Shares to be imprinted with legends as to restrictions on transfer that it may deem necessary or appropriate, including legends as to applicable U.S. federal or state securities laws or other legal or contractual restrictions and may require any Class B Member to which Class A Shares are to be distributed to agree in writing (i) that such Class A Shares will not be transferred except in compliance with such restrictions and (b) to such other matters as the Managing Member may deem reasonably necessary or appropriate in light of applicable law and existing agreements.

(e) Unvested Class B Units. For the avoidance of doubt, a Class B Member may not Exchange any unvested Class B Units at any time.

(f) Notwithstanding anything else in this Section 2.02, this Exhibit or the Agreement, (i) no Class B Units may be exchanged until the first day after the first anniversary of the date or original issuance of each Class B Unit, and (2) none of the Issued Incentive Units may be exchanged until March 6, 2013.

(g) Notwithstanding anything else to the contrary in paragraphs (a) or (b) of this Section 2.02 or Section 2.01 of this Exhibit B, (i) the Company may grant Class B Units-based awards under any of the Plans after November 1, 2014 (a "Future Plan Award") pursuant to an award agreement between the Company and the grantee whereby the Company and the grantee agree that the first Exchange Date on which the grantee may exchange any vested Class B Units comprising or underlying any such Future Plan Award (the "Delayed Exchange Units") shall be seven or more years after the date of grant of such Future Plan Awards (the "Delayed Exchange Date"), (ii) up to all vested Delayed Exchange Units may be exchanged on the applicable Delayed Exchange Date or any subsequent Exchange Date established by the

Managing Member for the exchange of all vested Delayed Exchange Units or for exchanges of Class B Units by all Class B Members, irrespective of the 15% limitation referred to in paragraphs (a) or (b) of Section 2.02 of Exhibit B, and (iii) with respect to any Exchange Dates occurring before the Delayed Exchange Date, the Delayed Exchange Units shall not be considered held by the grantee for purposes of determining the total number of vested and unvested Units held by the grantee under Section 2.02(a)(1).

2.03. Exchange Request. Upon receiving the Exchange Notice or as permitted by the Managing Member pursuant to Section 2.1(c), a Class B Member may submit a request to effect an Exchange by delivering to the Company, not less than fourteen (14) calendar days prior to an Exchange Date (or such lesser number of days as the Managing Member may permit in its sole discretion), a written notice (the "Exchange Request"). An Exchange Request shall set forth the number of Class B Units such Class B Member elects to exchange for Class A Shares at the Closing on such Exchange Date. The Class B Member shall represent to each of the Company and the Managing Member that such Class B Member owns the Class B Units to be delivered at such Closing pursuant to Section 2.6, free and clear of all Liens, except as set forth therein, and, if there are any Liens identified in the Exchange Request, such Class B Member shall covenant that such Class B Member will deliver at the applicable Closing evidence reasonably satisfactory to the Company and the Managing Member, that all such Liens have been released. An Exchange Request is not revocable or modifiable, except with the written consent of the Managing Member and the Class B Member that submitted the request.

2.04. Closing Date.

(a) If an Exchange Request has been timely delivered pursuant to Section 2.3, then, on the next Exchange Date (as may be extended pursuant to this Section 2.4, the "Closing Date"), the parties shall effect the closing (the "Closing") of the transactions contemplated by this Article II at the offices of Pzena Inc. at 320 Park Avenue, 8th Floor, New York, NY 10022, or at such other time, at such other place, and in such other manner, as the applicable parties to such Exchange shall agree in writing; provided, however, that, except as may be determined otherwise by the Company in its sole discretion, if an applicable Exchange Date falls on a day during which directors, officers or other employees of Pzena Inc. or any of its affiliates are prohibited by the trading policies of Pzena Inc. from disposing of equity securities of Pzena Inc., then with respect to all requested Exchanges, the Closing Date shall instead be deemed to be the first Business Day after such Exchange Date that such officers and directors are allowed to dispose of equity securities of Pzena Inc. pursuant to the trading policies of Pzena Inc.

(b) No Exchange shall be permitted (and, if attempted, shall be void ab initio) if, in the good faith determination of the Managing Member, such an Exchange would pose a material risk that the Company would be a "publicly traded partnership" as defined in Section 7704 of the Code.

2.05. Closing Conditions.

(a) The obligations of any of the parties to consummate an Exchange pursuant to this Article II shall be subject to the conditions that there shall be no injunction, restraining order or decree of any nature of any Governmental or Regulatory Authority that is then in effect that restrains or prohibits the Exchange of Class B Units or the transfer of Class B Shares for redemption.

(b) The obligations of the Company and the Managing Member to consummate an Exchange pursuant to this Article II with respect to a Class B Member Exchanging Class B Units at such Closing shall be subject to the following conditions:

(1) Such Class B Member shall have taken all actions reasonably requested by Pzena Inc. to permit the automatic redemption, immediately following the Closing, of a number of Class B Shares equal to the number of Class B Units being Exchanged by such Class B Member at such Closing (including delivery to the Company of certificates evidencing such number of Class B Shares and confirmation that any Liens on such Class B Shares shall have been released); and

(2) If such Class B Member is not a party to the Registration Rights Agreement, such Class B Member shall have executed and delivered a counterpart signature page of the Registration Rights Agreement.

(c) The obligations of each Class B Member exchanging Class B Units at such Closing shall be subject to the following conditions:

(1) Pzena Inc. shall have taken all actions reasonably required to permit the automatic redemption, immediately following the Closing, of a number of Class B Shares held by such Class B Member equal to the number of Class B Units being Exchanged by such Class B Member at such Closing; and

(2) If such Class B Member is not a party to the Registration Rights Agreement, Pzena Inc. shall have executed and delivered a copy of the Registration Rights Agreement.

2.06. Closing Deliveries. At each Closing, the Company, the Managing Member and each Class B Member that has submitted an Exchange Request in respect of such Closing shall deliver the following:

(a) each such Class B Member shall deliver an instrument of transfer, substantially in the form of Annex A hereto or otherwise in form reasonably satisfactory to the Managing Member, sufficient (i) to transfer to the Company the number of vested Class B Units set forth in the Exchange Request of such Class B Member and (ii) in the case of an Employee Member, to affirm that such Class B Member agrees to comply with the covenants contained in Section 5.07 and 5.08 of the Agreement as may be applicable to such Employee Member at that time;

(b) if applicable, each such Class B Member shall deliver evidence reasonably satisfactory to the Company and the Managing Member, that all Liens on such Class B Member's Class B Units delivered pursuant to this Section 2.6 have been released;

(c) the Managing Member shall deliver to the Company a certificate or book-entry credit issued in the name of each such Class B Member representing an amount of Class A Shares equal to the number of Class B Units such Class B Member elected to Exchange; and

(d) the Company shall deliver to each such Class B Member a certificate or book-entry credit representing an amount of Class A Shares equal to the number of such Class B Units such Class B Member elected to Exchange.

2.07. Expenses. Each party hereto shall bear such party's own expenses in connection with the consummation of any of the transactions contemplated hereby, whether or not any such transaction is ultimately consummated.

2.08 Termination of Class B Membership; Cancellation of Class B Units; Issuance of Class A Units. Upon consummation of each Closing contemplated by this Article II, each Class B Unit transferred to the Company at such Closing shall be cancelled, the Company shall issue one Class A Unit to the Managing Member in respect of each such Class B Unit that was transferred and surrendered, and the Managing Member shall modify the Register of Members to reflect such cancellation and issuance. In the event that, as a result of an Exchange a Class B Member shall cease to hold any vested or unvested Class B Units, such Class B Member shall cease to be a "member" of the Company for any purpose under the Agreement or the Act.

2.09 Tax Treatment. As required by the Code and the Regulations: (i) the parties shall report an Exchange consummated hereunder as a taxable sale of Class B Units by a Class B Member to the Company (in conjunction with an associated cancellation of Class B Shares) and (ii) no party shall take a contrary position on any income tax return, amendment thereof or communication with a taxing authority.

2.10 Amendments. This Exhibit B may not be amended except as set forth in Section 11.01 of the Agreement.

ANNEX A

INSTRUMENT OF TRANSFER

This INSTRUMENT OF TRANSFER (this "Instrument") is made as of the Applicable Date by the undersigned (the "Transferor"). Capitalized terms used but not otherwise defined herein shall have the meanings set forth on the signature page to this Instrument and, if not defined therein, in the Amended and Restated Operating Agreement (as amended or modified, the "Operating Agreement") of the Pzena Investment Management, LLC, a Delaware limited liability company (the "Company").

W I T N E S S E T H

WHEREAS, Transferor is the owner of the Applicable Number of vested Class B Units (the "Transferred Units") and a party to the Operating Agreement; WHEREAS, Transferor has submitted to the Company an Exchange Request, dated as of the Exchange Request Date, electing to exchange (the "Exchange") the Transferred Units for an equal number of Class A Shares of Pzena Inc. (the "Exchange Shares"); and WHEREAS, in connection with the Exchange, Transferor desires to transfer to the Company all of Transferor's right, title and interest in, to and under the Transferred Units. NOW, THEREFORE, in consideration of the promises and mutual covenants set forth herein and in the Operating Agreement and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledges, Transferor hereby agrees as follows:

1. Transfer. Transferor hereby transfers, assigns and delivers to the Company, free and clear of all Liens, all of Transferor's right, title and interest in, to and under the Transferred Units.

2. Representations and Warranties. Transferor hereby represents and warrants to the Company as follows:

(a) Transferred Units. Immediately prior to giving effect to the transfer contemplated by this Instrument, Transferor owns, beneficially and of record, the Transferred Units free and clear of any Liens.

(b) Authority of Transferor. If Transferor is not a natural person, Transferor is duly formed or organized, validly existing and in good standing under the laws of the jurisdiction in which Transferor was formed or organized. Transferor has full right, authority, power and legal capacity to enter into this Instrument and each agreement, document and instrument to be executed and delivered by Transferor pursuant to, or as contemplated by, this Instrument and to carry out the transactions contemplated hereby and thereby. This Instrument and each agreement, document and instrument executed and delivered by Transferor pursuant to, or as contemplated by, this Instrument constitutes, or when executed and delivered will constitute, the legal, valid and binding obligations of Transferor enforceable in accordance with their respective terms. The execution, delivery and performance by Transferor of this Instrument and each such other agreement, document and instrument:

(i) does not and will not violate any laws applicable to Transferor, or require Transferor to obtain any approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made;

(ii) does not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of, any agreement, contract, instrument, lien, security interest, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which Transferor is a party or by which the property of Transferor is bound or affected, or result in the creation or imposition of any Lien on any of the assets of Transferor; and

(iii) in the event that Transferor is not a natural person, does not and will not violate any provision of any organization document of Transferor.

3. Employee Member Acknowledgement. In the event Transferor is an Employee Member, Transferor hereby acknowledges that he or she is receiving a significant economic benefit by Exchanging the otherwise illiquid Transferred Units into the Exchange Shares and therefore reaffirms his or her obligation to comply with the restive covenants contained in Sections 5.07 and 5.08 of the Operating Agreement as may be applicable to such Employee Member on and following the date hereof.

4. Further Assurance. Transferor hereby agrees to execute and deliver such further agreements and instruments and take such other actions as may be necessary to make effective the transfer contemplated by this Instrument.

5. Successors and Assigns. This Instrument shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto.

6. Governing Law. This Instrument shall be governed by and construed and enforced in accordance with the law of the State of Delaware, without regard to principles of conflict of laws.

7. Descriptive Headings. The descriptive headings in this Instrument are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provision of this Instrument.

8. Counterparts. This Instrument may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

9. Entire Agreement. This Instrument and any other schedules, certificates, lists and documents referred to herein, and any documents executed by any of the parties simultaneously herewith or pursuant thereto, constitutes the entire agreement of the parties hereto, except as expressly provided herein, and supersedes all prior agreements and understandings, discussions, negotiations and communications, written and oral, among the parties with respect to the subject matter hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, intending to be legally bound hereby, Transferor has executed this Instrument as of the Applicable Date.

TRANSFEROR:

_____

Name:

Acknowledged and accepted
as of the Applicable Date by:

PZENA INVESTMENT MANAGEMENT, LLC

_____

Name:
Title:

Certain Defined Terms

Applicable Date: _____

Transferor: _____

Applicable Number: _____

Exchange Request Date: _____

[Signature Page to Instrument of Transfer]

Exhibit C

Registration Rights Agreement

Exhibit D

EXCHANGE RIGHTS OF CLASS B-1 MEMBERS

ARTICLE I
GENERAL PROVISIONS

1.01. General. This Exhibit D is a part of the Amended and Restated Operating Agreement of Pzena Investment Management, LLC, dated as of [_____], 2019 (the "Agreement"). Capitalized terms used in this Exhibit D have the respective meanings given to them in Section 1.02 hereof or, if not defined therein, in Section 1.08 of the Agreement. Except as otherwise provided herein, references to Sections in this Exhibit D shall be references to Sections of this Exhibit D. In the event that the Company is dissolved pursuant to the Agreement, any exchange right provided in this Exhibit D shall expire on the final distribution of the assets of the Company.

1.02 Certain Definitions. As used in this Exhibit, the following terms shall have the following meanings:

"Aggregate Residual Value" shall mean the product of (i) the applicable Residual Value per Unit multiplied by (ii) the number of such Class B-1 Units exchanged by a Class B-1 Member on an Exchange Date.

"Annual Period" shall mean each annual period each annual period beginning on October 31 of each year and ending on October 30 of the following year.

"Certificate" shall mean the Amended and Restated Certificate of Incorporation of Pzena Inc., filed with the Secretary of State of the State of Delaware on October 30, 2007, as thereafter amended from time to time.

"Class A Shares" shall mean shares of Class A Common Stock of Pzena Inc.

"Class B Shares" shall mean shares of Class B Common Stock of Pzena Inc.

"Closing" has the meaning set forth in Section 2.04(a).

"Closing Date" has the meaning set forth in Section 2.04(a).

"Closing Date Value" shall mean the closing price of the Class A Shares on the applicable Exchange Date.

"Employee Member Group" has the meaning set forth in Section 2.02(a).

"Exchange" shall mean the exchange by a Class B-1 Member of one or more vested Class B-1 Units for Exchange Shares pursuant to the provisions of this Exhibit D.

"Exchange Date" has the meaning set forth in Section 2.01(a).

"Exchange Notice" has the meaning set forth in Section 2.01(b).

"Exchange Shares" shall mean the number of Class A Shares obtained by dividing the Aggregate Residual Value of the Class B-1 Units exchanged by a Class B-1 Member on any Exchange Date by the Closing Date Value and subtracting the Fractional Remainder.

"Fractional Remainder" shall mean the number of fractional Class A Shares in excess of the whole number of Class A Shares obtained by dividing the Aggregate Residual Value of the Class B-1 Units exchanged by a Class B-1 Member on any Exchange Date by the Closing Date Value.

"Post 12-Month Exchange Date" has the meaning set forth in Section 2.02(a).

"Post 18-Month Exchange Date" has the meaning set forth in Section 2.02(a).

"Registration Rights Agreement" shall mean the Resale and Registration Rights Agreement, dated as of October 30, 2007, by and among Pzena Inc. and the Holders named on the signature pages thereto.

"Residual Cash Value" shall mean the product of the Fractional Remainder multiplied by the Closing Date Value.

"Residual Value Per Unit" shall mean the difference between (i) the Closing Date Value minus (ii) the closing price of the Class A Shares on the date of issuance of a Class B-1 Unit, as adjusted to reflect the value of accumulated earnings yet to be distributed, as reasonably determined by Company.

"Termination Date" has the meaning set forth in Section 2.02(a).

ARTICLE II
EXCHANGE

2.01. Exchange Dates; Exchange Notices.

(a) The Managing Member shall establish one or more dates in each Annual Period as a date on which certain Class B-1 Members shall be required, in accordance with the terms and timing described in Section 2.02 below, to Exchange their Class B-1 Units (such date, an "Exchange Date"), provided that the Managing Member may, by notice to each Class B-1 Member, postpone any Exchange Date one or more times. For the avoidance of doubt, the Managing Member may establish as many Exchange Dates as it shall determine in its sole discretion.

(b) The Managing Member shall provide, in respect of at least one (1) Exchange Date in each Annual Period, a written notice (an "Exchange Notice") to all Class B-1 Members at least fifteen (15) calendar days prior to such Exchange Date. In respect of any other Exchange Date within such Annual Period, the Managing Member may provide an Exchange Notice to one or more Class B-1 Members such number of days prior to such Exchange Date as the Managing Member may determine in its sole discretion.

2.02 Exchanges by Class B-1 Members.

(a) General Rule. Subject to Sections 2.02(b) and 2.05, (i) on the first Exchange Date following the first anniversary of the date of termination of employment of an Employee Member (such date of termination for each such Employee Member, the "Termination Date" and such first anniversary, the "Post 12-Month Exchange Date"), each Employee Member and all Permitted Transferees of such Employee Member (collectively, the "Employee Member Group") shall Exchange a number of vested Class B-1 Units in an amount of seventy-five percent (75%) of the aggregate number of vested Class B-1 Units held by each member of such Employee Member Group as of the Post 12-Month Exchange Date and (ii) on the first Exchange Date following the 18-month anniversary of the Termination Date (the "Post 18-Month Exchange Date"), each member of the Employee Member Group shall Exchange all of the remaining Vested Class B-1 Units held by such member of such Employee Member Group as of the Post 18-Month Exchange Date.

(b) Exceptions. Notwithstanding Section 2.02(a), the Managing Member may permit any Class B-1 Member to exchange vested Class B-1 units in amounts exceeding those described in Section 2.02(a), which permission may be withheld, delayed, or granted on such terms and conditions as the Managing Member may determine in its sole discretion.

(c) Restrictions on Class A Shares. Each Class B-1 Member hereby acknowledges and agrees that (i) neither the Company nor the Managing Member shall have any obligation to deliver Class A Shares that have been registered under the Securities Act, and (ii) the Company reserves the right on any Exchange Date to provide registered Class A Shares, unregistered Class A Shares or any combination of thereof, as it may determine in its sole discretion. The Managing Member and the Company reserve the right to cause certificates evidencing such Class A Shares to be imprinted with legends as to restrictions on transfer that it may deem necessary or appropriate, including legends as to applicable U.S. federal or state securities laws or other legal or contractual restrictions and may require any Class B-1 Member to which Class A Shares are to be distributed to agree in writing (i) that such Class A Shares will not be transferred except in compliance with such restrictions and (b) to such other matters as the Managing Member may deem reasonably necessary or appropriate in light of applicable law and existing agreements.

(d) Unvested Class B-1 Units. For the avoidance of doubt, a Class B-1 Member or Permitted Transferee may not Exchange any unvested Class B-1 Units at any time.

2.03. Exchange Representations. As of any applicable Exchange Date, each Class B-1 Member and Permitted Transferee shall represent to each of the Company and the Managing Member that such Class B-1 Member or Permitted Transferee owns the Class B-1 Units to be delivered at such Closing pursuant to Section 2.06, free and clear of all Liens, except as set forth in a certificate delivered to the Company, and, if there are any such Liens set forth in such certificate, such Class B-1 Member or Permitted Transferee shall covenant that such Class B-1 Member or Permitted Transferee will deliver at the applicable Closing evidence reasonably satisfactory to the Company and the Managing Member, that all such Liens have been released.

2.04. Closing Date.

(a) On each applicable Exchange Date (as may be extended pursuant to this Section 2.04, the "Closing Date"), the parties shall effect the closing (the "Closing") of the transactions contemplated by this Article II at the offices of Pzena Inc. at 320 Park Avenue, 8th Floor, New York, NY 10022, or at such other time, at such other place, and in such other manner, as the applicable parties to such Exchange shall agree in writing; provided, however, that, except as may be determined otherwise by the Company in its sole discretion, if an applicable Exchange Date falls on a day during which directors, officers or other employees of Pzena Inc. or any of its affiliates are prohibited by the trading policies of Pzena Inc. from disposing of equity securities of Pzena Inc., then with respect to all applicable Exchanges, the Closing Date shall instead be deemed to be the first Business Day after such Exchange Date that such officers and directors are allowed to dispose of equity securities of Pzena Inc. pursuant to the trading policies of Pzena Inc.

(b) No Exchange shall be permitted (and, if attempted, shall be void ab initio) if, in the good faith determination of the Managing Member, such an Exchange would pose a material risk that the Company would be a "publicly traded partnership" as defined in Section 7704 of the Code.

2.05. Closing Conditions.

(a) The obligations of any of the parties to consummate an Exchange pursuant to this Article II shall be subject to the conditions that there shall be no injunction, restraining order or decree of any nature of any Governmental or Regulatory Authority that is then in effect that restrains or prohibits the Exchange of Class B-1 Units or the transfer of Class B-1 Shares for redemption.

(b) The obligations of the Company and the Managing Member to consummate an Exchange pursuant to this Article II with respect to a Class B-1 Member or Permitted Transferee Exchanging Class B-1 Units at such Closing that is not a party to the Registration Rights Agreement shall be subject to the execution and delivery by such Class B-1 Member or Permitted Transferee of a counterpart signature page of the Registration Rights Agreement.

(c) The obligations of each Class B-1 Member or Permitted Transferee exchanging Class B-1 Units at such Closing that is not a party to the Registration Rights Agreement shall be subject to the execution and delivery by Pzena Inc. of a counterpart signature page of the Registration Rights Agreement.

2.06. Closing Deliveries. At each Closing, the Company, the Managing Member and each Class B-1 Member and Permitted Transferee participating in an Exchange in respect of such Closing shall deliver the following:

(a) each such Class B-1 Member or Permitted Transferee shall deliver an instrument of transfer, substantially in the form of Annex A hereto or otherwise in form reasonably satisfactory to the Managing Member, sufficient (i) to transfer to the Company the number of vested Class B-1 Units subject to the Exchange of such Class B-1 Member or Permitted Transferee and (ii) in the case of an Employee Member, to affirm that such Class B-1 Member agrees to comply with the covenants contained in Section 5.07 and 5.08 of the Agreement as may be applicable to such Employee Member at that time;

(b) if applicable, each such Class B-1 Member or Permitted Transferee shall deliver evidence reasonably satisfactory to the Company and the Managing Member, that all Liens on such Class B-1 Member's Class B-1 Units delivered pursuant to this Section 2.06 have been released;

(c) each such Class B-1 Member or Permitted Transferee shall deliver a non-foreign affidavit dated as of the date of the Closing, in form and substance required under the Treasury Regulations issued pursuant to Code Section 1445 and 1446, stating that such Class B-1 Member or Permitted Transferee is not a "foreign person" as defined in Code Section 1445 and 1446, and an IRS Form W-9 claiming a complete exemption from backup withholding;[2]

(d) the Managing Member shall deliver to the Company a certificate or book-entry credit issued in the name of each such Class B-1 Member or Permitted Transferee representing the Exchange Shares; and

(e) the Company shall deliver to each such Class B-1 Member or Permitted Transferee a certificate or book-entry credit representing the Exchange Shares and a cash payment equal to the Residual Cash Value.

2.07. Expenses. Each party hereto shall bear such party's own expenses in connection with the consummation of any of the transactions contemplated hereby, whether or not any such transaction is ultimately consummated.

2.08 Termination of Class B-1 Membership; Cancellation of Class B-1 Units; Issuance of Class A Units. Upon consummation of each Closing contemplated by this Article II, each Class B-1 Unit transferred to the Company at such Closing shall be cancelled, the Company shall issue one Class A Unit to the Managing Member in respect of each such Class B-1 Unit that was transferred and surrendered, and the Managing Member shall modify the Register of Members to reflect such cancellation and issuance. In the event that, as a result of an Exchange a Class B-1 Member or Permitted Transferee shall cease to hold any vested or unvested Units, such Class B-1 Member or Permitted Transferee shall cease to be a "member" of the Company for any purpose under the Agreement or the Act.

2.09 Tax Treatment. As required by the Code and the Regulations: (i) the parties shall report an Exchange consummated hereunder as a taxable sale of Class B-1 Units by a Class B-1 Member or Permitted Transferee to the Company and (ii) no party shall take a contrary position on any income tax return or amendment thereof unless challenged by a taxing authority.

2.10 Amendments. This Exhibit D may not be amended except as set forth in Section 11.01 of the Agreement.

[2] Note to Pzena – Presumably member should also deliver a FIRPTA/1446(f) certificate. To be discussed if there are to be any foreign holders. Presumably this should also be replicated for Class B/Class A exchanges.

ANNEX A

INSTRUMENT OF TRANSFER

This INSTRUMENT OF TRANSFER (this "Instrument") is made as of the Applicable Date by the undersigned (the "Transferor"). Capitalized terms used but not otherwise defined herein shall have the meanings set forth on the signature page to this Instrument and, if not defined therein, in the Amended and Restated Operating Agreement (as amended or modified, the "Operating Agreement") of the Pzena Investment Management, LLC, a Delaware limited liability company (the "Company").

W I T N E S S E T H

WHEREAS, Transferor is the owner of the Applicable Number of vested Class B-1 Units (the "Transferred Units") and a party to the Operating Agreement; WHEREAS, Transferor has submitted to the Company an Exchange Request, dated as of the Exchange Request Date, electing to exchange (the "Exchange") the Transferred Units for a number of Class A Shares of Pzena Inc. (the "Exchange Shares"); and WHEREAS, in connection with the Exchange, Transferor desires to transfer to the Company all of Transferor's right, title and interest in, to and under the Transferred Units. NOW, THEREFORE, in consideration of the promises and mutual covenants set forth herein and in the Operating Agreement and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledges, Transferor hereby agrees as follows:

1. Transfer. Transferor hereby transfers, assigns and delivers to the Company, free and clear of all Liens, all of Transferor's right, title and interest in, to and under the Transferred Units.

2. Representations and Warranties. Transferor hereby represents and warrants to the Company as follows:

(a) Transferred Units. Immediately prior to giving effect to the transfer contemplated by this Instrument, Transferor owns, beneficially and of record, the Transferred Units free and clear of any Liens.

(b) Authority of Transferor. If Transferor is not a natural person, Transferor is duly formed or organized, validly existing and in good standing under the laws of the jurisdiction in which Transferor was formed or organized. Transferor has full right, authority, power and legal capacity to enter into this Instrument and each agreement, document and instrument to be executed and delivered by Transferor pursuant to, or as contemplated by, this Instrument and to carry out the transactions contemplated hereby and thereby. This Instrument and each agreement, document and instrument executed and delivered by Transferor pursuant to, or as contemplated by, this Instrument constitutes, or when executed and delivered will constitute, the legal, valid and binding obligations of Transferor enforceable in accordance with their respective terms. The execution, delivery and performance by Transferor of this Instrument and each such other agreement, document and instrument:

(i) does not and will not violate any laws applicable to Transferor, or require Transferor to obtain any approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made;

(ii) does not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of, any agreement, contract, instrument, lien, security interest, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which Transferor is a party or by which the property of Transferor is bound or affected, or result in the creation or imposition of any Lien on any of the assets of Transferor; and

(iii) in the event that Transferor is not a natural person, does not and will not violate any provision of any organization document of Transferor.

3. [Employee Member] Acknowledgement. [In the event Transferor is an Employee Member,] Transferor hereby acknowledges that he or she is receiving a significant economic benefit by Exchanging the otherwise illiquid Transferred Units into the Exchange Shares and therefore reaffirms his or her obligation to comply with the restive covenants contained in Sections 5.07 and 5.08 of the Operating Agreement as may be applicable to such Employee Member on and following the date hereof.

4. Further Assurance. Transferor hereby agrees to execute and deliver such further agreements and instruments and take such other actions as may be necessary to make effective the transfer contemplated by this Instrument.

5. Successors and Assigns. This Instrument shall be binding upon, inure to the benefit of and be enforceable by the respective successors and permitted assigns of the parties hereto.

6. Governing Law. This Instrument shall be governed by and construed and enforced in accordance with the law of the State of Delaware, without regard to principles of conflict of laws.

7. Descriptive Headings. The descriptive headings in this Instrument are for convenience of reference only and shall not be deemed to alter or affect the meaning or interpretation of any provision of this Instrument.

8. Counterparts. This Instrument may be executed in one or more counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

9. Entire Agreement. This Instrument and any other schedules, certificates, lists and documents referred to herein, and any documents executed by any of the parties simultaneously herewith or pursuant thereto, constitutes the entire agreement of the parties hereto, except as expressly provided herein, and supersedes all prior agreements and understandings, discussions, negotiations and communications, written and oral, among the parties with respect to the subject matter hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, intending to be legally bound hereby, Transferor has executed this Instrument as of the Applicable Date.

TRANSFEROR:

_____

Name:

Acknowledged and accepted
as of the Applicable Date by:

PZENA INVESTMENT MANAGEMENT, LLC

_____

Name:
Title:

Certain Defined Terms

Applicable Date: _____

Transferor: _____

Applicable Number: _____

Exchange Request Date: _____

[Signature Page to Instrument of Transfer]

Exhibit 10.22

PZENA INVESTMENT MANAGEMENT, LLC
PROFITS INTEREST AWARD AGREEMENT

This **PROFITS INTEREST AWARD AGREEMENT** (this "Agreement"), dated as of [DATE], (the "Date of Grant"), is delivered by Pzena Investment Management, LLC, a Delaware limited liability company (the "Company") to [_____] (the "Participant").

RECITALS

WHEREAS, pursuant to the terms of the [Pzena Investment Management, LLC Amended and Restated 2006 Equity Incentive Plan] [Pzena Investment Management, Inc. Equity Incentive Plan] (the "Plan"), the Company desires to make a restricted unit grant of the Company's Class B-1 Units to the Participant (the "Grant"), and this Agreement sets forth the terms and conditions of the Grant to the Participant.

NOW, THEREFORE, the parties to this Agreement, intending to be legally bound hereby, agree as follows:

1. Conditions to Receiving Grant. As a condition of receiving this Grant, the Participant hereby agrees that the Participant shall execute an instrument agreeing to be bound by the terms, conditions and obligations contained in the Plan and the Company's Amended and Restated Operating Agreement, dated as of December 30, 2019, or any amendment or restatement thereof (the "Operating Agreement"), in each case in such form as the Committee (as defined in the Plan) determines, with respect to the Units (as defined below).

2. Restricted Unit Grant. Subject to the terms and conditions set forth in this Agreement, the Committee hereby grants the Participant [_____] of the Company's Class B-1 Units, which are [LTIP Units][Other Stock-Based Awards] (as defined in the Plan) (collectively, the "Units"), subject to the restrictions and conditions set forth in this Agreement. The Units shall have a Threshold Value, as defined in the Operating Agreement, of [__]. The Units issued to the Participant under this Agreement are intended to be treated as a profits interest for federal income tax purposes pursuant to Revenue Procedures 93-27 and 2001-43, and accordingly will have a $0 capital account as of the Date of Grant.

3. Vesting and Nonassignability of Units.

(a) The Units shall be vested in full on the Date of Grant.

As used in this Agreement, "employed by, or provide service to, the Company" shall mean employment with the Company or service as an employee or consultant or key advisor who performs services for the Company or any of its subsidiaries (so that, for purposes of satisfying conditions under this Agreement, the Participant shall not be considered to have terminated employment or service until the Participant ceases to be an employee, consultant and key advisor).

(b) If the Participant's employment or service with the Company terminates for any reason before the Units are fully vested, the Units that are not then vested shall be forfeited and shall no longer be deemed outstanding.

(c) Except as set forth in the Operating Agreement or unless the Committee approves otherwise, in their sole discretion, during the period before the Units are fully vested (the "Restriction Period"), the Units may not be assigned, transferred, pledged or otherwise disposed of by the Participant. The Participant may only transfer the Units based on the express approval of the Committee, and any attempt to assign, transfer, pledge or otherwise dispose of the Units contrary to the provisions hereof, and the levy of any execution, attachment or similar process upon the Units, shall be null, void and without effect. All Units, whether or not vested, shall be subject to the transfer restrictions set forth in the Operating Agreement.

4. Effect of Vesting; Distributions.

(a) During the Restriction Period, the Participant shall receive any distributions with respect to the vested Units as provided in the Operating Agreement.

(b) The obligations of the Company to issue or deliver Units under this Agreement shall be subject to all applicable laws, rules, and regulations and such approvals by governmental agencies as may be deemed appropriate by the Committee, including such actions as Company counsel shall deem necessary or appropriate to comply with any relevant laws and regulations. The Company may require that the Participant represent that the Participant is holding the vested Units for the Participant's own account and not with a view to or for sale in connection with any distribution of Units, or such other representations as the Committee deems appropriate.

(c) All obligations of the Company under this Agreement shall be subject to the rights of the Company as set forth in Section 7 below to withhold amounts required to be withheld for any taxes, if applicable.

5. Forfeiture and Exchange. The Units are subject to the exchange requirements and forfeiture terms as set forth in the Operating Agreement. Notwithstanding anything contained herein or the Operating Agreement to the contrary, the Units shall not be subject to exchange as set forth in the Operating Agreement until the second anniversary of the Date of Grant.

6. Grant Subject to Committee Determinations and Plan Provisions. The grant of the Units under this Agreement is made pursuant to the Plan and is subject to interpretations, regulations and determinations established from time to time by the Committee in good faith including, but not limited to, provisions pertaining to (a) rights and obligations with respect to withholding taxes, (b) the registration, qualification or listing of the Units, (c) changes in capitalization of the Company, and (d) other requirements of applicable law. The Committee shall have the authority to interpret and construe the grant of the Units under this Agreement, and its decisions shall be conclusive as to any questions arising hereunder.

7. Withholding. The Participant shall be required to pay to the Company, or make other arrangements satisfactory to the Company to provide for the payment of, any federal (including FICA), state, local or other taxes that the Company is required to withhold with respect to the grant or vesting of the Units.

8. Tax Consequences and Election Under Section 83(b).

(a) The Participant shall execute and timely file with the Internal Revenue Service an election under Section 83(b) of the Internal Revenue Code of 1986, as amended (the "Code"), substantially in the form attached hereto as Exhibit A. Participant shall deliver to the Company with this executed Agreement, a copy of the executed Section 83(b) election.

THE PARTICIPANT ACKNOWLEDGES THAT IT IS THE PARTICIPANT'S SOLE RESPONSIBILITY AND NOT THE COMPANY'S TO TIMELY FILE THE ELECTION UNDER SECTION 83(b), EVEN IF THE PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON THE PARTICIPANT'S BEHALF.

(b) The Participant has reviewed with the Participant's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by this Agreement. The Participant is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. The Participant understands that the Participant (and not the Company) shall be responsible for the Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement. The Participant acknowledges that the Participant will be considered the owner of the Units for tax purposes and will be subject to tax on the Participant's share of the Company's income without regard to vesting and without regard to whether an election is made under section 83(b) of the Code.

The Participant agrees to comply with any valuation determination that the Company makes with regard to the Units and further acknowledges that in the event of forfeiture, certain allocations of income and loss may be required for the Company to comply with the requirements of Code section 704 and the regulations thereunder.

9. Other Restrictions on Sale or Transfer of Units.

(a) The Participant is acquiring the Units solely for investment purposes, with no present intention of distributing or reselling any of the Units or any interest therein. The Participant acknowledges that the Units have not been registered under the Securities Act of 1933, as amended (the "Securities Act").

(b) The Participant is aware of the applicable limitations under the Securities Act relating to a subsequent sale, transfer, pledge or other assignment or encumbrance of the Units. The Participant further acknowledges that the Units must be held indefinitely unless they are subsequently registered under the Securities Act and applicable state securities laws or an exemption from such registration is available.

(c) Subject to the other restrictions in the Operating Agreement or this Agreement, including Section 3 of this Agreement, the Participant will not sell, transfer, pledge, donate, assign, mortgage, hypothecate or otherwise encumber the Units unless the Units are registered under the Securities Act or the Company is given an opinion of counsel reasonably acceptable to the Company that such registration is not required under the Securities Act.

(d) The Participant realizes that there is no public market for the Units, that no market may ever develop for them, and that they have not been approved or disapproved by the Securities and Exchange Commission or any governmental agency.

(e) The Participant is aware of the applicable limitations under the Plan and the Company's Operating Agreement relating to transfers of the Units. The Participant acknowledges and agrees that the Company may require the Participant to provide additional representations, warranties or covenants relating to the securities into which the Units are exchangeable in connection with any exchange thereof permitted under the Operating Agreement.

10. No Benefits Under Tax Receivable Agreement. The Participant acknowledges and agrees that no Units granted under this Agreement shall be entitled to any benefits under the Tax Receivable Agreement, dated October 30, 2007, by and among Pzena Investment Management, Inc., the Company and the Continuing Members and Exiting Members named on the signature pages thereto, as amended from time to time. This Section 10 shall be treated as part of the Operating Agreement as described in Section 761(c) of the Code and Sections 1.704-1(b)(2)(ii)(h) and 1.761-1(c) of the Treasury Regulations.

11. No Employment or Other Rights. Neither the grant of Units nor this Agreement shall confer upon the Participant any right to be retained by or in the employ or service of the Company and shall not interfere in any way with the right of the Company to terminate the Participant's employment or service at any time.

12. Arbitration. All disputes relating to, arising from, or connected in any manner with this Agreement or the Participant's employment with the Company shall be resolved exclusively through final and binding arbitration under the rules and auspices of JAMS pursuant to its Arbitration Rules & Procedures. The arbitration shall be held in the Borough of Manhattan, New York, New York and the costs of such arbitration shall be borne by the Company. The arbitrator shall have jurisdiction to determine any claim, including the arbitrability of any claim, submitted to him/her. The arbitrator may grant any relief authorized by law for any properly established claim. The interpretation and enforceability of this Section 12 shall be governed and construed in accordance with the United States Federal Arbitration Act, 9 U.S.C. § 1, et seq. The parties acknowledge that the purpose and effect of this Section 12 is solely to elect private mediation and arbitration in lieu of any judicial proceeding either party might otherwise have available in the event of a dispute, controversy or claim between the parties. Therefore, the parties hereby waive the right to have any such dispute heard by a court or jury, as the case may be, and agrees that the exclusive procedure to redress any and all disputes, controversies and claims will be mediation and arbitration. Nothing contained in this Section 12 shall be construed to limit or otherwise interfere in any respect with the authorities granted the Committee under the Plan, including without limitation, its sole and exclusive discretion to interpret the Plan and all awards granted thereunder (including pursuant to this Agreement).

13. Transfers in Violation of Agreement. Any transfer or attempted transfer of any Unit in violation of any provision of this Agreement or the Operating Agreement shall be void, and the Company will not record such transfer on its books or treat any purported transferee of such Unit as the owner of such Unit for any purpose.

14. Amendment and Waiver. The provisions of this Agreement may be amended or waived only with the prior written consent of the Company and the Participant.

15. Assignment by Company. The rights and protections of the Company hereunder shall extend to any successors or assigns of the Company and to the Company's parents, subsidiaries, and affiliates. This Agreement may be assigned by the Company without the Participant's consent.

16. Applicable Law. The validity, construction, interpretation and effect of this instrument shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to the conflicts of laws provisions thereof.

17. Notice. Any notice to the Company provided for in this instrument shall be addressed to the Company at the address set forth in the Operating Agreement, Attention: CEO, and any notice to the Participant shall be addressed to such Participant at the current address shown on the Company's records, or to such other address as the Participant may designate to the Company in writing. Any notice shall be delivered by hand, sent by telecopy or enclosed in a properly sealed envelope addressed as stated above, registered and deposited, postage prepaid, in a post office regularly maintained by the United States Postal Service.

[***Signature Page Follows***]

IN WITNESS WHEREOF, the Company has caused its duly authorized officer to execute this instrument, and the Participant has placed his signature hereon evidencing his agreement to the terms hereof, effective as of the Date of Grant.

PZENA INVESTMENT MANAGEMENT, LLC

By: Pzena Investment Management, Inc., its Managing Member

By: _____
Name: Richard S. Pzena
Title: Chief Executive Officer

I hereby accept the grant of Units described in this Agreement, and I agree to be bound by the terms of the Plan and this Agreement effective as of the Date of Grant. I have read the Plan and the Company's Operating Agreement and I agree to be bound by the terms of the Operating Agreement and this Agreement, effective as of the Date of Grant. I hereby further agree that all the decisions and determinations of the Committee shall be final and binding.

Participant: _____
[_____]

EXHIBIT A

INSTRUCTIONS FOR FILING SECTION 83(B) ELECTION

Attached is a form of election under section 83(b) of the Internal Revenue Code. If you wish to make such an election, you should complete, sign and date the election and then proceed as follows:

1. Execute three counterparts of your completed election (plus one extra counterpart for each person other than you, if any who receives property that is the subject of your election), retaining at least one photocopy for your records.

2. Send one counterpart to the Internal Revenue Service Center with which you will file your Federal income tax return for the current year via certified mail, return receipt requested. THE ELECTION SHOULD BE SENT IMMEDIATELY, AS YOU ONLY HAVE 30 DAYS FROM THE ISSUANCE/PURCHASE/GRANT DATE WITHIN WHICH TO MAKE THE ELECTION – NO WAIVERS, LATE FILINGS OR EXTENSIONS ARE PERMITTED.

3. Deliver one counterpart of the completed election to the Company for its files.

4. If anyone other than you (e.g., one of your family members) will receive property that is the subject of your election, deliver one counterpart of the completed election to each such person.

Section 83(b) Election Form

This election is being made under section 83(b) of the Internal Revenue Code of 1986, as amended, pursuant to Treasury Regulation section 1.83-2.

(1)

Name of taxpayer making election:	
Address:	
Social Security Number:	
Tax Year for which election is being made:	

(2) The property with respect to which the election is being made: [__] Class B-1 Units (the "Units") of Pzena Investment Management, LLC (the "Company").

(3) Date the property was transferred: [DATE].

(4) Forfeiture provision: The Units are subject to forfeiture to the Company if the taxpayer ceases to be employed by, or provide service to, the Company during the restriction period. The restriction period lapses [INSERT SCHEDULE]

(5) The fair market value at the time of the transfer of the Units (determined without regard to any restriction other than a restriction that by its terms will never lapse) is $0.00 per Unit.

(6) The amount paid for the Units is $0.00 per Unit.

(7) A copy of this statement has been furnished to the Company.

(8) The amount to include in gross income is $0.

(8) This statement is executed as of _____.

The undersigned taxpayer will file this election with the Internal Revenue Service office with which taxpayer files his or her annual income tax return not later than 30 days after the date of transfer of the property. A copy of the election also will be furnished to the Company. Additionally, the undersigned will include a copy of the election with his or her income tax return for the taxable year in which the property is transferred. The undersigned is the person performing the services in connection with which the property was transferred.

_____

Taxpayer

Exhibit 10.28

EXECUTION VERSION

PZENA INVESTMENT MANAGEMENT, LP
AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP

Dated as of January 1, 2016

Amended and Restated as of December 30, 2019

THE PARTNERSHIP INTERESTS REPRESENTED BY THIS AMENDED AND RESTATED AGREEMENT OF LIMITED PARTNERSHIP HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS. SUCH INTERESTS MAY NOT BE SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF AT ANY TIME WITHOUT EFFECTIVE REGISTRATION UNDER SUCH ACT AND LAWS OR EXEMPTIONS THEREFROM, AND COMPLIANCE WITH THE OTHER SUBSTANTIAL RESTRICTIONS ON TRANSFERABILITY SET FORTH HEREIN.

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AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT

OF

PZENA INVESTMENT MANAGEMENT, LP

A DELAWARE LIMITED PARTNERSHIP

THIS AMENDED AND RESTATED LIMITED PARTNERSHIP AGREEMENT of Pzena Investment Management, LP, a Delaware limited partnership, dated as of January 1, 2016, and amended and restated as of December 30, 2019, is adopted, and executed and agreed to, for good and valuable consideration, by Pzena Investment Management, Inc. as the General Partner and each other person that executes and delivers a counterpart of this Agreement and is included in the Register as a Limited Partner.

WHEREAS, the Partnership was formed pursuant to a Certificate of Limited Partnership dated as of December 23, 2015, which was executed by the General Partner and filed in the office of the Secretary of State of the State of Delaware on December 23, 2015;

WHEREAS, the Partnership has been governed by a Limited Partnership Agreement, by and between the General Partner and Gary J. Bachman, as the Initial Limited Partner, dated as of December 23, 2015 (the "Original Agreement");

WHEREAS, in accordance with the Original Agreement, the Original Agreement was amended and restated as of January 1, 2016; and

WHEREAS, in accordance with the Original Agreement, as amended and restated, the General Partner now wishes to further amend and restate the Original Agreement to permit the admission of a new class of Limited Partners; and

WHEREAS, the parties desire to amend and restate the Original Agreement as set forth herein;

NOW, THEREFORE, in consideration of the agreements and covenants set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby amend and restate the Original Agreement in its entirety on the foregoing and following terms and conditions:

ARTICLE I

DEFINITIONS

The following definitions shall be applied to the terms used in this Agreement for all purposes, unless otherwise clearly indicated to the contrary.

"Accounting Period" shall mean, as the context may require: (a) the period commencing on the date of this Agreement and ending on December 31 of the same year; (b) any subsequent twelve (12) month period beginning on January 1 and ending on December 31 and (c) any portion of the period described in clauses (a) or (b) for which the Partnership is required or elects to allocate items of Partnership Income and Partnership Loss, or any other items of Partnership income, gain, loss or deduction pursuant to this Agreement.

"Administrative Officer" means each Person designated as an officer of the Partnership pursuant to Section 5.2 for so long as such Person remains an officer pursuant to the provisions of Section 5.2.

"Affiliate(s)" means, with respect to any Person, any other Person that directly, or through one (1) or more intermediaries, controls or is controlling, controlled by, or under common control with, such Person. For the purposes of this definition, the term "control" and its corollaries shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management policies of a Person, whether through the ownership of voting securities, contract, as trustee or executor or otherwise.

"Agreement" means this Amended and Restated Limited Partnership Agreement, as it may be amended, supplemented or restated from time to time.

"Capital Account" means the capital account maintained for a Partner pursuant to Section 3.3.

"Capital Contribution" means the contribution made by a Limited Partner to the capital of the Partnership from time to time pursuant to Section 3.1(a).

"Capital Percentage" shall mean, with respect to a Partner, as of any determination date, a percentage, expressed as a fraction the numerator of which is the Capital Account balance of such Partner and the denominator of which is the aggregate Capital Accounts balances of all Partners.

"Capital Transaction Proceeds" means any and all proceeds (whether in the form of cash or property) received by the Partnership or receivable by its Partners from a Capital Transaction, reduced by expenses incurred by the Partnership in connection with such Capital Transaction, liabilities of the Partnership which are repaid out of the proceeds from such Capital Transaction, and such reserves as the General Partner may determine to be necessary for the needs of the Partnership, as well as any other cash or other property that the General Partner determines shall be distributable by the Partnership to its Partners in connection with a Capital Transaction, which, if relevant, will be based on the determination of "Capital Transaction Proceeds" at the Pzena Investment Management, LLC level under the LLC Operating Agreement.

"Capital Transaction" means a sale or disposition of all, or a significant portion of, the Partnership's or Pzena Investment Management, LLC 's business, whether by a sale of assets, merger, consolidation or other transaction, an equity or debt financing or any other extraordinary event that is not in the ordinary course of business. The General Partner's determination of whether a transaction is a Capital Transaction, including as based on the determination of "Capital Transaction" at the Pzena Investment Management, LLC level under the LLC Operating Agreement, will be conclusive.

"Capital Transaction Partnership Income" and "Capital Transaction Partnership Loss" mean for each Accounting Period, an amount equal to the Partnership Income or Partnership Loss for such Accounting Period as determined pursuant to the definition of Partnership Income and Partnership Loss except that such amounts shall be calculated only with respect to items of income, gain, loss, expense or deduction associated with Capital Transactions of the Partnership. Capital Transaction Partnership Income and Capital Transaction Partnership Loss shall be deemed to include any allocable items attributable to paragraph (iv) of the definition of Partnership Income and Partnership Loss. The General Partner shall use its reasonable discretion in determining whether items of income, gain, loss, expense, or deduction of the Partnership are properly includible in the computation of Capital Transaction Partnership Income and Capital Transaction Partnership Loss or the computation of Operating Partnership Income and Operating Partnership Loss, which, if relevant, will be based on the determination of "Capital Transaction Company Income" and "Capital Transaction Company Loss" at the Pzena Investment Management, LLC level under the LLC Operating Agreement.

"Capital Transaction Percentage" shall mean, with respect to any Partner, a percentage, expressed as a fraction the numerator of which is the number of vested and unvested Partnership Interests held by such Partner and the denominator of which is the aggregate number of vested and unvested Partnership Interests held by all Partners.

"Certificate of Limited Partnership" means the Partnership's Certificate of Limited Partnership as filed with the Secretary of State of Delaware initially on December 23, 2015, as it may be amended, supplemented or restated from time to time.

"Class A Share(s)" means share(s) of Class A Common Stock of Pzena Inc.

"Class B Equity Incentive Units" means grants of (i) Class B Units, such as Delayed Exchange Class B Units and Restricted Class B Units; (ii) options to purchase Class B Units; and (iii) other Class B Unit-based awards, such as Phantom Class B Units issued by Pzena Investment Management, LLC pursuant to the 2006 Equity Incentive Plan, as amended and restated, and any other equity incentive plan that Pzena Investment Management, LLC may adopt in the future.

"Class A Partnership Interest(s)" means the Partnership Interest(s) held by the General Partner.

"Class B Limited Partners" means the Limited Partners who contribute Class B Units to the Partnership in exchange for Class B Partnership Interest(s).

"Class B Partnership Interest(s)" means the vested and unvested Partnership Interest(s) held by the Class B Limited Partners.

"Class B Share(s)" means share(s) of Class B common stock of Pzena Inc.

"Class B Stockholders' Agreement" means the Class B Stockholders' Agreement, initially dated as of October 30, 2007, by and among the Managing Member and holders of Class B Shares of Pzena Investment Management, LLC, as amended or modified from time to time.

"Class B Unit(s)" means the Class B Unit(s) of Pzena Investment Management, LLC.

"Class B-1 Limited Partners" means the Limited Partners who contribute Class B-1 Units to the Partnership in exchange for Class B-1 Partnership Interest(s).

"Class B-1 Partnership Interest(s)" means the vested and unvested Partnership Interest(s) held by the Class B-1 Limited Partners.

"Class B-1 Unit(s)" means the Class B-1 Unit(s) of Pzena Investment Management, LLC.

"Code" means the Internal Revenue Code of 1986, as it may be amended from time to time (or any succeeding Law), and the Treasury Regulations promulgated pursuant thereto. References to sections of the Code shall include amended or successor provisions thereto.

"Delaware Act" means the Delaware Revised Uniform Limited Partnership Act, 6 Del. Code Ann. tit. 6, §§ 17-101, et seq., as it may be amended from time to time, and any successor to the Delaware Act.

"Depreciation" means, for each Fiscal Year or other period, an amount equal to the depreciation, amortization, or other cost recovery deduction allowable for federal income tax purposes with respect to an asset for such Fiscal Year or other period, except that if the Gross Asset Value of an asset differs from its adjusted basis for federal income tax purposes at the beginning of such Fiscal Year or other period, Depreciation shall be an amount which bears the same ratio to such beginning Gross Asset Value as the federal income tax depreciation, amortization, or other cost recovery deduction for such Fiscal Year or other period bears to such beginning adjusted tax basis. In the event that the federal income tax depreciation, amortization, or other cost recovery deduction is zero, Depreciation shall be determined with reference to such beginning Gross Asset Value using any reasonable method.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder.

"Exchange Date" has the same meaning as that established in (i) Exhibit B of the LLC Operating Agreement, with respect to Class B Partnership Interests, or (ii) Exhibit D of the LLC Operating Agreement, with respect to Class B-1 Partnership Interests.

"Exchange Notice" has the same meaning as that established (i) Exhibit B of the LLC Operating Agreement, with respect to Class B Partnership Interests, or (ii) Exhibit D of the LLC Operating Agreement, with respect to Class B-1 Partnership Interests.

"Exit Exchange" means (i) the exchange of Class B Partnership Interests of a Limited Partner for Class B Units in connection with an exchange of Class B Units for Class A Shares effected pursuant to Exhibit B of the LLC Operating Agreement or (ii) the exchange of Class B-1 Partnership Interests of a Limited Partner for Class B-1 Units in connection with an exchange of Class B-1 Units for Class A Shares effected pursuant to Exhibit D of the LLC Operating Agreement.

"Exit Exchange Request" has the meaning set forth in Section 12.6 hereof.

"Fiscal Year" has the meaning set forth in Section 2.6 hereof.

"GAAP" means generally accepted accounting principles in the United States as in effect at the time any applicable financial statements were prepared.

"General Partner" means Pzena Inc. and any other successor of Pzena Inc.

"Governmental or Regulatory Authority" means any instrumentality, subdivision, court, administrative agency, commission, official or other authority of the United States or any other country or any state, province, prefect, municipality, locality or other government or political subdivision thereof, or any quasi-governmental or private body exercising any regulatory, taxing, importing or other governmental or quasi-governmental authority.

"Gross Asset Value" shall mean, with respect to any asset of the Partnership, such asset's adjusted basis for federal income tax purposes, except as follows:

(a) the initial aggregate Gross Asset Values of the assets of the Partnership as of the date of this Agreement shall be as set forth on the books and records of the Partnership;

(b) the initial Gross Asset Value of any asset contributed by a Partner to the Partnership will be the gross fair market value of such asset, as determined by the General Partner in its sole discretion;

(c) the Gross Asset Value of all Partnership assets will be adjusted to equal their respective gross fair market values, as determined by the General Partner in its sole discretion, immediately prior to: (i) the contribution of more than a *de minimis* amount of assets to the Partnership by a new or an existing Partner as consideration for an Interest; (ii) the distribution by the Partnership to a Partner of more than a *de minimis* amount of Partnership assets as consideration for the Interest of such Partner; (iii) the issuance, forfeiture (or redemption) of more than a *de minimis* amount of Partnership Interests after the date of this Agreement; (iv) the liquidation of the Partnership within the meaning of Treasury Regulation Section 1.704-1(b)(2)(ii)(g); and (v) such other times as the General Partner may determine in its sole discretion; provided, that adjustments pursuant to clauses (i), (ii) and (iii) of this sentence will be made only if the General Partner, in its sole discretion, determines that such adjustments are necessary or appropriate to reflect the relative economic interests of the Partners in the Partnership;

(d) the Gross Asset Value of any Partnership asset distributed to any Partner will be adjusted so as to equal the gross fair market value of such asset on the date of distribution, as determined by the General

Partner, in its sole discretion, and any increase or decrease required to effect such adjustment will be treated as an item of Partnership Income or Partnership Loss, as applicable; and

(e) if the Gross Asset Value of an asset has been determined or adjusted pursuant to paragraph (b), (c) or (d) above, such Gross Asset Value will thereafter be adjusted by the Depreciation taken into account with respect to such asset for purposes of computing Partnership Income and Partnership Loss.

"Indemnified Person" has the meaning set forth in Section 5.5 hereof.

"Invitation to Subscribe" means (i) with respect to the Class B Partnership Interests, the Invitation to Subscribe for Limited Partnership Interests commenced by Pzena Investment Management, LLC on December 3, 2015; a copy of the disclosure document, dated December 3, 2015, describing such Invitation to Subscribe is attached hereto as Annex A and (ii) with respect to the Class B-1 Partnership Interests, the Invitation to Subscribe for Limited Partnership Interests commenced by Pzena Investment Management, LLC on December 30, 2019; a copy of the disclosure document, dated December 30, 2019, describing such Invitation to Subscribe is attached hereto as Annex B.

"Law" means any statute, law, ordinance, rule or regulation of any Governmental or Regulatory Authority.

"Lien" means a mortgage, pledge, hypothecation, right of others, claim, security interest, encumbrance, easement, right of way, restriction on the use of real property, title defect, title retention agreement, voting trust agreement, option, right of first refusal, lien, charge, license to third parties, lease to third parties, restriction on transfer or assignment, or other restriction or limitation of any nature or irregularities in title.

"Limited Partner" means those Person(s) that have executed and delivered a counterpart of this Agreement and are named in the Register as a Limited Partner.

"LLC Initial Managing Principal" means Richard S. Pzena, John P. Goetz, A. Rama Krishna and William L. Lipsey.

"LLC Operating Agreement" means that certain Amended and Restated Limited Liability Company Operating Agreement of Pzena Investment Management, LLC dated as of December 30, 2019, as may be further amended from time to time.

"Managing Member" means the Managing Member of Pzena Investment Management, LLC.

"Operating Partnership Income" and "Operating Partnership Loss" mean for each Accounting Period, all Partnership Income and Partnership Loss, respectively, of the Partnership other than Capital Transaction Partnership Income and Capital Transaction Partnership Loss. The General Partner shall use its reasonable discretion in determining whether items of income, gain, loss, expense, or deduction of the Partnership are properly includible in the computation of Capital Transaction Partnership Income and Capital Transaction Partnership Loss or the computation of Operating Partnership Income and Operating Partnership Loss, which, if relevant, will be based on the determination of "Operating Company Income" and "Operating Company Loss" at the Pzena Investment Management, LLC level under the LLC Operating Agreement.

"Original Agreement" has the meaning set forth in the preamble hereof.

"Partner" means the General Partner or a Limited Partner.

"Partnership" means the limited partnership organized pursuant to the Certificate of Limited Partnership.

"Partnership Income" and "Partnership Loss" shall mean, for each Fiscal Year or other period, an amount equal to the Partnership's taxable income or loss for such Fiscal Year or period, determined in accordance with

Section 703(a) of the Code (for this purpose, all items of income, gain, loss, or deduction required to be stated separately pursuant to Section 703(a)(l) of the Code shall be included in taxable income or loss), with the following adjustments:

(i) Income of the Partnership that is exempt from federal income tax and not otherwise taken into account in computing Partnership Income and Partnership Loss shall be added to such taxable income or loss.

(ii) Expenditures of the Partnership described in Section 705(a)(2)(B) of the Code or treated as such expenditures pursuant to Treasury Regulation §1.704-l(b)(2)(iv)(i), and not otherwise taken into account in computing Partnership Income or Partnership Loss shall be subtracted from such taxable income or loss.

(iii) Gain or loss resulting from any disposition of Partnership assets with respect to which gain or loss is recognized for federal income tax purposes shall be computed by reference to the Gross Asset Value of the property disposed of, notwithstanding that the adjusted tax basis of such property differs from its Gross Asset Value.

(iv) In the event the Gross Asset Value of any Partnership asset is adjusted pursuant to the definition of Gross Asset Value, the amount of such adjustment shall be treated as an item of gain (if the adjustment increases the Gross Asset Value of the asset) or an item of loss (if the adjustment decreases the Gross Asset Value of the asset) from the disposition of such asset and shall be taken into account for purposes of computing Partnership Income and Partnership Loss.

(v) In lieu of the depreciation, amortization, and other cost recovery deductions taken into account in computing taxable income or loss, there shall be taken into account Depreciation for such fiscal year or other period.

Notwithstanding any other provision of this definition, any items which are specially allocated pursuant to Section 4.6(d) hereof shall not be taken into account in computing Partnership Income or Partnership Loss.

The amounts of the items of Partnership income, gain, loss or deduction available to be specially allocated pursuant to Section 4.6(d) hereof shall be determined by applying rules analogous to those set forth in subparagraphs (i) through (v) above.

"Partnership Interest" means the vested and unvested interest in items of Partnership income, gain, loss and deduction pursuant to Section 3.3(b) held by a Partner in its capacity as a Partner and by any assignee of such interest (or any portion thereof) in its capacity as such.

"Partnership Group" means the General Partner, Pzena Investment Management, LLC, and any Person directly or indirectly controlled by or under common control with the General Partner or Pzena Investment Management, LLC.

"Permitted Transferee" means, with respect to a Limited Partner, any Person to whom such Limited Partner (or, in the case of a subsequent Transfer, a Partnership Interest Permitted Transferee of such Limited Partner) transferred Class B Partnership Interests or Class B-1 Partnership Interests pursuant to the terms of this Agreement. For the avoidance of doubt, the Class B-1 Partnership Interests may only be transferred to a Permitted Transferee.

"Person" means a natural person, partnership (whether general or limited), limited liability company, trust, estate, association, corporation, custodian, nominee or any other individual or entity in its own or any representative capacity.

"Preliminary LP Vote" has the meaning set forth in Section 5.3(b) hereof.

"Profits Interest" means a "profits interest" within the meaning of Internal Revenue Service Revenue Procedure 93-27, 1993-2 C.B. 343, as clarified by Revenue Procedure 2001-43, 2001-2 C.B. 191, and Internal Revenue Service Notice 2005-43, and any future Internal Revenue Service guidance.

"Pzena Inc." means Pzena Investment Management, Inc., a Delaware corporation.

"Register" has the meaning set forth in Section 2.8 hereof.

"Revised Partnership Audit Procedures" means the provisions of Subchapter C of Subtitle F, Chapter 63 of the Code, as amended by P.L. 114 74, the Bipartisan Budget Act of 2015 (together with any subsequent amendments thereto, Treasury Regulations promulgated thereunder, and published administrative interpretations thereof).

"Securities Act" means the United States Securities Act of 1933, as amended, and applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule or regulation of the Securities Act shall be deemed to include any corresponding provisions of future law.

"Sharing Percentage" shall mean, with respect to any Partner, a percentage, expressed as a fraction the numerator of which is the number of vested and unvested Partnership Interests held by such Partner and the denominator of which is the aggregate number of vested and unvested Partnership Interests held by all Partners, in each case excluding any Class B-1 Partnership Interests held by a Class B-1 Limited Partner who has ceased to be employed by the Partnership Group.

"Super Majority in Interest of the Limited Partners" means, as of the time of determination, Limited Partners holding more than 66-2/3% of the Class B Partnership Interests at such time.

"Tax Allowance Amount" means, with respect to any Limited Partner for any fiscal quarter of the Partnership, an amount equal to the product of: (i) the highest combined federal and applicable state and local tax rate applicable to any Limited Partner in respect of the taxable income and taxable loss of the Partnership in respect of such fiscal quarter, taking into account the deductibility of state and local taxes for federal income tax purposes, times (ii) an amount equal to the remainder of (a) such Limited Partner's share of the estimated net taxable income allocable to such Limited Partner arising from its ownership of an interest in the Partnership calculated through such fiscal quarter minus (b) the sum of (1) any net losses (for income tax purposes) of the Partnership for prior Fiscal Years and such fiscal quarter that are allocable to such Limited Partner that were not previously utilized in the calculation of the Tax Allowance Amounts in a prior Fiscal Year and (2) the amount of all prior Distributions for such Fiscal Year, all as determined by the General Partner.

"Tax Matters Representative" has the meaning set forth in Section 8.2.

"Transfer" means, as a noun, any voluntary or involuntary transfer, sale, assignment, pledge, hypothecation, creation of a security interest or other disposition and, as a verb, voluntarily or involuntarily to transfer, sell, assign, pledge, hypothecate, grant a security interest in or otherwise dispose of.

ARTICLE II

ORGANIZATIONAL MATTERS

2.1 Organization of Partnership. The General Partner has determined to organize the Partnership as a limited partnership pursuant to the provisions of the Delaware Act.

2.2 Name. The name of the Partnership shall be Pzena Investment Management, LP, provided that the General Partner shall have the right to change the name of the Partnership, upon written notice to each of the Limited Partners.

2.3 Purpose. The Partnership's purpose shall be to engage in any lawful act or activity for which limited partnerships may be formed under the Delaware Act. The Partnership shall possess and may exercise all the powers and privileges granted by the Delaware Act or by any other law, together with any powers incidental thereto, so far as such powers and privileges are necessary or convenient to the conduct, promotion or attainment of the business, purposes or activities of the Partnership.

2.4 Principal Office; Registered Office. The principal office of the Partnership shall be maintained at 320 Park Avenue, New York, New York, 10022, or at such other location as the General Partner may designate from time to time. The registered office of the Partnership in the State of Delaware shall be 2711 Centerville Road, Suite 400, Wilmington, New Castle County, Delaware 19801. The name of the Partnership's registered agent at such address is Corporation Service Company.

2.5 Term. The Partnership was formed on December 23, 2015 upon the filing of the Certificate of Limited Partnership in accordance with the Delaware Act and shall continue in existence until dissolved or liquidated in accordance with Article XIII.

2.6 Fiscal Year. The fiscal year of the Partnership shall begin on January 1 and end on December 31 of each calendar year; provided that the initial fiscal year of the Partnership shall begin on the date of its formation and end on December 31 of the calendar year including such date.

2.7 Classes of Partnership Interests. The Partnership shall have three (3) classes of Partnership Interests: (a) Class A Partnership Interests, which shall be held by the General Partner and only the General Partner; (b) Class B Partnership Interests, which shall be held by Limited Partners and only by Limited Partners and (c) Class B-1 Partnership Interests, which shall be held by Limited Partners and only by Limited Partners. The Class B Partnership Interests and Class B-1 Partnership Interests may be vested or unvested, and except as expressly provided herein, any reference to Class B Partnership Interests shall be a reference to vested and unvested Class B Partnership Interests and any reference to Class B-1 Partnership Interests shall be a reference to vested and unvested Class B-1 Partnership Interests. Except as provided in this Agreement, (i) vested and unvested Class B Partnership Interests and Class B-1 Partnership Interests shall share equally in rights to allocations and distributions by the Partnership; (ii) Class B Partnership Interests and Class B-1 Partnership Interests may be redeemed pursuant to Section 12.5; (iii) unvested Class B Partnership Interests and Class B-1 Partnership Interests shall vest pursuant to Section 10.2 below; and (iv) vested and unvested Class B Partnership Interests and Class B-1 Partnership Interests may be forfeited by a Limited Partner under the circumstances and in the number set forth in this Agreement. The General Partner may admit Class B Limited Partners and issue Class B Partnership Interests only in exchange for an equal number of Class B Units of Pzena Investment Management, LLC pursuant to the Invitation to Subscribe or for contributions, or on terms and conditions determined by the General Partner in its sole discretion, it being expressly understood and agreed among the Limited Partners that such contribution and such terms and conditions may be different from the corresponding terms and conditions for other Limited Partners. The General Partner may admit Class B-1 Limited Partners and issue Class B-1 Partnership Interests only in exchange for an equal number of Class B-1 Units of Pzena Investment Management, LLC pursuant to the Invitation to Subscribe or for contributions, or on terms and conditions determined by the General Partner in its sole discretion, it being expressly understood and agreed among the Limited Partners that such contribution and such terms and conditions may be different from the corresponding terms and conditions for other Limited Partners.

2.8 Register. The General Partner shall maintain and modify, or cause to be maintained and modified, a register (the "Register") that sets forth (a) the name and address of each Limited Partner and the General Partner; (b) the class of each Limited Partner; (c) with respect to a Permitted Transferee of a Limited Partner, the name of such Permitted Transferee and the Limited Partner who made the transfer to such transferee; (d) with respect to any unvested Class B Partnership Interests or Class B-1 Partnership Interests, the number and date of issuance of each tranche of Class B Partnership Interests or Class B-1 Partnership Interests issued or awarded to such Partner; (e) the vesting provisions, if any, applicable to each such tranche (which vesting provisions may be specified by reference to other documents held with the records of the Partnership); (f) the cancellation of Class B Partnership Interests or Class B-1 Partnership Interests upon the cancellation of the corresponding Class B Units

or Class B-1 Units; and (g) such other information as the General Partner may deem to be appropriate. In connection with any modification, the General Partner or an Administrative Officer designated by the General Partner shall duly execute a copy of the Register maintained in accordance with this Agreement. Absent manifest error, a duly executed Register shall be conclusive evidence as to the information contained therein.

ARTICLE III

CAPITAL CONTRIBUTIONS; CAPITAL ACCOUNTS

3.1 Capital Contributions.

(a) The General Partner and each Limited Partner identified on the Register has the number of Class A Partnership Interests, Class B Partnership Interests and Class B-1 Partnership Interests of such designation as set forth opposite the General Partner's and each such Limited Partner's name and each has been duly admitted to the Partnership. The Partnership shall also set forth in its books and records Capital Contributions made by each Limited Partner or the General Partner.

(b) No Partner shall be entitled to the return of its Capital Contributions at any particular time, except as specified herein.

3.2 Additional Capital Contributions.

(a) Upon becoming a Partner, each Partner that subsequently receives Class B Units from Pzena Investment Management, LLC together with Class B Shares shall be deemed to have contributed, and shall actually contribute, all such Class B Units and Class B Shares to the Partnership in exchange for Class B Partnership Interests pursuant to the terms of this Agreement.

(b) Upon becoming a Partner, each Partner that subsequently receives Class B-1 Units from Pzena Investment Management, LLC shall be deemed to have contributed, and shall actually contribute, all such Class B-1 Units to the Partnership in exchange for Class B-1 Partnership Interests pursuant to the terms of this Agreement.

(c) Except as provided in Section 3.2(a) hereof, no Partner shall be obligated to make any additional Capital Contributions. In addition, no Partner shall be permitted to make additional Capital Contributions of cash or property without the express permission of the General Partner, which permission may be withheld for any or no reason.

3.3 Capital Accounts.

(a) A separate capital account ("Capital Account") shall be maintained for each Limited Partner on the books of the Partnership.

(b) The Capital Account for each Partner will be maintained in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv) and the following provisions:

(i) to such Limited Partner's Capital Account there will be credited such Limited Partner's Capital Contributions, such Limited Partner's distributive share of Partnership Income and other items of income or gain specially allocated hereunder, and the amount of any Partnership liabilities that are assumed by such Limited Partner or that are secured by any Partnership assets distributed to such Limited Partner;

(ii) to such Limited Partner's Capital Account there will be debited the amount of cash and the Gross Asset Value of any other property of the Partnership distributed to such Limited Partner pursuant to any provision of this Agreement, such Limited Partner's distributive share of Partnership Losses and other items of loss, expense and deduction specially allocated hereunder, and the amount of any liabilities of such

Limited Partner that are assumed by the Partnership or that are secured by any property contributed by such Limited Partner to the Partnership;

(iii) in determining the amount of any liability for purposes of this subsection (b), there will be taken into account Section 752(c) of the Code and any other applicable provisions of the Code and the Treasury Regulations; and

(iv) such Limited Partner's Capital Account will be appropriately adjusted to take into account any adjustments to the Gross Asset Value of Partnership assets in accordance with the definition of the term "Gross Asset Value" set forth in Article I.

(c) After the date of this Agreement, in the event that all or a portion of any Limited Partnership Interest is Transferred (other than pursuant to the granting of a Lien) in accordance with the terms of this Agreement, the transferee will succeed to the Capital Account of the transferor to the extent such Capital Account relates to the portion of the Limited Partnership Interest so Transferred, except to the extent otherwise agreed by the transferor, the transferee and the General Partner.

(d) No Limited Partner shall be entitled to receive any interest on or in respect of any amount credited to his/her/its Capital Account.

(e) Except as otherwise provided in this Agreement, no Limited Partner shall have the right to receive a return of any portion of its Capital Account.

3.4 No Liability of Partners.

(a) Notwithstanding anything to the contrary contained herein, no Partner, individually or collectively, shall be liable, responsible or accountable in damage or otherwise to the Partnership or to any Partner, successor, assignee or transferee except by reason of acts or omissions due to fraud or intentional misconduct or that constitute a violation of the implied contractual duty of good faith and fair dealing.

(b) In accordance with the Delaware Act and the laws of the State of Delaware, a partner of a limited partnership may, under certain circumstances, be required to return amounts previously distributed to such partner. It is the intent of the Partners that no distribution to any Limited Partner pursuant to Article IV hereof shall be deemed a return of money or other property paid or distributed in violation of the Delaware Act. The payment of any such money or distribution of any such property to a Limited Partner shall be deemed to be a compromise within the meaning of the Delaware Act, and the Limited Partner receiving any such money or property shall not be required to return to any Person any such money or property. However, if any court of competent jurisdiction holds that, notwithstanding the provisions of this Agreement, any Limited Partner is obligated to make any such payment, such obligation shall be the obligation of such Limited Partner and not of any other Partner.

3.5 Negative Capital Accounts. No Limited Partner shall be required to pay to the Partnership, the General Partner or any other Limited Partner any deficit or negative balance which may exist from time to time in such Limited Partner's Capital Account.

ARTICLE IV

DISTRIBUTIONS AND ALLOCATIONS

4.1 Nonliquidating Distributions. Subject to applicable Law, any limitations contained elsewhere in this Agreement including Section 13.2, distributions of all capital, earnings, income and other distributable items from the Partnership:

(a) shall be made at such times as the General Partner shall determine from time to time;

(b) may take the form of cash, securities or other property, as determined by the General Partner; and

(c) any distributions determined by the General Partner to be made shall be made to the Partners as follows:

(1) any such amounts other than Capital Transaction Proceeds (as determined by the General Partner in accordance with the definition of Capital Transaction Proceeds) shall be distributed to the Partners holding Partnership Interests *pro rata* in proportion to their respective Sharing Percentages; and

(2) any Capital Transaction Proceeds shall be distributed to the Partners *pro rata* in proportion to their respective Capital Transaction Percentages, subject to the limitations set forth in Section 4.1(d) with respect to Class B-1 Partnership Interests.

(d) The Class B-1 Partnership Interests are intended to be treated as Profits Interests and the provisions of this Section 4.1 shall at all times be interpreted in a manner consistent with such intent. Accordingly, (i) the portion of a Partner's Capital Account associated with each Class B-1 Partnership Interest at the time of its issuance shall be equal to zero and (ii) no Class B-1 Partnership Interest shall be entitled to receive distributions pursuant to Section 4.1(c)(2) until a cumulative amount of distributions pursuant to Section 4.1(c)(2) have been made with respect to all Partnership Interests after the date of issuance of such Class B-1 Partnership Interest equal to the "Threshold Value" of such Class B-1 Partnership Interest (as determined in good faith by the General Partner, including by reference to the Threshold Value pertaining to the underlying Class B-1 Unit(s)). The Threshold Value with respect to a Class B-1 Partnership Interest shall be equal to or greater than the amount that would be distributed pursuant to Section 4.1(c)(2) with respect to all Partnership Interests outstanding immediately prior to the grant of such Class B-1 Partnership Interest (including any Class B-1 Partnership Interest with a lower Threshold Value) in a hypothetical transaction in which the Partnership sold all of its assets for fair market value and distributed the proceeds therefrom in liquidation pursuant to this Agreement. The General Partner shall designate a Threshold Value for each Class B-1 Partnership Interest based on the "Threshold Value" specified in the applicable award agreement for the Class B-1 Unit contributed in exchange for such Class B-1 Partnership Interest. The Partnership and each holder of a Class B-1 Partnership Interest shall file all federal income tax returns (and state, local, and foreign tax returns where applicable) consistent with this Section 4.1(d) and the characterization of the Class B-1 Partnership Interests as Profits Interests, although none of the General Partner, the Partnership or any Partner makes any representation as to the tax treatment of the Class B-1 Partnership Interests. The Threshold Value of each Class B-1 Partnership Interest shall be appropriately adjusted by the General Partner in the event of a capital contribution to the Partnership, a recapitalization of the Partnership or any similar transaction to ensure that a holder of Class B-1 Partnership Interests does not become entitled to any distributions not relating to appreciation in the value of, or profits derived by, the Partnership occurring after the issuance of such holder's Class B-1 Partnership Interests. The General Partner shall have the discretion to make any determinations required under this Section 4.1(d), including as to the extent to which a Class B-1 Partnership Interest will be excluded from participating in Partnership distributions on account of this Section 4.1(d). Subject to the foregoing limitations, distributions shall be made to holders of Class B-1 Partnership Interests without regard to vesting.

Notwithstanding the foregoing provisions of this Section 4.1, the General Partner may in its sole reasonable discretion determine which Class B-1 Limited Partners may participate in a distribution with respect to all or a portion of their Class B-1 Partnership Interests under this Section 4.1 in order to further the purpose of this Section 4.1. For example, the General Partner may determine that earnings generated during a prior Fiscal Year should only be distributed with respect to the Class B-1 Partnership Interests issued and outstanding as of that Fiscal Year, rather than based on the Class B-1 Partnership Interests issued and outstanding as of a subsequent Fiscal Year.

4.2 Tax Distributions. Notwithstanding Section 4.1 hereof, on or before the date that estimated income taxes are required to be paid, the General Partner shall determine the Tax Allowance Amount for each Limited Partner in respect of such quarter. Upon such determination, the Partnership shall distribute each Limited Partner's Tax Allowance Amount to such Limited Partner, but only out of any amounts received as Tax Distributions from Pzena Investment Management, LLC pursuant to Section 3.04 of the LLC Operating Agreement. All such distributions shall have priority over any distributions pursuant to Section 4.1 hereof. Amounts distributed pursuant to this Section 4.2 shall be treated as distributions for all purposes of this Agreement and shall be offset against and reduce subsequent distributions made pursuant to Section 4.1. For purposes of Section 3.04 of the LLC Operating Agreement, the Partnership shall report to the Managing Member the highest Tax Allowance Amount of any Limited Partner as the Tax Allowance Amount of the Partnership.

4.3 Restrictions on Distributions. Notwithstanding the provisions of Sections 4.1 and 4.2 hereof to the contrary, no distribution shall be made to the Limited Partners if such distribution would (i) violate any contract or agreement to which the Partnership is then a party or any Law then applicable to the Partnership, (ii) have the effect of rendering the Partnership insolvent or (iii) result in the Partnership having net capital lower than that required by applicable Law. Without limiting the generality of the foregoing, the Partnership shall not make a distribution to a Limited Partner to the extent that at the time of the distribution, after giving effect to the distribution, the aggregate of the liabilities of the Partnership and liabilities for which the recourse of creditors is limited to specified property of the Partnership, exceed the fair value of the assets of the Partnership (including, without limitation, the fair value of the Partnership's goodwill), except that the fair value of property that is subject to a liability for which the recourse of creditors is limited shall be included in the assets of the Partnership only to the extent that the fair value of that property exceeds that liability.

4.4 Withholding. Each Limited Partner hereby authorizes the Partnership to withhold and to pay to any appropriate taxing authority any taxes payable by the Partnership as a result of such Limited Partner's participation in the Partnership; if and to the extent that the Partnership shall be required to withhold and pay any such taxes, such Limited Partner shall be deemed for all purposes of this Agreement to have received a payment from the Partnership in the amount of the sum withheld as of the time such withholding is required to be paid to any appropriate taxing authority, which payment shall be deemed to be a distribution to such Limited Partner to the extent that the Limited Partner is then entitled to receive a distribution.

4.5 Indemnification and Reimbursement for Payments on Behalf of a Limited Partner. If the Partnership is required by Law to make any payment to a Governmental or Regulatory Entity that is specifically attributable to a Limited Partner or a Limited Partner's status as such (including federal withholding taxes, state or local personal property taxes and state or local unincorporated business taxes), then such Limited Partner shall indemnify the Partnership in full for the entire amount paid (including interest, penalties and related expenses). A Limited Partner's obligation to indemnify the Partnership under this Section 4.5 shall survive termination, dissolution, liquidation and winding up of the Partnership, and for purposes of this Section 4.5, the Partnership shall be treated as continuing in existence. The Partnership may pursue and enforce all rights and remedies it may have against each Limited Partner under this Section 4.5, including instituting a lawsuit to collect such indemnification, with interest calculated at a rate equal to the U.S. prime rate listed in *The Wall Street Journal* plus 2% (but not in excess of the highest rate per annum permitted by Law).

4.6 Allocations of Partnership Income and Loss.

(a) Subject to Section 4.6(d) hereof, Partnership Income and Partnership Loss or, to the extent necessary to accomplish the purpose of this Section 4.6, gross items of income, gain, deduction, and loss constituting such Partnership Income and Partnership Loss, for each Accounting Period will be allocated to the Partners as follows:

(a) *Operating Partnership Income and Operating Partnership Loss*. Operating Partnership Income and Operating Partnership Loss shall be allocated among the Partners in accordance with their respective Sharing Percentage.

(b) *Capital Transaction Partnership Income and Capital Transaction Partnership Loss*. Capital Transaction Partnership Income and Capital Transaction Partnership Loss shall be allocated among the Partners in a manner so as to ensure, to the extent possible, that the Capital Accounts of the Partners as of the end of such Accounting Period, as increased by the Partners' shares of "partnership minimum gain" and "partner nonrecourse debt minimum gain" (as such terms are used in Treasury Regulations Section 1.704-2) not otherwise required to be taken into account in such Accounting Period, plus any other amount which such Partner is deemed obligated to restore pursuant to Treasury Regulations Section 1.704-1(b)(2)(ii)(c), are equal to the aggregate distributions that Partner would be entitled to receive (assuming all Partnership Interests are vested) if all of the assets of the Partnership were sold for their Gross Asset Values (assuming for this purpose only that the Gross Asset Value of an asset that secures a non-recourse liability for purposes of Treasury Regulations Section 1.1001-2 is no less than the amount of such liability that is allocated to such asset in accordance with Treasury Regulations Section 1.704-2(d)(2)), all liabilities of the Partnership were repaid from the proceeds of sale and the net remaining proceeds were distributed as of the end of such Accounting Period in accordance with Section 4.1(c)(2).

The allocations made pursuant to Sections 4.6(a) and 4.6(b) are intended to reflect the Partners' economic interests in the Partnership as set forth in Section 4.1, and Sections 4.6(a) and 4.6(b) will be interpreted in a manner consistent with such intention.

(c) For purposes of determining the Partnership Income, Partnership Loss, or any other items allocable to any Accounting Period, Partnership Income, Partnership Loss and any such other items will be determined on a daily, monthly or other basis (but no less frequently than once annually), as determined by the General Partner using any permissible method described in Code Section 706 and the Treasury Regulations thereunder; provided that Partnership Income, Partnership Loss, and such other items will be allocated at such times as the Gross Asset Values of the Partnership are adjusted pursuant to subparagraph (c) of the definition of Gross Asset Value in Article I.

(d) The allocations set forth in Section 4.6(a) and (b) are intended to allocate Partnership Income and Partnership Loss to the Partners in compliance with the requirements of section 704(b) of the Code and the Treasury Regulations promulgated thereunder. If the General Partner determines that the allocation of Partnership Income or Partnership Loss for any period pursuant to the provisions of Section 4.6(a) and (b) does not satisfy the "substantial economic effect safe harbor" of Section 704(b) of the Code and the Treasury Regulations promulgated thereunder (including the minimum gain and partner minimum gain chargeback requirements of §1.704-2 of the Treasury Regulations and the qualified income offset requirement of §1.704-1(b)(2)(ii)(d) of the Treasury Regulations), then notwithstanding anything to the contrary contained in this Agreement, items otherwise included in the computation of Partnership Income and Partnership Loss shall be specially allocated in such manner as the General Partner shall determine to be required by Section 704(b) of the Code and the Treasury Regulations promulgated thereunder; provided, however, that, if the General Partner exercises its authority to make such allocations, then, notwithstanding the other provisions of this Article IV, but subject to section 704(b) of the Code and the Treasury Regulations promulgated thereunder, the General Partner shall reallocate other items of income, gain, deduction, loss, or other items otherwise included in the computation of Partnership Income or Partnership Loss among the Partners so as to cause the Partners' respective separate Capital Accounts to have balances (or as close thereto as possible) they would have if Partnership Income and Partnership Loss and all other items of income, gain, deduction or loss were allocated without reference to the allocations permitted by this Section 4.6(d).

4.7 Tax Allocations.

(a) Allocations for Income Tax Purposes. The income, gains, losses, deductions and credits of the Partnership shall be allocated for federal, state and local income tax purposes among the Partners, as nearly as possible, as the corresponding items of Partnership Income and Partnership Loss were so allocated. If any Interest is transferred, or is increased or decreased by reason of the admission of a new Partner or otherwise, during any Accounting Period, each item of income, gain, loss, deduction, or credit of the Partnership for such

Accounting Period may be allocated based on any method consistent with Section 706(d) of the Code, in the sole discretion of the General Partner.

(b) Section 704(c) Allocations. Notwithstanding any other provision in this Section 4.7, in accordance with Code Section 704(c) and the Treasury Regulations promulgated thereunder, income, gain, loss, and deduction with respect to any property contributed to the capital of the Partnership shall, solely for tax purposes, be allocated among the Partners so as to take account of any variation between the adjusted basis of such property to the Partnership for federal income tax purposes and its fair market value on the date of contribution. If the Gross Asset Value of any Partnership asset is adjusted pursuant to subparagraph (c) of the definition of Gross Asset Value, subsequent allocations of income, gain, loss, and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Gross Asset Value in the same manner as under Code Section 704(c) and the Treasury Regulations thereunder. As such, they shall not affect or in any way be taken into account in computing a Partner's Capital Account or share of Partnership Income, Partnership Loss, or other items or distributions pursuant to any provisions of this Agreement.

4.8 Special Allocations.

(a) If any Limited Partner unexpectedly receives any adjustments, allocations or distributions described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) or (6), items of taxable income and gain shall be specially allocated to such Limited Partner in an amount and manner sufficient to eliminate the adjusted capital account deficit (determined according to Treasury Regulation Section 1.704-1(b)(2)(ii)(d)) created by such adjustments, allocations or distributions as quickly as possible. This paragraph is intended to be a qualified income offset provision as described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted in a manner consistent therewith. Notwithstanding any other provisions of this Article IV, allocations pursuant to this paragraph shall be taken into account in allocating Profits and Losses among the Limited Partners so that, to the extent possible, the net amount of such allocations of Profits and Losses and other items to each Limited Partner shall be equal to the net amount that would have been allocated to the Limited Partners if the allocations pursuant to this paragraph had not occurred.

(b) If the General Partner determines, after consultation with competent tax counsel, that the allocation of any item of Partnership Profit or Loss hereunder is clearly inconsistent with the Limited Partners' economic interests in the Partnership (determined by reference to the principles of Treasury Regulation Sections 1.704-1(b) and 1.704-2), then the General Partner may specially allocate such item to reflect such economic interests.

ARTICLE V

PARTNERS AND MANAGEMENT OF THE PARTNERSHIP

5.1 Admission and Authority of General Partner.

(a) Admission of the General Partner. Upon execution of this Agreement, Pzena Inc. is hereby admitted to the Partnership as its sole general partner. In accordance with Section 17-401(a) of the Delaware Act, Pzena Inc. is being admitted to the Partnership as its sole general partner without making a contribution to the capital of the Partnership, or being obligated to make a contribution to the capital of the Partnership. If Pzena Inc. ceases to be the General Partner for any reason, any other successor to Pzena Inc. shall be the General Partner.

(b) Authority of the General Partner. The General Partner shall have all the rights and powers of a general partner as provided in the Delaware Act, under any other applicable laws and by this Agreement, except to the extent that such powers may be expressly limited by the Delaware Act, such other laws or this Agreement. Except as so limited, the General Partner shall have the exclusive right and power to manage the affairs of the Partnership and is authorized to do on behalf of the Partnership all things which, in its sole

judgment, are necessary or appropriate to carry out the Partnership's purpose. The Limited Partners, in their capacity as Limited Partners, shall not take part in the management or control of the Partnership. No Limited Partner may transact any business for the Partnership. Other than the General Partner in its capacity as the General Partner and other than Administrative Officers appointed pursuant to Section 5.2, no Partner in its capacity as a Partner shall have any power to represent, act for, sign for or bind the Partnership.

(c) Delegation by the General Partner. The General Partner shall have the power and authority to delegate to one or more other Persons the General Partner's rights and powers to manage and control the affairs of the Partnership, including to delegate to agents and employees of the General Partner or the Partnership (who may not be Limited Partners), and to delegate by a written agreement with, or otherwise to, other Persons other than a Limited Partner; provided that any such delegation by the General Partner shall not cause the General Partner to cease to be a General Partner of the Partnership. The General Partner may authorize any Person (including, without limitation, any Partner or Officer) to enter into and perform under any document on behalf of the Partnership.

5.2 Officers Designation and Appointment. The General Partner may, from time to time, appoint or remove one (1) or more administrative officers (individually, an "Administrative Officer," and collectively, the "Administrative Officers") from among the employees of Pzena Investment Management, LLC to carry out the business and affairs of the Partnership. No Administrative Officer may be a Limited Partner. Each Administrative Officer's title and authority shall be as determined from time to time by the General Partner.

5.3 Voting.

(a) The Partnership shall become a party to the Class B Stockholders' Agreement and shall be bound by the obligations therein.

(b) Prior to any vote of the stockholders of Pzena Inc. or any vote of the members of Pzena Investment Management, LLC, the Partnership shall hold a preliminary vote of the Class B Limited Partners ("Preliminary LP Vote") directing the General Partner how to vote with respect to any action called to vote at any meeting of the stockholders of Pzena Inc. or at any meeting of the members of Pzena Investment Management, LLC, as applicable. Such vote shall be in accordance with procedures established from time to time by the General Partner. Each Class B Limited Partner shall have one vote for each Class B Partnership Interest held by such Class B Limited Partner. For the avoidance of doubt, Class B-1 Limited Partners shall not have voting rights with respect to the Class B-1 Partnership Interests held thereby.

(c) The Partnership will calculate the results of the applicable Preliminary LP Vote based on its procedures as provided in Section 5.3(b), and with respect to any action called to vote at a meeting of the stockholders of Pzena Inc. or members of Pzena Investment Management, LLC, the Partnership will vote the Class B Shares or Class B Units it holds, as applicable, based on the majority vote resulting from the Preliminary LP Vote, which shares or units shall be voted in a block.

5.4 Compensation and Reimbursement of General Partner.

(a) Except as provided in this Section 5.4 or elsewhere in this Agreement, the General Partner shall not be compensated for its services as General Partner to the Partnership.

(b) The General Partner may, in its sole discretion, seek reimbursement from the Partnership for all reasonable amounts it pays or incurs in organizing or conducting the Partnership's affairs, which is properly allocable to the Partnership. The General Partner shall determine the portion of its indirect expenses which is allocable to the Partnership in any reasonable manner.

5.5 Indemnification. To the fullest extent permitted by Law, the Partnership shall indemnify and hold harmless the General Partner and its partners, officers, directors, agents and employees (each an "Indemnified Person") against any and all costs, losses, damages, liabilities, including legal fees and other expenses suffered or sustained by it by reason of (i) any act or omission arising out of or in connection with the Partnership or this Agreement, or (ii) any and all claims, demands, actions, suits or proceedings (civil, criminal, administrative or investigative), actual or threatened, in which such Indemnified Person may be involved, as a party or otherwise,

arising out of or in connection with such Indemnified Person's service to or on behalf of, or management of the affairs or assets of, the Partnership, or which relate to the Partnership, provided that the Indemnified Person's acts, omissions or alleged acts or omissions were not made in bad faith or did not constitute gross negligence, willful misconduct or fraud and any such amount shall be paid by the Partnership to the extent assets are available, but the Limited Partner shall not have any personal liability to the General Partner on account of such loss, damage or expense.

ARTICLE VI

RIGHTS AND OBLIGATIONS OF LIMITED PARTNERS

6.1 Limitation of Liability. Except as otherwise provided in this Agreement or in the Delaware Act, a Limited Partner's liability for Partnership liabilities and Losses shall be limited pursuant to Section 3.4.

6.2 No Right of Partition. No Limited Partner shall have the right to seek or obtain partition by court decree or operation of law of any Partnership property, or the right to own or use particular or individual assets of the Partnership.

6.3 Access to Information. Except for the information required to be provided to the Limited Partners under this Agreement and Section 17-305 of the Delaware Act, no Limited Partner shall have the right to demand from the Partnership, and the Partnership shall have no obligation to provide to any Limited Partner, any books or records of the Partnership.

ARTICLE VII

RECORDS AND REPORTS

7.1 Records and Accounting. The books and records of account of the Partnership shall be maintained in accordance with GAAP, consistently applied, and shall be reconciled to comply with the methods followed by the Partnership for United States Federal income tax purposes, consistently applied. The books and records shall be maintained at the Partnership's principal office or at a location designated by the General Partner.

7.2 Reports. Within one hundred twenty (120) days after the end of each Fiscal Year, the General Partner shall cause to be prepared and mailed to each Partner one (1) or more reports setting forth, as of the end of such Fiscal Year, a statement of Partnership Income and the amount of such Partner's Capital Account and, as soon as thereafter practicable, the amount of such Partner's share of the Partnership's taxable income or loss for such Fiscal Year, in sufficient detail to enable him to prepare his federal, state and other tax returns for the Fiscal Year. The financial statements described in this Section 7.2 shall be prepared in accordance with GAAP applied on a consistent basis (except as may be noted therein).

ARTICLE VIII

TAX MATTERS

8.1 Preparation of Tax Returns and Tax Elections.

(a) The General Partner shall arrange for the preparation and timely filing of all returns required to be filed by the Partnership. The General Partner, in its sole discretion, shall determine the accounting methods and conventions under the tax laws of the United States, the several states and other relevant jurisdictions as to the treatment of income, gain, loss, deduction and credit of the Partnership or any other method or procedure related to the preparation of such tax returns. The General Partner, in its sole discretion, may cause the Partnership to make or refrain from making any and all elections permitted by such tax laws.

(b) Each Partner agrees that, in respect of any year in which he has or had any interest in the Partnership, he shall not (i) treat, on his individual income tax returns, any item of income, gain, loss, deduction

or credit relating to his interest in the Partnership in a manner inconsistent with the treatment of such item by the Partnership as reflected on the Form K-1 or other information statement furnished by the Partnership to such Partner for use in preparing his income tax returns or (ii) file any claim for refund relating to any such item based upon, or that would result in, such inconsistent treatment unless such Partner has been advised by counsel that treating such item in a manner consistent with the treatment of such item by the Partnership would subject such Partner to penalties under the Code.

8.2 Tax Matters Representative

(a) The General Partner, or a Person designated by the General Partner, shall serve as the "tax matters partner" within the meaning of Section 6231(a)(7) of the Code prior to its amendment by the Revised Partnership Audit Procedures and as the "partnership representative" of the Partnership for any tax period subject to the provisions of Section 6223 of the Code, as amended by the Revised Partnership Audit Procedures (in each such capacity, the "Tax Matters Representative"), and in such capacity shall represent the Partnership in any disputes, controversies or proceedings with the Internal Revenue Service or with any state, local, or non-U.S. taxing authority and is hereby authorized to take any and all actions that it is permitted to take by applicable law when acting in that capacity. The Tax Matters Representative shall have all of the rights, authority and power, and shall be subject to all of the obligations, of a tax matters partner/partnership representative to the extent provided in the Code and the Treasury Regulations, and the Limited Partners hereby agree to be bound by any actions taken by the Tax Matters Representative in such capacity. The Tax Matters Representative shall represent the Partnership in all tax matters to the extent allowed by law. Without limiting the foregoing, the Tax Matters Representative is authorized and required to represent the Partnership (at the Partnership's expense) in connection with all examinations of the Partnership's affairs by tax authorities, including administrative and judicial proceedings, and to expend Partnership funds for professional services and costs associated therewith. Any decisions made by the Tax Matters Representative, including, without limitation, whether or not to settle or contest any tax matter, and the choice of forum for any such contest, and whether or not to extend the period of limitations for the assessment or collection of any tax, shall be made in the Tax Matters Representative's sole discretion. Without limiting the generality of the foregoing, the Tax Matters Representative (i) shall have the sole and absolute authority to make any elections on behalf of the Partnership permitted to be made pursuant to the Code or the Treasury Regulations promulgated thereunder and (ii) without limiting the foregoing, may, in its sole discretion, make an election on behalf of the Partnership under Sections 6221(b) or 6226 of the Code, as amended by the Revised Partnership Audit Procedures, as in effect for the first Fiscal Year beginning after December 31, 2017 and thereafter, and (iii) may take all actions the Tax Matters Representative deems necessary or appropriate in connection with the foregoing.

(b) Each Limited Partner agrees to provide promptly and to update as necessary at any times requested by the Tax Matters Representative, all information, documents, self-certifications, tax identification numbers, tax forms, and verifications thereof, that the Tax Matters Representative deems necessary in connection with (1) any information required for the Partnership to determine the scope of Sections 6221-6235 of the Code, as amended by the Revised Partnership Audit Procedures; (2) an election by the Partnership under Section 6221(b) or 6226 of the Code, as amended by the Revised Partnership Audit Procedures, and (3) an audit or a final adjustment of the Partnership by a taxing authority. Each Member covenants and agrees to take any action reasonably requested by the Partnership in connection with an election by the Partnership under Section 6221(b) or 6226 of the Code, amended by the Revised Partnership Audit Procedures, or an audit or a final adjustment of the Partnership by a taxing authority (including, without limitation, promptly filing amended tax returns and promptly paying any related taxes, including penalties and interest).

(c) To the extent payments are made by the Partnership on behalf of or with respect to a current Limited Partner, such amounts shall, at the election of the Tax Matters Representative, (i) be applied to and reduce the next distribution(s) otherwise payable to such Limited Partner under this Agreement or (ii) be paid by the Limited Partner to the Partnership within thirty (30) days of written notice from the Tax Matters Representative requesting the payment. In addition, if any such payment is made on behalf of or with respect to a former Limited Partner, that Limited Partner shall pay over to the Partnership an amount equal to the amount of such payment (including interest and penalties) made on behalf of or with respect to it within thirty (30) days of

written notice from the Tax Matters Representative requesting the payment; provided, that, the Tax Matters Representative, in its sole discretion, may request the payment of a lower amount than the total payment (including interest and penalties) made on behalf of and with respect to a former Limited Partner.

(d) The Partnership shall indemnify and hold harmless the Tax Matters Representative from and against any loss, liability, damage, cost or expense (including reasonable attorneys' fees) sustained or incurred as a result of any act or decision concerning Partnership tax matters and within the scope of the Tax Matters Representative's responsibilities as the Tax Matters Representative. The Tax Matters Representative shall be entitled to rely on the advice of legal counsel as to the nature and scope of its Tax Matters and authority as the Tax Matters Representative, and any act or omission of the Tax Matters Representative pursuant to such advice shall in no event subject the Tax Matters Representative to liability to the Partnership or any Limited Partnership.

The provisions contained in this Section 8.2 shall survive the termination of the Partnership, the termination of this Agreement and, with respect to any Limited Partner, the transfer or assignment of any portion of such Limited Partner's interest in the Company.

ARTICLE IX

AMENDMENTS

9.1 Amendments.

(a) The terms and provisions of this Agreement (including, for the avoidance of doubt, any Exhibit or Schedule hereto) may be modified or amended at any time and from time to time with the written consent of the General Partner and the Class B Limited Partners holding more than 50% of the issued and outstanding Class B Limited Partnership Interests, provided that the General Partner may, without the consent of any of the other Partners, amend this Agreement:

(i) to satisfy any requirements, conditions, guidelines or opinions contained in any opinion, directive, order, ruling or regulation of the Securities and Exchange Commission, the Internal Revenue Service or any other U.S. federal or state or non-U.S. governmental agency, or in any U.S. federal or state or non-U.S. statute, compliance with which the General Partner deems to be in the best interest of the Partnership;

(ii) (A) to ensure that the Partnership will not be treated as (x) an association taxable as a corporation for U.S. federal income tax purposes or (y) a "publicly traded partnership" for purposes of Section 7704 of the Code or (B) to comply with the then existing requirements of the Code, final or temporary Treasury Regulations and the rulings of the Internal Revenue Service affecting the treatment of the Partnership for federal income tax purposes;

(iii) to change the name of the Partnership; or

(iv) to make any other change that is for the benefit of, or not adverse to the interests of, the Limited Partners.

(b) Notwithstanding the provisions of this Section 9.1, no modification of or amendment to this Agreement shall be made that will:

(i) materially and adversely affect the rights of a Limited Partner, or increase the Capital Contribution obligations of a Limited Partner, without the written consent of such Limited Partner;

(ii) modify or amend Section 10.2 in a manner adverse to any Limited Partner without the written consent of either (x) such Limited Partner or (y) a Super Majority in Interest of the Limited Partners, provided that (A) no such modification or amendment pursuant to clause (y) of this Section 9.1(b)(ii)

shall be effective unless each Limited Partner adversely affected thereby shall have received at least sixty (60) days' prior notice thereof, (B) any such modification or amendment shall only apply to such Limited Partner if such Limited Partner is an employee of the Partnership Group at the end of such sixty (60) day period and (C) any Limited Partner who resigns during such sixty (60) day notice period shall be subject to such sections as in effect prior to such amendment or modification, provided, further, however, that the General Partner may, without the consent of any of the Limited Partners, modify or amend Section 10.2 in a manner that applies solely to Limited Partners admitted following the time of such amendment; or

(iii) modify or amend the requirement in any provision of this Agreement (including this Section 9.1) calling for the preliminary vote of the Class B Limited Partners, or of a Limited Partner, unless there is a change to the LLC Operating Agreement relating to the voting rights of Class B Unit Holders and/or the Class B Stockholders' Agreement and the related preliminary voting procedures of Pzena Investment Management, LLC, in which case this Agreement may be amended by the General Partner consistent with any such change to preserve the voting rights of the Limited Partners as described in the Invitation to Subscribe.

ARTICLE X

TRANSFER, VESTING AND FORFEITURE OF PARTNERSHIP INTERESTS

10.1 Transfers of Partnership Interests.

(a) The General Partner shall not Transfer any Class A Partnership Interests.

(b) No Limited Partner shall Transfer, or suffer the Transfer of, such Limited Partner's Class B Partnership Interests or Class B-1 Partnership Interests (including by way of indirect transfer resulting from the direct or indirect transfer of control of any entity which is a Limited Partner), in whole or in part, nor enter into any agreement as the result of which any Person shall become interested with such Limited Partner therein except subject to Section 10.1(d), (i) with the prior written consent of the General Partner, which may be withheld in its sole discretion or (ii) by last will and testament to: (A) spouses or lineal descendants, (B) inter vivos trusts, (C) family limited partnerships or similar entities or (D) devices for the benefit of spouses and lineal descendants, on the condition in each case that each Transferee thereof expressly acknowledges and agrees in writing that such transferred Class B Partnership Interests or Class B-1 Partnership Interests (or such portion thereof) are subject to this Agreement and all of the terms and conditions hereof.

(c) No Limited Partner or transferee thereof shall, without the prior written consent of the General Partner, which may be withheld in its sole discretion, create, or suffer the creation of, a Lien in such Limited Partner's Class B Partnership Interests or Class B-1 Partnership Interests.

(d) Except with the written consent of the General Partner, no Transfer of a Partnership Interest shall be permitted (and, if attempted, shall be void *ab initio*) if, in the determination of the General Partner:

(i) such Transfer is made to any Person who lacks the legal right, power or capacity to own such Partnership Interest;

(ii) such Transfer would require the registration of such transferred Partnership Interest pursuant to any applicable United States federal or state securities laws (including, without limitation, the Securities Act or the Exchange Act) or other foreign securities laws or would constitute a non-exempt distribution pursuant to applicable state securities laws;

(iii) to the extent requested by the General Partner, the Partnership does not receive such legal and/or tax opinions and written instruments (including, without limitation, copies of any instruments of Transfer and such assignee's consent to be bound by this Agreement as an assignee) that are in a form satisfactory to the General Partner, as determined in the General Partner's sole discretion; or

(iv) such a Transfer would pose a material risk that the Partnership would be a "publicly traded partnership" as defined in Section 7704 of the Code.

(e) Any purported Transfer of Partnership Interests not in compliance with this Section 10.1 shall be void and shall not create any obligation of the party of the Partnership or its Partners to recognize such Transfer.

10.2 Terms and Conditions Applicable to Class B Partnership Interests and Class B-1 Partnership Interests. If a Limited Partner has received Class B Partnership Interests in exchange for Class B Units or Class B-1 Partnership Interests in exchange for Class B-1 Units, in each case, subject to terms and/or conditions, including, but not limited to, vesting restrictions and forfeiture requirements, either pursuant to the LLC Operating Agreement or an agreement for the award of Class B Equity Incentive Units or other Award Agreement (as defined in the LLC Operating Agreement), then such Partnership Interests received in exchange for such Class B Units or Class B-1 Units shall be subject to the same terms and/or conditions as such Class B Units or Class B-1 Units, including, as relevant, as set forth below.

(a) Vesting and Forfeiture of Partnership Interests.

(i) Partnership Interests Held by the General Partner. All Class A Partnership Interests held by the General Partner shall be fully vested and shall not be subject to forfeiture under this Section 10.2 for any reason.

(ii) Partnership Interests Held by Limited Partners and their Permitted Transferees. All Class B Partnership Interests and Class B-1 Partnership Interests shall be vested or subject to vesting provisions as set forth on the Register. Unvested Class B Partnership Interests shall vest in accordance with the vesting schedule of the Class B Units contributed in exchange for the Class B Partnership Interests as set forth on the Register or in an agreement for an award of Class B Equity Incentive Units. Unvested Class B-1 Partnership Interests shall vest in accordance with the vesting schedule of the Class B-1 Units contributed in exchange for the Class B-1 Partnership Interests as set forth on the Register or in an Award Agreement. Except as may be agreed in writing by the General Partner and a Limited Partner, Class B Partnership Interests or Class B-1 Partnership Interests held by a Permitted Transferee shall vest at the same times as such Class B Partnership Interests or Class B-1 Partnership Interests would have vested had such Class B Partnership Interests or Class B-1 Partnership Interests continued to be held by such Limited Partner.

(iii) Forfeiture of Unvested Class B Partnership Interests and Unvested Class B-1 Partnership Interests. Except as may be agreed in writing by the Partnership and a Limited Partner, all unvested Class B Partnership Interests and Class B-1 Partnership Interests held by a Limited Partner and all unvested Class B Partnership Interests and Class B-1 Partnership Interests transferred by such Limited Partner to, and held by, his or her Permitted Transferees, on the date of termination of employment of such Limited Partner with the Partnership Group shall be forfeited upon such termination.

(iv) In addition to the foregoing, vesting shall occur as specified in any agreement for an award of Class B Equity Incentive Units or other Award Agreement.

(b) Additional Forfeiture of Class B Partnership Interests.

(i) Termination for Cause. Subject to Section 10.2(b)(ii), in the event that a Limited Partner's employment by the Partnership Group has been terminated for Cause (as such term is defined in the LLC Operating Agreement), such Limited Partner and each of his or her Permitted Transferees shall each forfeit seventy-five percent (75%) of the number of vested Class B Partnership Interests and Class B-1 Partnership Interests and one hundred percent (100%) of the unvested Class B Partnership Interests and Class B-1 Partnership Interests held by such Limited Partner as of the date of such termination, unless the Board of Directors of the General Partner, in its sole discretion, determines otherwise.

(ii) Notwithstanding Section 10.2(b)(i), at any time prior to or following a Transfer of Class B Partnership Interests or Class B-1 Partnership Interests by a Limited Partner, the transferring Limited Partner, the transferee and the General Partner may agree in writing, in the sole discretion of each such Person, that all or any portion of the Class B Partnership Interest or Class B-1 Partnership Interest that may be forfeited by a Permitted Transferee pursuant to Section 10.2(b)(i) shall instead be forfeited by the Limited Partner that transferred such Class B Partnership Interests or Class B-1 Partnership Interests.

(iii) LLC Initial Managing Principal Breach of Restrictive Covenants. Subject to Section 10.2(b)(ii), in the event that an LLC Initial Managing Principal breaches the representation and warranties set forth in the Invitation to Subscribe (including the provisions set forth in Section 5.07 of the LLC Operating Agreement) during the term of his employment with the Partnership Group or during the three (3) year period following such term of employment, in addition to any forfeiture that may result from the application of Section 10.2(a)(iii) (should such breach result in a termination of employment), unless the Board of Directors of the General Partner, in its sole discretion, determines otherwise, such LLC Initial Managing Principal and each of his Permitted Transferees shall each forfeit one hundred percent (100%) of unvested Class B Partnership Interests, and the excess of (A) fifty percent (50%) of the number of vested Class B Partnership Interests held by such Limited Partner as of the earlier of (i) the date of such breach and (ii) the date of termination of such LLC Initial Managing Principal's employment with the Partnership Group over (B) the aggregate number of vested Class B Partnership Interests (if any) previously forfeited by such Limited Partner under this Section 10.2(b)(iii).

(iv) Limited Partner Breach of Restrictive Covenants. Subject to Section 10.2(b)(ii), in the event that a Limited Partner other than an LLC Initial Managing Principal breaches the representation and warranties set forth in the Invitation to Subscribe (including the provisions set forth in Section 5.07 of the LLC Operating Agreement) during the term of his or her employment or during the eighteen (18) month period following such term of employment, in addition to any forfeiture that may result from the application of Section 10.2(a)(iii) (should such breach result in a termination of employment), unless the Board of Directors of the General Partner, in its sole discretion, determines otherwise, such Limited Partner and each of his or her Permitted Transferees shall each forfeit one hundred percent (100%) of unvested Class B Partnership Interests and Class B-1 Partnership Interests, and the excess of (A) 25% of the number of vested Class B Partnership Interests and Class B-1 Partnership Interests held by such Limited Partner as of the earlier of (i) the date of such breach and (ii) the date of termination of such Limited Partner's employment with the Partnership Group over (B) the aggregate number of vested Class B Partnership Interests (if any) previously forfeited by such Limited Partner under this Section 10.2(b)(iv).

ARTICLE XI

ADMISSION OF PARTNERS

11.1 Substituted Limited Partners.

(a) No Limited Partner shall have the right to substitute in his place a purchaser, assignee, transferee, donee, heir, legatee, distributee, or other recipient of interests of such Limited Partner (other than in compliance with the provisions of Section 11.1(b) hereof), provided that any purchaser, assignee, transferee, donee, heir, legatee, distributee or other recipient of interests shall be admitted to the Partnership as a substitute Limited Partner with, and only with, the consent of the General Partner, which consent may be granted or withheld in the sole discretion of the General Partner. Any such consent by the General Partner shall be binding and conclusive without the consent of the Limited Partners.

(b) No Person shall become a substitute Limited Partner until such Person shall have satisfied the following requirements: (i) such Person shall, by written instrument in form and substance reasonably satisfactory to the General Partner, make representations and warranties to each nontransferring Limited Partner (x) with respect to the capacity, power and authority of the transferee to accept and adopt the terms and provisions of this Agreement, (y) that the execution, delivery and performance of this Agreement by the transferee does not require any consent or approval and does not violate any agreement to which the transferee is

a party, and (z) that are otherwise determined by the General Partner as necessary or desired by the Partnership in order to comply with securities Laws, and (ii) such Person accepts and adopts the terms and provisions of this Agreement and the Acceptance Form submitted in connection with such Person's acceptance of the Invitation to Subscribe.

(c) For the purpose of allocating Partnership Income and Partnership Losses, a Person with respect to whom the General Partner has given consent as provided in Section 11.1(a) hereof shall be treated as having become, and shall appear in the records of the Partnership as, a Limited Partner on the date of the Transfer to such Person.

11.2 New Limited Partners and Issuance of Partnership Interests. Subject to the terms of this Agreement, the General Partner may issue Class B Partnership Interests or Class B-1 Partnership Interests upon its admission of one (1) or more additional Limited Partners or issue additional Class B Partnership Interests or Class B-1 Partnership Interests to an existing Limited Partner at any time, in each case in exchange for an equal number of Class B Units or Class B-1 Units, as applicable, contributed by such Person to the Partnership. A contribution of Class B Units for Class B Partnership Interests or a contribution of Class B-1 Units for Class B-1 Partnership Interests is not revocable or modifiable, except with the written consent of Pzena, Inc. and the Limited Partner, except in accordance with Section 12.6 hereof. No existing Limited Partner shall be entitled to be compensated or reimbursed on account of any dilution resulting from the admission of additional Limited Partners, nor will any Limited Partner be entitled to rights of first refusal, pre-emptive rights or any other rights or benefits as a result of the issuance of additional Class B Partnership Interests or Class B-1 Partnership Interests to any existing Limited Partners or the admission of a Limited Partner. The General Partner may do all things appropriate or convenient in connection with the issuance of Class B Partnership Interests or Class B-1 Partnership Interests or the admission of any additional Limited Partner pursuant to the Invitation to Subscribe.

11.3 Representations of New Limited Partners. Each Person admitted to the Partnership as a Limited Partner shall become a party to, and agree to be bound by, this Agreement and the Acceptance Form submitted in connection with such Partner's acceptance of the Invitation to Subscribe. Each Limited Partner represents and warrants that (a) the Limited Partner owns the Class B Units or Class B-1 Units to be contributed to the Partnership pursuant to the Invitation to Subscribe and Section 11.2 hereto, free and clear of all Liens, except as permitted with the prior written consent of the General Partner, (b) the Limited Partner's interest in the Partnership is intended to be and is being acquired solely for the Limited Partner's own account for the purpose of investment and not with a view to any sale or other disposition of all or any part thereof (provided the disposition of the Partner's property shall be within its control), (c) the Limited Partner is aware that interests in the Partnership have not been registered under the Securities Act, that such interests cannot be sold or otherwise disposed of unless they are registered thereunder or unless an exemption from such registration is available, that the Partnership has no present intention of so registering such interests under the Securities Act, and that accordingly such Limited Partner is able and is prepared to bear the economic risk of making a Capital Contribution and to suffer a complete loss of investment, and (d) the Limited Partner's knowledge and experience in financial and business matters are such that the Limited Partner is capable of evaluating the risks of making a Capital Contribution. The foregoing representations and warranties may be relied upon by the Partnership, and by the other Partners, in connection with each Limited Partner's investment in the Partnership.

ARTICLE XII

WITHDRAWAL OR REMOVAL OF PARTNERS

12.1 Withdrawal of General Partner. The General Partner shall not withdraw as the Partnership's general partner unless otherwise provided herein.

12.2 Removal of General Partner. The Limited Partners shall not have any right to remove the General Partner as the Partnership's general partner.

12.3 Withdrawal of Limited Partners. No Limited Partner shall have any right to withdraw from the Partnership without the prior written consent of the General Partner, provided that at such time as a Limited Partner no longer owns any Class B Partnership Interests, such Limited Partner shall cease to be a Partner of the Partnership. The General Partner may permit withdrawal of a Limited Partner only in connection with the redemption of some or all of such Limited Partner's Class B Partnership Interests for an equal number of Class B Units and Class B Shares or the redemption of some or all of such Limited Partner's Class B-1 Partnership Interests for an equal number of Class B-1 Units in accordance with Section 12.5 hereof. The resignation or cessation of partnership of a Limited Partner shall not dissolve the Partnership.

12.4 Removal of Limited Partners. A Limited Partner may be removed (a) upon the Limited Partner's death or entry by a court of competent jurisdiction of an order adjudicating the Limited Partner incompetent to manage the Limited Partner's Person or property, (b) at the sole discretion of the General Partner, (c) upon cessation of the Limited Partner's employment with Pzena Investment Management, LLC or (d) if the General Partner determines that such removal is necessary or desirable to comply with any requirements, conditions or guidelines contained in any opinion, directive, order, ruling or regulation of any United States federal or state agency or judicial authority or contained in any United States federal or state statute. The General Partner shall provide written notice of removal to any Limited Partner that it proposes to remove pursuant to this Section 12.4, and if applicable shall provide such Limited Partner an opportunity to cure the event giving rise to removal. Upon removal of a Limited Partner, such Limited Partner, or the Limited Partner's successor in interest, shall in the sole discretion of the General Partner, (A) receive a distribution of (x) Class B Units equal in number to and with the identical vesting and exchange rights of the Class B Partnership Interests held by such Limited Partner or Class B-1 Units equal in number to and with the identical vesting and exchange rights of the Class B-1 Partnership Interests held by such Limited Partner, as applicable and (y) Class B Shares equal in number to the Class B Partnership Interests held by such Limited Partner; or (B) be paid an amount equal to the fair market value, as reasonably determined by the General Partner, of the Limited Partner's Capital Account as of either the date of such removal or the end of the fiscal year in which the removal is effective, in the discretion of the General Partner. Such payment shall be made without interest within 90 days following such date. Class B Partnership Interests and Class B-1 Partnership Interests redeemed upon removal of a Limited Partner shall be cancelled.

12.5 Redemption of Partnership Interests. A Limited Partner may redeem some or all of such Limited Partner's Class B Partnership Interests or Class B-1 Partnership Interests in an Exit Exchange or on terms and conditions determined by the General Partner in its sole discretion. Class B Partnership Interests redeemed in exchange for Class B Units shall be cancelled. Class B-1 Partnership Interests redeemed in exchange for Class B-1 Units shall be cancelled. Such redemption of Class B Partnership Interests or Class B-1 Partnership Interests in exchange for Class B Units or Class B-1 Units, as applicable, shall be permitted by the General Partner:

(a) upon the submission by the Limited Partner to the General Partner of a request to make an Exit Exchange following notification to such Limited Partner pursuant to Section 12.6 hereof of the Exchange Notice and Exchange Date established pursuant to Exhibit B or Exhibit D of the LLC Operating Agreement; or

(b) on such other terms and conditions as may be determined by the General Partner in its sole discretion.

12.6 Exchange Procedures in Connection with an Exchange Notice. Upon receiving an Exchange Notice from the Managing Member pursuant to Section 2.01(b) of Exhibit B or Exhibit D of the LLC Operating Agreement, the General Partner shall notify each Limited Partner of such Limited Partner's eligibility to redeem certain of the Limited Partner's vested Class B Partnership Interests for an equal number of Class B Units and Class B Shares or vested Class B-1 Partnership Interests for an equal number of Class B-1 Units solely for the purposes of exchanging such Class B Units and Class B Shares or Class B-1 Units for Class A Shares in accordance with the procedures and limitations set forth in Exhibit B or Exhibit D of the LLC Operating Agreement. Upon receiving notification of the Exchange Notice, a Limited Partner may submit a request to redeem one or more Class B Partnership Interests or Class B-1 Partnership Interests, subject to limits specified in the Register, Invitation to Subscribe, or as applicable under Exhibit B or Exhibit D of the LLC Operating Agreement, by delivering to the General Partner, not less than fourteen (14) calendar days prior to an Exchange Date (or such lesser number of days as the General Partner may permit in its sole discretion), a written notice (the

"Exit Exchange Request"). An Exit Exchange Request shall set forth the number of Class B Partnership Interests or Class B-1 Partnership Interests such Limited Partner elects to redeem in exchange for Class B Units and Class B Shares or Class B-1 Units, as applicable. The Limited Partner shall represent to the General Partner that such Limited Partner (a) owns the Class B Partnership Interests or Class B-1 Partnership Interests to be redeemed pursuant to Section 12.5, free and clear of all Liens, except as set forth therein, and, if there are any Liens identified in the Exit Exchange Request, such Limited Partner shall covenant that such Limited Partner will deliver evidence reasonably satisfactory to the General Partner that all such Liens have been released and (b) is eligible to exchange the Class B Units and Class B Shares or Class B-1 Units for Class A Shares as of the current Exchange Date. An Exit Exchange Request is not revocable or modifiable, except with the written consent of the General Partner.

ARTICLE XIII

DISSOLUTION AND LIQUIDATION

13.1 Dissolution. The Partnership shall dissolve upon the first to occur of the following:

(a) a determination by the General Partner that the Partnership should dissolve; or

(b) the entry of a decree of judicial dissolution of the Partnership under Section 17-802 of the Delaware Act.

Upon the dissolution of the Partnership, no further business shall be done in the Partnership's name except the completion of any incomplete transactions and the taking of such action as shall be necessary for the winding up of the affairs of the Partnership and the distribution of its assets.

13.2 Liquidation.

(a) Upon dissolution of the Partnership, the General Partner shall (x) determine each Partner's Capital Account pursuant to Article III hereof, (y) determine each Partner's pro rata share of Partnership Income and Partnership Loss in accordance with Section 4.6 hereof, and (z) take the following actions and make the following distributions out of the property of the Partnership in the following manner and order:

(i) pay all debts and liabilities of the Partnership and expenses of liquidation in the order of priority provided by Law; and

(ii) distribute the remainder of the property in cash to the Partners in accordance with Section 4.1(c)(2).

(b) No Partner shall be obligated to restore a negative Capital Account unless otherwise determined by the General Partner.

13.3 Distribution in Kind. The provisions of Section 13.2 which require the liquidation of the assets of the Partnership notwithstanding, but subject to the order of priorities set forth therein, if upon dissolution of the Partnership the General Partner determines that an immediate sale of part or all of the Partnership's assets would be impractical or would cause undue loss to the Partners, the General Partner may, in its discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy Partnership liabilities, and may, in its discretion, distribute to the Partners, in lieu of cash, as tenants in common and in accordance with the provisions of this Agreement, undivided interests in such Partnership assets as the General Partner deems not suitable for liquidation. Any such distributions in kind shall be subject to such conditions relating to the disposition and management of such properties as the General Partner deems reasonable and equitable and to any agreements governing the operating of such properties at such time

13.4 Cancellation of Certificate of Limited Partnership. Upon the completion of the distribution of Partnership property as provided above, the Partnership shall be terminated, and the General Partner (or the

Limited Partners, if necessary) shall cause the cancellation of the Certificate of Limited Partnership and all qualifications of the Partnership as a foreign limited partnership in jurisdictions other than the State of Delaware, if applicable.

ARTICLE XIV

GENERAL PROVISIONS

14.1 Power of Attorney.

(c) Each of the Limited Partners hereby constitutes and appoints the General Partner his true and lawful representative and attorney-in-fact in his name, place and stead, with full power of substitution, to make, execute, sign, acknowledge and file with respect to the Partnership:

(i) all instruments which the General Partner deems appropriate to reflect any duly adopted amendment, change or modification of the Partnership's Certificate of Limited Partnership or this Agreement in accordance with the terms of this Agreement;

(ii) any amendment to this Agreement and all such other instruments, documents and certificates, which may from time to time be required by the laws of the State of Delaware, the United States of America (including tax laws and regulations), or any other jurisdiction in which the Partnership shall determine to do business, or any political subdivision or agency thereof, to effectuate, implement, continue and defend the valid and subsisting existence of the Partnership as a partnership;

(iii) all applications, certificates, certifications, reports or similar instruments or documents required to be submitted by or on behalf of the Partnership to any Governmental or Regulatory Authority or to any securities or commodities exchange, board of trade, clearing corporation or association or similar institution or to any other self-regulatory organization or trade association; and

(iv) all papers which may be deemed necessary or desirable by the General Partner to effect the dissolution and liquidation of the Partnership if approved in accordance with the terms of this Agreement;

provided, that that no such representative and attorney-in-fact shall have any right, power or authority to amend or modify this Agreement when acting in such capacity. The foregoing power of attorney is irrevocable and coupled with an interest, and shall survive the death, incompetency, disability, incapacity, dissolution, bankruptcy, insolvency or termination of any Limited Partner and the transfer of all or any portion of the Limited Partner's Partnership Interest and shall extend to the Limited Partner's heirs, successors, assigns and personal representatives.

14.2 Severability. If any term, provision, agreement, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, agreements, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated so long as the economic or legal substance of the transactions contemplated hereby is not effected in any manner materially adverse to any party. Upon such a determination, the parties hereof shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

14.3 Notices. All notices to the Partnership shall be addressed to its principal office. All notices addressed to a Partner or his legal representative or to the Partners as a group shall be addressed to such Partner or legal representative or Partners at the address of such Partner or legal representative for the Partners set forth on the Register. Any Partner or the legal representative of any Partner may designate a new address by notice to such effect given to the Partnership. All notices and other communications to be given to a Partner or his legal

representative shall be sufficiently given for all purposes hereunder (a) when received, if in writing and delivered by hand, (b) two (2) Business Days following deposit with a nationally recognized courier or overnight delivery service, (c) three (3) days after being mailed by certified or registered mail, return receipt requested, with appropriate postage prepaid, or (d) when sent, if sent in the form of an e-mail message or facsimile.

14.4 No Waiver. No waiver of any breach or condition of this Agreement shall be deemed to be a waiver of any other subsequent breach or condition, whether of like or different nature.

14.5 Copy on File. Each Partner hereby agrees that one executed counterpart of this Agreement or set of executed counterparts shall be held at the principal office of the Partnership, that a Certificate of Limited Partnership and all amendments thereto shall be filed in the Office of the Secretary of State of Delaware and copies thereof shall be held at the principal office of the Partnership and that there shall be distributed to each Partner, upon the request of such Partner, a conformed copy of this Agreement, as amended from time to time.

14.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware.

14.7 Binding Effect. Except as otherwise provided in this Agreement, every covenant, term, and provision of this Agreement shall be binding upon and inure to the benefit of the Partners and their respective heirs, personal representatives, successors, permitted transferees and permitted assigns.

14.8 Entire Agreement. This Agreement constitutes the full and entire understanding and agreement, whether written or oral, among the parties with regard to the subject matter of this Agreement and supersedes all prior agreements and understandings with respect to such subject matter.

14.9 Other Activities. Neither the Partnership nor any Partner (or any Affiliate of any Partner) shall have any right by virtue of this Agreement either to participate in or to share in any other now existing or future ventures, activities or opportunities of any of the other Partners or their Affiliates, or in the income or proceeds derived from such ventures, activities or opportunities.

14.10 Further Assurances. Each Partner agrees to execute and deliver any and all additional instruments and documents and do any and all acts and things as may be necessary or expedient to effectuate more fully this Agreement or any provisions hereof or to carry on the business contemplated hereunder.

14.11 Counterparts. This Agreement may be executed in one or more counterparts, including counterparts executed by additional Limited Partners admitted to the Partnership, and each of such counterparts shall, for all purposes, be deemed to be an original but all of such counterparts shall constitute one and the same instrument.

14.12 Table of Contents and Captions Not Part of Agreement. The table of contents and captions contained in this Agreement are inserted only as a matter of convenience and in no way define, limit or extend the scope or intent of this Agreement or any provisions hereof.

14.13 Arbitration. All disputes relating to, arising from, or connected in any manner with this Agreement shall be resolved exclusively through final and binding arbitration under the rules and auspices of JAMS pursuant to its Arbitration Rules & Procedures. The arbitration shall be held in the Borough of Manhattan, New York, New York. The arbitrator shall have jurisdiction to determine any claim, including the arbitrability of any claim, submitted to him/her. The arbitrator may grant any relief authorized by law for any properly established claim. The interpretation and enforceability of this Section 14.13 shall be governed and construed in accordance with the United States Federal Arbitration Act, 9 U.S.C. § 1, et seq. The parties acknowledge that the purpose and effect of this Section 14.13 is solely to elect private mediation and arbitration in lieu of any judicial proceeding either party might otherwise have available in the event of a dispute, controversy or claim between the parties. Therefore, the parties hereby waive the right to have any such dispute heard by a court or jury, as the case

may be, and agrees that the exclusive procedure to redress any and all disputes, controversies and claims will be mediation and arbitration.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned have executed or caused to be executed on their behalf this Amended and Restated Agreement of Limited Partnership as of the date set forth below.

GENERAL PARTNER:

PZENA INVESTMENT MANAGEMENT, INC.

By: /s/ Richard S. Pzena
Name: Richard S. Pzena
Title: Chief Executive Officer
Date: December 30, 2019

LIMITED PARTNER:

By:

PZENA INVESTMENT MANAGEMENT, INC., as Attorney-in-Fact for each of the Limited Partners

By: /s/ Richard S. Pzena
Name: Richard S. Pzena
Title: Chief Executive Officer
Date: December 30, 2019

[Signature Page to Amended and Restated Agreement of Limited Partnership of Pzena Investment Management, LP]

ANNEX A

INVITATION TO SUBSCRIBE – CLASS B

ANNEX B

INVITATION TO SUBSCRIBE – CLASS B-1

Exhibit 21.1

Subsidiaries of Pzena Investment Management, Inc.

Pzena Investment Management, LLC, a Delaware limited liability company.

Pzena Investment Management, Pty Ltd, is a proprietary limited company incorporated in Australia.

Pzena Investment Management, Ltd is a private limited company incorporated in England and Wales.

Pzena Financial Services, LLC, a Delaware limited liability company.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statement on Forms S-3 (No. 333-221340, No. 33-205165, No. 333-194885, No. 333-186957, No. 333-172257 and No. 333-155354) and Forms S-8 (No. 333-235756, No. 333-221339, No. 333-163370 and No. 333-147027) of Pzena Investment Management, Inc. of our report dated March 9, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in the Annual Report to Shareholders, which is incorporated in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

New York, New York

March 9, 2020

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Richard S. Pzena, certify that:

1. I have reviewed this annual report on Form 10-K of Pzena Investment Management, 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 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:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2020

/s/ Richard S. Pzena

Richard S. Pzena
Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jessica R. Doran, certify that:

1. I have reviewed this annual report on Form 10-K of Pzena Investment Management, 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 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:
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 9, 2020

/s/ Jessica R. Doran

Jessica R. Doran
Chief Financial Officer
(principal financial and accounting officer)

Exhibit 32.1

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

In connection with the Annual Report on Form 10-K of Pzena Investment Management, Inc. (the "Company") for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission (the "Report"), I, Richard S. Pzena, as Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by section 906 has been provided to Pzena Investment Management, Inc. and will be retained by Pzena Investment Management, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Date: March 9, 2020

/s/ Richard S. Pzena

Richard S. Pzena
Chief Executive Officer
(principal executive officer)

Exhibit 32.2

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

In connection with the Annual Report on Form 10-K of Pzena Investment Management, Inc. (the "Company") for the fiscal year ended December 31, 2019, as filed with the Securities and Exchange Commission (the "Report"), I, Jessica R. Doran, as Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by section 906 has been provided to Pzena Investment Management, Inc. and will be retained by Pzena Investment Management, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

Date: March 9, 2020

/s/ Jessica R. Doran

Jessica R. Doran
Chief Financial Officer
(principal financial and accounting officer)