

SECURITIES



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OMB APPROVAL

OMB Number: 3235-0123
Expires: January 31, 2007
Estimated average burden hours per response..... 12.00

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

SEC FILE NUMBER

8- 42468

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2005 AND ENDING 12/31/2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: MANNING & NAPIER INVESTOR SERVICES, INC.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

290 WOODCLIFF DRIVE

(No. and Street)

FAIRPORT

NEW YORK

14450

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

BETH GALUSHA

585-325-6880

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

PROCESSED

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

JUL 13 2006

DELOITTE & TOUCHE LLP

THOMSON FINANCIAL

(Name - if individual, state last, first, middle name)

2200 CHASE SQUARE

ROCHESTER

NEW YORK

14604

(Address)

(City)

(State)

CHECK ONE:

- [X] Certified Public Accountant
[ ] Public Accountant
[ ] Accountant not resident in United States or any of its possessions.

SECURITIES AND EXCHANGE COMMISSION RECEIVED
MAR 22 2006
BRANCH OF REGISTRATIONS AND EXAMINATIONS
04

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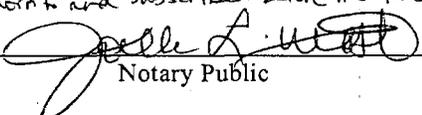
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

OATH OR AFFIRMATION

I, BETH GALUSHA, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of MANNING & NAPIER INVESTOR SERVICES, INC., as of DECEMBER 31, 20 05, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

JOELLE L. WEST  
Notary Public, State of New York  
No. 01WE6081047  
Qualified in Monroe County  
Commission Expires September 30, 2006  
*State of New York, County of Monroe*  
*Sworn to and subscribed before me this March 2006.*  
  
Notary Public

Beth A Galusha  
Signature  
Treasurer  
Title

This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

# MANNING & NAPIER INVESTOR SERVICES, INC.

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# ***Manning & Napier Investor Services, Inc.***

(SEC I.D. No. 8-42468)

*Financial Statements and Supplemental  
Schedule for the Year Ended December 31,  
2005, and Independent Auditors' Report and  
Supplemental Report on Internal Control*

*This report is deemed CONFIDENTIAL in  
accordance with Section 405.2 of the  
Regulations Pursuant to Section 15C of the  
Securities Exchange Act of 1934. A statement  
of financial condition and supplemental report  
on internal control, bound separately, have  
been filed with the Securities and Exchange  
Commission simultaneously herewith as a  
Public Document.*

To the Board of Directors of  
Manning & Napier Investor Services, Inc.:

In planning and performing our audit of the financial statements and supplemental schedules of Manning & Napier Investor Services, Inc. (the "Company"), for the year ended December 31, 2005 (on which we issued our report dated March 14, 2006), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by the Company that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use, or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low

level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted the following matter involving the accounting system, control activities and their operation that we consider to be a material weakness as defined above. These conditions were considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of the Company, for the year ended December 31, 2005, and this report does not affect our report thereon dated March 14, 2006. During our testing, we noted that certain prepaid assets were expensed in their entirety when paid, as opposed to being amortized over the period that those expenses related to.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that, except for the matter noted in the fifth paragraph of this report, the Company's practices and procedures were adequate, at December 31, 2005, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte & Touche LLP*

March 14, 2006

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Manning & Napier Investor Services, Inc.:

We have audited the following financial statements of Manning & Napier Investor Services, Inc. (the "Company") for the year ended December 31, 2005, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934:

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These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplementary schedule of the Company as of December 31, 2005, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934.

**Pages**

Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1  
Under the Securities Exchange Act of 1934

11-13

This schedule is the responsibility of the Company's management. Such schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Company, as disclosed in the notes to the financial statements, has extensive transactions with an affiliate. Because of this relationship, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

*Deloitte & Touche LLP*

March 14, 2006

# MANNING & NAPIER INVESTOR SERVICES, INC.

## STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2005

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### ASSETS

CASH	\$ 97,896
ACCOUNTS RECEIVABLE—Affiliate	1,605
PREPAID ASSETS	<u>54,528</u>
TOTAL	<u>\$ 154,029</u>

### LIABILITIES AND SHAREHOLDERS' EQUITY

#### LIABILITIES:

Accounts payable	\$ 10
Accrued expenses	<u>32,590</u>
Total liabilities other than shares	<u>32,600</u>

SHARES SUBJECT TO MANDATORY REDEMPTION	<u>25,594</u>
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#### SHAREHOLDERS' EQUITY:

Common stock, \$.01 par value—authorized, 4,775,950 shares; issued and outstanding, 2,454,428 shares as of December 31, 2005	24,544
Additional paid-in capital	251,136
Treasury stock, 148,200 shares—at cost, as of as of December 31, 2005	(10)
Excess of common stock and accumulated deficit attributable to shares subject to mandatory redemption and over redemption amount (see Note 6)	25,182
Accumulated deficit	(201,143)
Stock subscriptions receivable	<u>(3,874)</u>
Total shareholders' equity	<u>95,835</u>

TOTAL	<u>\$ 154,029</u>
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See notes to financial statements.