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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

OR

o **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 001-13459

Affiliated Managers Group, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**04-3218510** (IRS Employer Identification Number)

600 Hale Street, Prides Crossing, Massachusetts 01965
(Address of principal executive offices)

(617) 747-3300
(Registrant's telephone number, including area code)

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No o

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

Large accelerated filer ☒	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

There were 51,571,828 shares of the registrant's common stock outstanding on November 5, 2010.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands, except per share data)

(unaudited)

	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010
Revenue	$ 217,461	$ 354,372	$ 597,182	$ 937,474
Operating expenses:				
Compensation and related expenses	105,237	151,533	292,770	413,501
Selling, general and administrative	26,864	73,378	89,276	190,743
Amortization of intangible assets	8,293	20,517	24,430	39,045
Depreciation and other amortization	3,167	3,716	9,649	10,117
Other operating expenses	10,865	9,638	21,351	24,109
	154,426	258,782	437,476	677,515
Operating income	63,035	95,590	159,706	259,959
Non-operating (income) and expenses:				
Investment and other income	(6,614)	(11,384)	(13,564)	(14,929)
Income from equity method investments	(8,203)	(9,536)	(21,970)	(28,543)
Investment (income) loss from investments in partnerships	(14,914)	—	(26,065)	4,493
Interest expense	16,151	16,322	48,555	48,750
Imputed interest expense	3,389	7,191	10,126	17,303
	(10,191)	2,593	(2,918)	27,074
Income before income taxes	73,226	92,997	162,624	232,885
Income taxes	5,366	23,968	15,275	52,878
Net income	67,860	69,029	147,349	180,007
Net income (non-controlling interests)	(35,459)	(35,074)	(87,008)	(107,770)
Net (income) loss (non-controlling interests in partnerships)	(14,632)	—	(25,468)	4,385
Net Income (controlling interest)	$ 17,769	$ 33,955	$ 34,873	$ 76,622
Average shares outstanding—basic	41,854,249	51,154,863	41,115,819	46,054,042
Average shares outstanding—diluted	44,267,107	51,895,871	42,835,258	48,741,873
Earnings per share—basic	$ 0.42	$ 0.66	$ 0.85	$ 1.66
Earnings per share—diluted	$ 0.40	$ 0.65	$ 0.82	$ 1.57
Supplemental disclosure of total comprehensive income:				
Net income	$ 67,860	$ 69,029	$ 147,349	$ 180,007
Other comprehensive income	25,792	23,812	40,596	25,015
Comprehensive income	93,652	92,841	187,945	205,022
Comprehensive income (non-controlling interests)	(50,091)	(35,074)	(112,476)	(103,385)
Comprehensive income (controlling interest)	$ 43,561	$ 57,767	$ 75,469	$ 101,637

The accompanying notes are an integral part of the Consolidated Financial Statements.

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands)

(unaudited)

	December 31, 2009	September 30, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 259,487	$ 255,452
Investment advisory fees receivable	140,118	183,988
Investments in partnerships	93,809	—
Investments in marketable securities	56,690	84,945
Unsettled fund share receivables	—	57,046
Prepaid expenses and other current assets	35,478	58,756
Total current assets	585,582	640,187
Fixed assets, net	62,402	66,789
Equity investments in Affiliates	658,332	630,996
Acquired client relationships, net	571,573	1,400,806
Goodwill	1,413,217	1,995,756
Other assets	99,800	216,408
Total assets	$ 3,390,906	$ 4,950,942
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 117,227	$ 240,796
Unsettled fund share payables	—	54,302
Payables to related party	109,888	100,176
Total current liabilities	227,115	395,274
Senior debt	—	371,000
Senior convertible securities	456,976	418,987
Junior convertible trust preferred securities	507,358	509,222
Deferred income taxes	322,671	471,571
Other long-term liabilities	26,066	188,905
Total liabilities	1,540,186	2,354,959
Redeemable non-controlling interests	368,999	386,183
Equity:		
Common stock	458	539
Additional paid-in capital	612,091	1,016,318
Accumulated other comprehensive income	45,958	70,973
Retained earnings	873,137	949,759
	1,531,644	2,037,589
Less: treasury stock, at cost	(421,954)	(325,521)
Total stockholders' equity	1,109,690	1,712,068
Non-controlling interests	281,946	497,732
Non-controlling interests in partnerships	90,085	—
Total equity	1,481,721	2,209,800
Total liabilities and equity	$ 3,390,906	$ 4,950,942

The accompanying notes are an integral part of the Consolidated Financial Statements.

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(dollars in thousands)

(unaudited)

	Total Stockholders' Equity							
	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income	Retained Earnings	Treasury Shares at Cost	Non-controlling interests	Non-controlling interests in partnerships	Total Equity
December 31, 2009	$ 458	$ 612,091	$ 45,958	$ 873,137	$ (421,954)	$ 281,946	$ 90,085	$ 1,481,721
Stock issued under option and other incentive plans	—	(61,381)	—	—	96,424	—	—	35,043
Tax benefit of option exercises	—	10,143	—	—	—	—	—	10,143
Issuance costs	—	(330)	—	—	—	—	—	(330)
Settlement of forward equity sale agreement	55	294,601	—	—	—	—	—	294,656
Share-based payment arrangements	—	16,370	—	—	—	—	—	16,370
Changes in Affiliate equity value	—	(49,513)	—	—	—	8,542	—	(40,971)
Conversion of zero coupon convertible notes	9	47,449	—	—	9	—	—	47,467
Distributions to non-controlling interests	—	—	—	—	—	(98,068)	—	(98,068)
Investments in Affiliates	17	146,888	—	—	—	197,542	—	344,447
Net Income	—	—	—	76,622	—	107,770	(4,385)	180,007
Other changes in non-controlling interests in partnerships	—	—	—	—	—	—	(85,700)	(85,700)
Other comprehensive income	—	—	25,015	—	—	—	—	25,015
September 30, 2010	$ 539	$ 1,016,318	$ 70,973	$ 949,759	$ (325,521)	$ 497,732	$ —	$ 2,209,800

The accompanying notes are an integral part of the Consolidated Financial Statements.

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2010	2009	2010
Cash flow from operating activities:				
Net Income	$ 67,860	$ 69,029	$ 147,349	$ 180,007
Adjustments to reconcile Net Income to net cash flow from operating activities:				
Amortization of intangible assets	8,293	20,517	24,430	39,045
Amortization of issuance costs	1,843	1,959	5,479	5,653
Depreciation and other amortization	3,167	3,716	9,649	10,117
Deferred income tax provision	3,873	6,643	20,701	24,298
Imputed Interest Expense	3,389	7,191	10,126	17,303
Income from equity method investments, net of amortization	(8,203)	(9,536)	(21,970)	(28,543)
Distributions received from equity method investments	13,725	14,656	42,545	51,420
Tax benefit from exercise of stock options	1,715	1,402	3,174	3,478
Stock option expense	2,560	3,608	5,695	10,410
Affiliate equity expense	3,150	3,511	9,869	10,312
Other adjustments	(14,545)	(530)	(33,125)	9,022
Changes in assets and liabilities:				
(Increase) decrease in investment advisory fees receivable	(17,051)	13,277	845	(12,052)
(Increase) decrease in investments in partnerships	—	—	331	(503)
(Increase) decrease in prepaids and other current assets	(811)	(20,280)	(10,024)	(512)
(Increase) decrease in other assets	(46)	(1,654)	2,869	(9,779)
(Increase) decrease in unsettled fund shares receivable	—	1,651	—	(573)
Increase in unsettled fund shares payable	—	1,253	—	3,519
Increase (decrease) in accounts payable, accrued liabilities and other long-term liabilities	11,243	51,956	(49,876)	38,858
Cash flow from operating activities	80,162	168,369	168,067	351,480
Cash flow used in investing activities:				
Investments in Affiliates	(137,860)	(10,980)	(139,271)	(804,017)
Purchase of fixed assets	(438)	(2,209)	(1,653)	(5,316)
Purchase of investment securities	—	(12,801)	(11,746)	(43,203)
Sale of investment securities	1,584	—	7,303	11,784
Cash flow used in investing activities	(136,714)	(25,990)	(145,367)	(840,752)
Cash flow from (used in) financing activities:				
Borrowings of senior bank debt	—	5,000	—	1,022,500
Repayments of senior bank debt	—	(293,500)	(233,514)	(651,500)
Issuance of common stock	18,139	10,641	29,760	36,055
Issuance costs	(288)	(102)	(1,209)	(330)
Excess tax benefit from exercise of stock options	2,750	1,946	3,836	6,664
Settlement of forward equity sale agreement	—	194,653	144,258	294,657
Note payments	7,196	(5,893)	2,718	(31,784)
Distributions to non-controlling interests	(14,962)	(16,754)	(102,087)	(77,446)
Affiliate equity issuances and repurchases	(7,502)	(6,591)	(40,308)	(116,123)
Subscriptions (redemptions) of non-controlling interests in partnerships	—	—	(471)	503
Cash flow from (used in) financing activities	5,333	(110,600)	(197,017)	483,196
Effect of foreign exchange rate changes on cash and cash equivalents	2,100	3,130	3,136	2,041
Net increase (decrease) in cash and cash equivalents	(49,119)	34,909	(171,181)	(4,035)
Cash and cash equivalents at beginning of period	274,369	220,543	396,431	259,487
Cash and cash equivalents at end of period	$ 225,250	$ 255,452	$ 225,250	$ 255,452
Supplemental disclosure of non-cash activities:				
Notes received for Affiliate equity sales	$ 357	$ 5,656	$ 4,417	$ 13,298
Payables recorded for Affiliate equity purchases	26,021	19,224	26,692	34,508
Stock issued for conversion of zero coupon senior convertible note	—	—	—	47,467
Stock issued for Investments in Affiliates	—	—	—	146,906
Stock issued for settlement of forward equity sale agreement	—	—	—	44,450
Payables recorded under contingent payment arrangements	34,600	—	34,600	64,250

The accompanying notes are an integral part of the Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The consolidated financial statements of Affiliated Managers Group, Inc. ("AMG" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The year-end condensed balance sheet data was derived from audited financial statements, but does not include all of the disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments considered necessary for a fair statement of the results have been included. All intercompany balances and transactions have been eliminated. All dollar amounts in these notes (except information that is presented on a per share, per security, per note or per contract basis) are stated in thousands, unless otherwise indicated. Certain reclassifications have been made to the prior period's financial statements to conform to the current period's presentation. Operating results for interim periods are not necessarily indicative of the results that may be expected for any other period or for the full year. The Company's Annual Report on Form 10-K (as amended, the "Annual Report on Form 10-K") for the fiscal year ended December 31, 2009 includes additional information about AMG, its operations, its financial position and its accounting policies, and should be read in conjunction with this Quarterly Report on Form 10-Q.

2. Senior Bank Debt

The Company has a $770,000 revolving credit facility (the "Revolver") and pays interest on any outstanding obligations at specified rates (based either on the Eurodollar rate or the prime rate as in effect from time to time) that vary depending on the Company's credit rating. Subject to the agreement of lenders to provide additional commitments, the Company has the option to increase the Revolver by up to an additional $175,000.

The Revolver, which will mature in February 2012, contains financial covenants with respect to leverage and interest coverage. The Revolver also contains customary affirmative and negative covenants, including limitations on indebtedness, liens, cash dividends and fundamental corporate changes. Borrowings under the Revolver are collateralized by pledges of the substantial majority of capital stock or other equity interests owned by the Company. At September 30, 2010, the Company had $371,000 of outstanding borrowings under the Revolver.

As further described in Note 15, the Company has entered into interest rate swap contracts to exchange a fixed rate for the variable rate on $50 million of its variable rate debt. For the period October 1, 2010 through October 1, 2015, the Company will pay a weighted average fixed rate of 1.66% on the notional amount plus any applicable spread payable under variable rate debt agreements.

3. Senior Convertible Securities

The carrying values of the senior convertible securities are as follows:

	December 31, 2009		September 30, 2010	
	Carrying Value	Principal amount at maturity	Carrying Value	Principal amount at maturity
2008 senior convertible notes	$ 409,594	$ 460,000	$ 418,987	$ 460,000
Zero coupon senior convertible notes	47,382	50,135	—	—
Total senior convertible securities	$ 456,976	$ 510,135	$ 418,987	$ 460,000

2008 Senior Convertible Notes

In August 2008, the Company issued $460,000 of senior convertible notes due 2038 ("2008 senior convertible notes"). The 2008 senior convertible notes bear interest at 3.95%, payable semi-annually in cash. The Company is accreting the carrying value to the principal amount at maturity using an interest rate of 7.4% (over its expected life of five years). Each security is convertible into 7.959 shares of the Company's common stock (at an initial conversion price of $125.65) upon the occurrence of certain events, as follows: (i) during any fiscal quarter, if the closing price of the Company's common stock, as measured over a specified time period during the preceding fiscal quarter, is equal to or greater than 130% of the conversion price of the notes on the last day of such preceding fiscal quarter; (ii) during a certain window of time, if the trading price per $1,000 principal amount of the notes for each day during a specified period is less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate of the notes on such day; (iii) upon the occurrence of specified corporate transactions; (iv) after the notes have been called for redemption; and (v) anytime after February 15, 2038. Upon conversion, the Company may elect to pay cash, deliver shares of its common stock, or a combination thereof. The holders of the 2008 senior convertible notes may require the Company to repurchase the notes in August of 2013, 2018, 2023, 2028 and 2033. The Company may redeem the notes for cash (subject to the holders' right to convert) at any time on or after August 15, 2013.

The 2008 senior convertible notes are considered contingent payment debt instruments under federal income tax regulations. These regulations require the Company to deduct interest in an amount greater than its reported interest expense, which will result in annual deferred tax liabilities of approximately $11,200. These deferred tax liabilities will be reclassified directly to stockholders' equity if the Company's common stock is trading above certain thresholds at the time of the conversion of the notes.

Zero Coupon Senior Convertible Notes

In the second quarter of 2010, the Company called the zero coupon senior convertible notes for redemption. In lieu of redemption, all of the holders elected to convert their notes into shares of the Company's common stock. The Company issued 873,626 shares of common stock to settle these conversions. All of the Company's zero coupon senior convertible notes have been cancelled and retired.

4. Junior Convertible Trust Preferred Securities

The carrying values of the Company's junior convertible trust preferred securities are as follows:

	December 31, 2009		September 30, 2010	
	Carrying Value	Principal amount at maturity	Carrying Value	Principal amount at maturity
2006 junior convertible trust preferred securities	$ 212,466	$ 300,000	$ 213,292	$ 300,000
2007 junior convertible trust preferred securities	294,892	430,820	295,930	430,820
Total junior convertible securities	$ 507,358	$ 730,820	$ 509,222	$ 730,820

In 2006, the Company issued $300,000 of junior subordinated convertible debentures due 2036 to a wholly-owned trust simultaneous with the issuance, by the trust, of $291,000 of convertible trust preferred securities to investors. The junior subordinated convertible debentures and convertible trust preferred securities (together, the "2006 junior convertible trust preferred securities") have substantially the same terms.

The 2006 junior convertible trust preferred securities bear interest at a rate of 5.1% per annum, payable quarterly in cash. The Company is accreting the carrying value to the principal amount at maturity using an interest rate of 7.5% (over its expected life of 30 years). Each $50 security is convertible, at any time, into 0.333 shares of the Company's common stock, which represents a conversion price of $150 per share (or a 48% premium to the then prevailing share price of $101.45). Upon conversion, holders will receive cash or shares of the Company's common stock (or a combination of cash and common stock) at the election of the Company. The 2006 junior convertible trust preferred securities may not be redeemed by the Company prior to April 15, 2011. On or after April 15, 2011, they may be redeemed if the closing price of the Company's common stock exceeds $195 per share for a specified period of time. The trust's only assets are the junior convertible subordinated debentures. To the extent that the trust has available funds, the Company is obligated to ensure that holders of the 2006 junior convertible trust preferred securities receive all payments due from the trust.

In October 2007, the Company issued an additional $500,000 of junior subordinated convertible debentures which are due 2037 to a wholly-owned trust simultaneous with the issuance, by the trust, of $500,000 of convertible trust preferred securities to investors. The junior subordinated convertible debentures and convertible trust preferred securities (together, the "2007 junior convertible trust preferred securities") have substantially the same terms.

The 2007 junior convertible trust preferred securities bear interest at 5.15% per annum, payable quarterly in cash. The Company is accreting the discounted amount to the principal amount at maturity using an interest rate of 8.0% (over its expected life of 30 years). Each $50 security is convertible, at any time, into 0.25 shares of the Company's common stock, which represents a conversion price of $200 per share (or a 53% premium to the then prevailing share price of $130.77). Upon conversion, holders will receive cash or shares of the Company's common stock (or a combination of cash and common stock) at the election of the Company. The 2007 junior convertible trust preferred securities may not be redeemed by the Company prior to October 15, 2012. On or after October 15, 2012, they may be redeemed if the closing price of the Company's common stock exceeds $260 per share for a specified period of time. The trust's only assets are the 2007 junior convertible subordinated debentures. To the extent that the trust has available funds, the Company is obligated to ensure that holders of the 2007 junior convertible trust preferred securities receive all payments due from the trust.

The 2006 and 2007 junior convertible trust preferred securities are considered contingent payment debt instruments under federal income tax regulations. These regulations require the Company to deduct interest in an amount greater than its reported interest expense, which will result in annual deferred tax liabilities of approximately $9,500. These deferred tax liabilities will be reclassified directly to stockholders' equity if the Company's common stock is trading above certain thresholds at the time of the conversion of the notes.

5. Forward Equity Sale Agreements

During 2009, the Company entered into a forward equity sale agreement with a major securities firm to sell shares of its common stock. As of September 30, 2010, no forward equity sales are outstanding and the Company may sell up to an additional $103,500 under this agreement.

6. Income Taxes

The consolidated income tax provision includes taxes attributable to controlling interests and, to a lesser extent, taxes attributable to non-controlling interests as follows:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2010	2009	2010
Controlling Interests:				
Current Tax	$ 63	$ 7,931	$ (9,108)	$ 15,783
Intangible related deferred taxes	6,181	9,820	25,296	34,870
Other Deferred Taxes	(2,308)	(1,423)	(4,595)	(8,357)
Total Controlling Interests	3,936	16,328	11,593	42,296
Non-Controlling Interests:				
Current Tax	$ 1,430	$ 9,394	$ 3,682	$ 12,796
Deferred Taxes	—	(1,754)	—	(2,214)
Total Non-Controlling Interests	1,430	7,640	3,682	10,582
Provision for income taxes	$ 5,366	$ 23,968	$ 15,275	$ 52,878
Income before income taxes (controlling interest)	$ 21,705	$ 50,283	$ 46,466	$ 118,918
Effective Tax rate attributable to controlling interests(1)	18.1%	32.5%	24.9%	35.6%

(1) Taxes attributable to controlling interests divided by Income before income taxes (controlling interest).

A summary of the consolidated provision for income taxes is as follows:

	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010
Current:				
Federal	$ (3,418)	$ 185	$ (18,043)	$ (19)
State	2,289	1,862	6,216	5,315
Foreign	2,622	15,278	6,401	23,284
Total Current	1,493	17,325	(5,426)	28,580
Deferred:				
Federal	3,948	12,877	22,404	29,257
State	451	(51)	(440)	2,792
Foreign	(526)	(6,183)	(1,263)	(7,751)
Total Deferred	3,873	6,643	20,701	24,298
Provision for Income Taxes	$ 5,366	$ 23,968	$ 15,275	$ 52,878

During the quarter ended September 30, 2010, the Company realized a deferred tax benefit of $4,065 from the revaluation of its deferred taxes as a result of a reduction of corporate tax rates in the United Kingdom.

The components of deferred tax assets and liabilities are as follows:

	December 31, 2009	September 30, 2010
Deferred Tax Assets		
State net operating loss carryforwards	$ 28,694	$ 29,774
Foreign tax credit carryforwards	9,442	21,094
Capital loss carryforwards	1,808	1,472
Other	14,297	16,223
Total deferred tax assets	54,241	68,563
Valuation allowance	(25,294)	(26,454)
Deferred tax assets, net of valuation allowance	$ 28,947	$ 42,109
Deferred Tax Liabilities		
Intangible asset amortization	$ (188,872)	$ (200,788)
Convertible securities interest	(139,279)	(150,558)
Non-deductible intangible amortization	(19,745)	(147,811)
Other	(3,722)	(14,523)
Total deferred tax liabilities	(351,618)	(513,680)
Net deferred tax liability	$ (322,671)	$ (471,571)

Deferred tax liabilities are primarily the result of tax deductions for the Company's intangible assets and convertible securities. The Company amortizes most of its intangible assets for tax purposes only, reducing its tax basis below its carrying value for financial statement purposes and generating deferred taxes each reporting period. The Company's junior convertible trust preferred securities and

2008 senior convertible notes also generate deferred taxes because the Company's tax deductions are higher than the interest expense recorded for financial statement purposes.

In 2010, in connection with the closing of investments in Artemis, Pantheon and Aston (discussed further in Note 18), the Company recorded deferred tax liabilities of approximately $132,000 for acquired intangible assets that were not deductible for tax purposes in foreign jurisdictions or the United States.

At September 30, 2010, the Company had state net operating loss carryforwards that expire over a 15-year period beginning in 2010. The Company also has foreign tax credit carryforwards that expire over a 10-year period beginning in 2010. The valuation allowances at December 31, 2009 and September 30, 2010 were principally related to the uncertainty of the realization of the foreign tax credits and the state net operating loss carryforwards, which realization depends upon the Company's generation of sufficient taxable income prior to their expiration.

At September 30, 2010, the Company's liability for uncertain tax positions was $23,062, including interest and related charges of $3,731. The Company does not anticipate that this liability will change significantly over the next twelve months.

7. Earnings Per Share

The calculation of basic earnings per share is based on the weighted average number of shares of the Company's common stock outstanding during the period. Diluted earnings per share is similar to basic earnings per share, but adjusts for the dilutive effect of the potential issuance of incremental shares of the Company's common stock. The following is a reconciliation of the numerator and denominator used in the calculation of basic and diluted earnings per share available to common stockholders. Unlike all other dollar amounts in these Notes, the amounts in the numerator reconciliation are not presented in thousands.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2010	2009	2010
Numerator:				
Net Income (controlling interest)	$ 17,769,000	$ 33,955,000	$ 34,873,000	$ 76,622,000
Interest expense on convertible securities, net of taxes	36,000	—	108,000	53,000
Net Income (controlling interest), as adjusted	$ 17,805,000	$ 33,955,000	$ 34,981,000	$ 76,675,000
Denominator:				
Average shares outstanding—basic	41,854,249	51,154,863	41,115,819	46,054,042
Effect of dilutive instruments:				
Stock options	791,078	739,367	496,711	866,912
Forward sale	747,977	1,641	348,925	1,306,158
Senior convertible securities	873,803	—	873,803	514,761
Average shares outstanding—diluted	44,267,107	51,895,871	42,835,258	48,741,873

As more fully discussed in Notes 3 and 4, the Company had certain convertible securities outstanding during the periods presented and is required to apply the if-converted method to these securities in its calculation of diluted earnings per share. Under the if-converted method, shares that are issuable upon conversion are deemed outstanding, regardless of whether the securities are contractually convertible into the Company's common stock at that time. For this calculation, the interest expense (net of tax) attributable to these dilutive securities is added back to Net Income (controlling interest) reflecting the assumption that the securities have been converted. Issuable shares for these securities and related interest expense are excluded from the calculation if an assumed conversion would be anti-dilutive to diluted earnings per share.

The calculation of diluted earnings per share for the three months ended September 30, 2009 and 2010 excludes the potential exercise of options to purchase 0.9 million and 1.8 million common shares, respectively, because the effect would be anti-dilutive. The calculation of diluted earnings per share for the nine months ended September 30, 2009 and 2010 excludes the potential exercise of options to purchase 2.6 million and 1.8 million common shares, respectively, because the effect would be anti-dilutive.

As discussed further in Note 20, the Company may settle portions of its Affiliate equity purchases in shares of its common stock. Because it is the Company's intent to settle these potential repurchases in cash, the calculation of diluted earnings per share excludes any potential dilutive effect from possible share settlements.

8. Commitments and Contingencies

The Company and its Affiliates are subject to claims, legal proceedings and other contingencies in the ordinary course of their business activities. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved in a manner unfavorable to the Company or its Affiliates. The Company and its Affiliates establish accruals for matters for which the outcome is probable and can be reasonably estimated. Management believes that any liability in excess of these accruals upon the ultimate resolution of these matters will not have a material adverse effect on the consolidated financial condition or results of operations of the Company.

Certain Affiliates operate under regulatory authorities which require that they maintain minimum financial or capital requirements. Management is not aware of any violations of such financial requirements occurring during the period.

In connection with its Pantheon investment, the Company has committed to co-invest in certain Pantheon investment partnerships where it serves as the general partner. As of September 30, 2010, these commitments totaled approximately $97,964 and may be called in future periods. Russell Investments (Pantheon's former owner) is contractually obligated to reimburse the Company for $72,703 of these commitments when they are called.

9. Investments in Partnerships

As of December 31, 2009 and September 30, 2010, the Affiliates' investments in partnerships that are not consolidated were $17,631 and $108,318, respectively. These assets are reported within Prepaid expenses and other current assets and Other assets in the Consolidated Balance Sheets. The income or loss related to these investments is classified within "Investment and other income" in the Consolidated Statements of Income.

During the third quarter of 2010, the Company modified the governance provisions of certain investment partnerships that were previously consolidated. As a result, the Company deconsolidated these partnerships, which were previously reported as Investments in partnerships.

10. Investments in Marketable Securities

The cost of investments in marketable securities, gross unrealized gains and losses were as follows:

	December 31, 2009	September 30, 2010
Cost of investments in marketable securities	$ 50,631	$ 65,911
Gross unrealized gains	6,108	19,104
Gross unrealized losses	(49)	(70)

11. Unsettled Fund Share Receivables and Payables

Unsettled fund share receivables and payables are created by the normal settlement periods on transactions initiated by certain clients of Affiliate funds domiciled in the United Kingdom. The gross presentation of the receivable ($57,046) and offsetting payable ($54,302) reflects the legal relationship between the underlying investor and the Company.

12. Fair Value Measurements

The Company determines the fair value of certain investment securities and other financial and nonfinancial assets and liabilities. Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in the most advantageous market, utilizing a hierarchy of three different valuation techniques:

Level 1—Unadjusted quoted market prices for identical instruments in active markets;

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs, or significant value drivers, are observable; and

Level 3—Prices reflecting the Company's own assumptions concerning unobservable inputs to the valuation model.

The following table summarizes the Company's assets and liabilities that are measured at fair value on a quarterly basis.

	December 31, 2009	Fair Value Measurements		
		Level 1	Level 2	Level 3
Financial Assets				
Investments in partnerships	$ 111,440	$ 93,066	$ 14,365	$ 4,009
Investments in marketable securities	56,690	54,480	2,210	—
Financial Liabilities				
Contingent payment obligations	$ 27,074	$ —	$ —	$ 27,074
Obligations to related parties	78,653	—	—	78,653

	September 30, 2010	Fair Value Measurements Level 1	Level 2	Level 3
Financial Assets				
Investments in partnerships	$ 124,837	$ 15,327	$ 34,451	$ 75,059
Investments in marketable securities	84,945	82,959	1,986	—
Financial Liabilities				
Contingent payment obligations	$ 72,821	$ —	$ —	$ 72,821
Obligations to related parties	68,822	—	—	68,822
Interest rate swap contracts	566	—	566	—

During the three and nine months ended September 30, 2010, there were no significant transfers of financial assets between Level 1 and Level 2. During the nine months ended September 30, 2010, financial assets valued at $3,709 transferred from Level 3 to Level 2. The fair value of Level 2 assets was determined using quoted prices for similar instruments in active markets, by model-derived valuations in which all significant inputs were observable in active markets or by using net asset value as a practical expedient. The fair value of Level 3 assets was determined using net asset value one quarter in arrears (adjusted for current period calls and distributions) for certain of the Company's investments accounted for under the equity method. The fair value of Level 3 liabilities was determined using an income approach with assumptions made about future cash flows and discount rates.

The following table presents the changes in Level 3 assets and liabilities for the three and nine months ended September 30, 2009 and 2010:

	Financial Assets			
	Three Months Ended September 30, 2009	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2010
Balance, beginning of period	$ 4,185	$ 68,372	$ 4,185	$ 4,009
Realized and unrealized gains (losses) included in net income	—	2,215	—	2,215
Realized and unrealized gains (losses) included in other comprehensive income	—	—	—	—
New Investments	—	—	—	68,072
Purchases	—	5,768	—	5,768
Sales	—	(996)	—	(996)
Other	—	(300)	—	(300)
Transfers in and/or out of Level 3	—	—	—	(3,709)
Balance, end of period	$ 4,185	$ 75,059	$ 4,185	$ 75,059
Amount of total gains (losses) included in net income attributable to unrealized gains (losses) from assets still held at end of period	$ —	$ 2,215	$ —	$ 2,215
Amount of total gains (losses) included in other comprehensive income	$ —	$ —	$ —	$ —

	Financial Liabilities			
	Three Months Ended September 30, 2009	Three Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Nine Months Ended September 30, 2010
Balance, beginning of period	$ 1,315	$ 117,648	$ 27,764	$ 105,727
Realized and unrealized (gains) losses included in net income	107	4,090	(125)	6,545
Realized and unrealized (gains) losses included in other comprehensive income	—	3,611	—	2,842
New Investments	34,600	—	34,600	100,513
Additions	26,021	22,256	26,693	37,540
Settlements	(1,216)	(5,962)	(28,105)	(111,524)
Transfers in and/or out of Level 3	—	—	—	—
Balance, end of period	$ 60,827	$ 141,643	$ 60,827	$ 141,643
Amount of total gains (losses) included in net income attributable to unrealized gains (losses) from unsettled liabilities at end of period	$ —	$ 4,090	$ —	$ 6,545
Amount of total gains (losses) included in other comprehensive income	$ —	$ 3,611	$ —	$ 2,842

The carrying amount of the Company's cash, cash equivalents and short-term investments approximates fair value because of the short-term nature of these instruments. The carrying value of notes receivable approximates fair value because interest rates and other terms are at market rates. The carrying value of notes payable approximates fair value principally because of the short-term nature of the notes. The carrying value of senior bank debt approximates fair value because the debt is a credit facility with variable interest based on selected short-term rates. The fair market value of the 2008 senior convertible notes, and the 2006 and 2007 junior convertible trust preferred securities at September 30, 2010 was $469,775 and $572,341, respectively.

13. Related Party Transactions

The Company periodically records amounts receivable and payable to Affiliate partners in connection with the transfer of Affiliate equity interests. As of December 31, 2009 and September 30, 2010, the total receivable (reported in "Other assets") was $45,253 and $44,588, respectively. The total payable as of December 31, 2009 was $109,888, which is included in current liabilities. The total payable as of September 30, 2010 was $115,913, of which $100,176 is included in current liabilities.

In certain cases, Affiliate management owners and Company officers may serve as trustees or directors of certain mutual funds from which the Affiliate earns advisory fee revenue.

14. Stock Option and Incentive Plans

The following summarizes the transactions of the Company's stock option and incentive plans for the nine months ended September 30, 2010:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)
Unexercised options outstanding—January 1, 2010	5,166,344	$ 54.29	
Options granted	554,064	62.96	
Options exercised	(859,299)	42.19	
Options forfeited	(4,128)	65.29	
Unexercised options outstanding—September 30, 2010	4,856,981	57.41	4.9
Exercisable at September 30, 2010	2,462,108	54.84	4.6

The Company's Net Income (controlling interest) for the three and nine months ended September 30, 2010 includes compensation expense of $2,219 and $6,402, respectively (net of income tax benefits of $1,389 and $4,008, respectively, related to the Company's share-based compensation arrangements). As of September 30, 2010, the deferred compensation expense related to share-based compensation arrangements was $47,382 which is expected to be recognized over a weighted average period of approximately four years (assuming no forfeitures). As of September 30, 2010, 0.2 million options have expiration dates prior to the end of 2010.

15. Derivative Financial Instruments

The Company periodically uses derivative contracts to manage interest rate exposure associated with its variable interest rate debt. In September 2010, the Company entered into forward starting interest rate swap agreements with notional amounts totaling $50,000, which became effective October 1, 2010 and expire on October 1, 2015. The Company receives payments based on LIBOR and makes payments based on a weighted average annual fixed rate of 1.66% on the notional amount. Certain of the Company's derivative contracts contain provisions that require the Company or the counterparties to post collateral based upon the current fair value of the derivative contracts. As of September 30, 2010, the Company had posted collateral of $600.

The Company records all derivatives on the balance sheet at fair value. As cash flow hedges, the effective portion of the unrealized gain or loss on the derivative instruments is recorded in accumulated other comprehensive income as a separate component of stockholders' equity. Hedge effectiveness is measured by comparing the present value of the cumulative change in the expected future variable cash flows of the hedged contract with the present value of the cumulative change in the expected future variable cash flows of the hedged item. To the extent that the critical terms of the hedged item and the derivative are not identical, hedge ineffectiveness would be reported in earnings as interest expense. Hedge ineffectiveness was not material in any periods presented. As of September 30, 2010, the unrealized loss (before taxes) on the derivative instruments was $566, and the Company does not expect to reclassify any portion of the unrealized loss into earnings in the next twelve months. The fair value of the derivative instruments has been presented within other long-term liabilities.

The Company does not hold or issue derivative financial instruments for trading purposes. Interest rate swaps are intended to enable the Company to achieve a level of variable-rate and fixed-rate debt that is acceptable to management and to limit interest rate exposure.

16. Segment Information

Management has assessed and determined that the Company operates in three business segments representing the Company's three principal distribution channels: Mutual Fund, Institutional and High Net Worth, each of which has different client relationships.

Revenue in the Mutual Fund distribution channel is earned from advisory and sub-advisory relationships with all domestically-registered investment products as well as non-institutional investment products that are registered abroad. Revenue in the Institutional distribution channel is earned from relationships with foundations and endowments, defined benefit and defined contribution plans and Taft-Hartley plans. Revenue in the High Net Worth distribution channel is earned from relationships with high net worth individuals, family trusts and managed account programs.

Revenue earned from client relationships managed by Affiliates accounted for under the equity method is not consolidated with the Company's reported revenue but instead is included (net of operating expenses, including amortization) in "Income from equity method investments," and reported in the distribution channel in which the Affiliate operates. Income tax attributable to the profits of the Company's equity-method Affiliates is reported within the Company's consolidated income tax provision.

In firms with revenue sharing arrangements, a certain percentage of revenue is allocated for use by management of an Affiliate in paying operating expenses of that Affiliate, including salaries and bonuses, and is called an "Operating Allocation." In reporting segment operating expenses, Affiliate expenses are allocated to a particular segment on a pro rata basis with respect to the revenue generated by that Affiliate in such segment. Generally, as revenue increases, additional compensation is typically paid to Affiliate management partners from the Operating Allocation. As a result, the contractual expense allocation pursuant to a revenue sharing arrangement may result in the characterization of any growth in profit margin beyond the Company's Owners' Allocation as an operating expense. All other operating expenses (excluding intangible amortization) and interest expense have been allocated to segments based on the proportion of cash flow distributions reported by Affiliates in each segment.

Statements of Income

	For the Three Months Ended September 30, 2009			
	Mutual Fund	Institutional	High Net Worth	Total
Revenue	$ 80,682	$ 109,918	$ 26,861	$ 217,461
Operating expenses:				
Depreciation and other amortization	1,132	7,669	2,659	11,460
Other operating expenses	55,901	68,945	18,120	142,966
	57,033	76,614	20,779	154,426
Operating income	23,649	33,304	6,082	63,035
Non-operating (income) and expenses:				
Investment and other income	(4,501)	(1,514)	(599)	(6,614)
Income from equity method investments	(217)	(7,397)	(589)	(8,203)
Investment income from investments in partnerships	(183)	(606)	(14,125)	(14,914)
Interest expense	4,685	12,341	2,514	19,540
	(216)	2,824	(12,799)	(10,191)
Income before income taxes	23,865	30,480	18,881	73,226
Income taxes	369	4,335	662	5,366
Net income	23,496	26,145	18,219	67,860
Net income (non-controlling interests)	(14,372)	(17,940)	(3,147)	(35,459)
Net income (non-controlling interests in partnerships)	(181)	(605)	(13,846)	(14,632)
Net Income (controlling interest)	$ 8,943	$ 7,600	$ 1,226	$ 17,769

	For the Three Months Ended September 30, 2010			
	Mutual Fund	Institutional	High Net Worth	Total
Revenue	$ 151,817	$ 170,990	$ 31,565	$ 354,372
Operating expenses:				
Depreciation and other amortization	3,664	18,567	2,002	24,233
Other operating expenses	105,977	108,917	19,655	234,549
	109,641	127,485	21,656	258,782
Operating income	42,176	43,505	9,909	95,590
Non-operating (income) and expenses:				
Investment and other income	(5,377)	(5,156)	(851)	(11,384)
Income from equity method investments	(418)	(8,245)	(873)	(9,536)
Investment (income) loss from investments in partnerships	—	—	—	—
Interest expense	8,781	12,705	2,027	23,513
	2,986	(696)	303	2,593
Income before income taxes	39,190	44,201	9,606	92,997
Income taxes	11,734	10,364	1,870	23,968
Net income	27,456	33,837	7,736	69,029
Net income (non-controlling interests)	(13,923)	(17,033)	(4,118)	(35,074)
Net loss (non-controlling interests in partnerships)	—	—	—	—
Net Income (controlling interest)	$ 13,533	$ 16,804	$ 3,618	$ 33,955

	For the Nine Months Ended September 30, 2009			
	Mutual Fund	Institutional	High Net Worth	Total
Revenue	$ 221,380	$ 293,646	$ 82,156	$ 597,182
Operating expenses:				
Depreciation and other amortization	3,221	22,569	8,289	34,079
Other operating expenses	150,130	196,817	56,450	403,397
	153,351	219,386	64,739	437,476
Operating income	68,029	74,260	17,417	159,706
Non-operating (income) and expenses:				
Investment and other income	(8,900)	(3,241)	(1,423)	(13,564)
Income from equity method investments	(426)	(20,343)	(1,201)	(21,970)
Investment income from investments in partnerships	(186)	(922)	(24,957)	(26,065)
Interest expense	15,932	34,879	7,870	58,681
	6,420	10,373	(19,711)	(2,918)
Income before income taxes	61,609	63,887	37,128	162,624
Income taxes	6,584	7,506	1,185	15,275
Net income	55,025	56,381	35,943	147,349
Net income (non-controlling interests)	(35,302)	(42,370)	(9,336)	(87,008)
Net income (non-controlling interests in partnerships)	(184)	(921)	(24,363)	(25,468)
Net Income (controlling interest)	$ 19,539	$ 13,090	$ 2,244	$ 34,873

	For the Nine Months Ended September 30, 2010			
	Mutual Fund	Institutional	High Net Worth	Total
Revenue	$ 397,736	$ 445,063	$ 94,675	$ 937,474
Operating expenses:				
Depreciation and other amortization	8,496	34,276	6,390	49,162
Other operating expenses	275,429	291,753	61,171	628,353
	283,925	326,030	67,560	677,515
Operating income	113,811	119,033	27,115	259,959
Non-operating (income) and expenses:				
Investment and other income	(4,796)	(7,780)	(2,353)	(14,929)
Income from equity method investments	(1,185)	(24,589)	(2,769)	(28,543)
Investment loss from investments in partnerships	73	195	4,225	4,493
Interest expense	24,007	35,127	6,919	66,053
	18,099	2,953	6,022	27,074
Income before income taxes	95,712	116,080	21,093	232,885
Income taxes	24,764	23,260	4,854	52,878
Net income	70,948	92,820	16,239	180,007
Net income (non-controlling interests)	(39,673)	(56,211)	(11,886)	(107,770)
Net income (non-controlling interests in partnerships)	74	195	4,116	4,385
Net Income (controlling interest)	$ 31,349	$ 36,804	$ 8,469	$ 76,622
Balance Sheet Information				
Total assets as of December 31, 2009	$ 1,182,940	$ 1,702,983	$ 504,983	$ 3,390,906
Total assets as of September 30, 2010	1,835,861	2,700,032	415,049	$ 4,950,942

17. Goodwill and Acquired Client Relationships

The following table presents the change in goodwill during the nine months ended September 30, 2010:

	Mutual Fund	Institutional	High Net Worth	Total
Balance, as of December 31, 2009	$ 561,753	$ 602,962	$ 248,502	$ 1,413,217
Goodwill acquired, net	210,383	358,110	4,757	573,250
Foreign currency translation	4,144	3,049	2,096	9,289
Balance, as of September 30, 2010	$ 776,280	$ 964,121	$ 255,355	$ 1,995,756

The Company performed its annual goodwill assessment as of September 30, 2010 and no impairments were identified.

The following table reflects the components of intangible assets of the Company's Affiliates that are consolidated as of December 31, 2009 and September 30, 2010:

	December 31, 2009		September 30, 2010	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Acquired client relationships	$ 389,312	$ 168,538	$ 929,999	$ 207,584
Non-amortized intangible assets:				
Acquired client relationships-mutual fund management contracts	350,799	—	678,391	—
Goodwill	1,413,217	—	1,995,756	—

During the quarter ended September 30, 2010, the Company purchased the investment advisory and administrative servicing contracts for four mutual funds from Allianz Global Investors Capital LLC. The purchase price was allocated to non-amortized acquired client relationships.

For the Company's Affiliates that are consolidated, definite-lived acquired client relationships are amortized over their expected useful lives. As of September 30, 2010, these relationships were being amortized over a weighted average life of approximately 10 years. The Company estimates that its consolidated annual amortization expense will be approximately $82,000 for the next five years, assuming no additional investments in new or existing Affiliates.

The definite-lived acquired client relationships attributable to the Company's equity method investments are amortized over their expected useful lives. As of September 30, 2010, these relationships were being amortized over approximately seven years. Amortization expense for these relationships was $24,119 for the nine months ended September 30, 2010. The Company estimates that the annual amortization expense attributable to its current equity-method Affiliates will be approximately $32,000 for the next five years assuming no additional investments in new or existing Affiliates.

18. Business Combinations

The Company periodically makes new investments in asset management firms and acquires interests from, makes additional purchase payments to and transfers interests to Affiliate management partners. The Company reported $10,597 and $545 of acquisition-related costs as selling, general and administrative expenses during the nine months ended September 30, 2010 and September 30, 2009, respectively.

Unaudited pro forma financial results are set forth below, giving consideration to the Company's investments in Artemis Investment Management ("Artemis), Pantheon Ventures Inc., Pantheon Holdings Limited and Pantheon Capital (Asia) Limited (collectively, "Pantheon") and Aston Asset Management LLC ("Aston"), as if such transactions occurred as of the beginning of 2009, assuming the revenue sharing arrangement had been in effect for the entire period and after making certain other pro forma adjustments.

	For the Nine Months Ended September 30,	
	2009	2010
Revenue	$ 896,764	$ 1,076,539
Net Income (controlling interest)	62,546	92,313
Earnings per share—basic	1.40	1.93
Earnings per share—diluted	1.35	1.84

New Affiliate investments during the nine months ended September 30, 2010, contributed $178,936 and $20,752 to the Company's revenue and earnings, respectively, for the nine months ended September 30, 2010.

19. Recent Accounting Developments

During the first quarter of 2010, the Company adopted a new standard that requires an enterprise to perform a qualitative analysis to determine whether its variable interests give it a controlling financial interest in a variable interest entity ("VIE"). Under the standard, an enterprise has a controlling financial interest when it has (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. An enterprise that holds a controlling financial interest is deemed to be the primary beneficiary and is required to consolidate the VIE. This new standard has been deferred for certain entities that utilize the specialized accounting guidance for investment companies or that have the attributes of investment companies. The adoption of the portions of this new standard that were not deferred did not have a material impact on the Company's Consolidated Financial Statements.

During the first quarter of 2010, the Company adopted a new standard that eliminated the concept of a qualifying special-purpose entity ("QSPE"), changed the requirements for derecognizing financial assets, and required additional disclosures to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including an entity's continuing involvement in and exposure to the risks related to transferred financial assets. The standard also clarified the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. The adoption of this new standard did not have a material impact on the Company's Consolidated Financial Statements.

20. Affiliate Equity

Many of the Company's operating agreements provide Affiliate managers a conditional right to require the Company to purchase their retained equity interests at certain intervals. Certain agreements also provide the Company a conditional right to require Affiliate managers to sell their retained equity interests to the Company upon their death, permanent incapacity or termination of employment and provide Affiliate managers a conditional right to require the Company to purchase such retained equity interests upon the occurrence of specified events. The purchase price of these conditional purchases are generally calculated based upon a multiple of the Affiliate's cash flow distributions, which is intended to represent fair value. Affiliate management partners are also permitted to sell their equity interests to other individuals or entities in certain cases, subject to the Company's approval or other restrictions.

The Company may pay for Affiliate equity purchases in cash, shares of its common stock or other forms of consideration and can consent to the transfer of these interests to other individuals or entities. The Company's cumulative redemption obligation for these interests has been presented as "Redeemable non-controlling interests" on the Company's Consolidated Balance Sheets. Changes in the value of the Company's cumulative redemption obligation are recorded to Additional paid-in capital. The following table presents the changes in Redeemable non-controlling interests during the period:

Balance as of January 1, 2010	$ 368,999
Issuance of Redeemable non-controlling interest	18,804
Repurchase of Redeemable non-controlling interest	(70,520)
Changes in redemption value	68,900
Balance as of September 30, 2010	$ 386,183

Although the timing and amounts of these purchases are difficult to predict, the Company expects to repurchase approximately $100,000 of Affiliate equity during the next twelve months, and, in such event, will own the cash flow associated with any equity repurchased.

During the three and nine months ended September 30, 2009 and 2010, the Company acquired interests from and transferred interests to Affiliate management partners. The following schedule discloses the effect of changes in the Company's ownership interest in its Affiliates on the controlling interest's equity:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2010	2009	2010
Net Income (controlling interest)	$ 17,769	$ 33,955	$ 34,873	$ 76,622
Decrease in controlling interest paid-in capital from purchases and sales of Affiliate equity	(12,871)	(13,592)	(17,982)	(37,012)
Change from Net Income (controlling interest) and net transfers with non-controlling interests	$ 4,898	$ 20,363	$ 16,891	$ 39,610

21. Comprehensive Income

A summary of comprehensive income, net of applicable taxes, is as follows:

	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010
Net income	$ 67,860	$ 69,029	$ 147,349	$ 180,007
Foreign currency translation adjustment	25,689	20,016	40,644	15,198
Change in net unrealized gain (loss) on investment securities	103	3,796	(48)	9,817
Comprehensive income	93,652	92,841	187,945	205,022
Comprehensive income (non-controlling interests)	(50,091)	(35,074)	(112,476)	(103,385)
Comprehensive income (controlling interest)	$ 43,561	$ 57,767	$ 75,469	$ 101,637

The components of accumulated other comprehensive income, net of applicable taxes, are as follows:

	December 31, 2009	September 30, 2010
Foreign currency translation adjustments	$ 43,055	$ 58,253
Unrealized gain on investment securities	2,903	12,720
Accumulated other comprehensive income	$ 45,958	$ 70,973

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

Forward-Looking Statements

When used in this Quarterly Report on Form 10-Q, in our other filings with the United States Securities and Exchange Commission, in our press releases and in oral statements made with the approval of an executive officer, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "may," "intends," "believes," "estimate," "project" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to certain risks and uncertainties, including, among others, the following:

- our performance is directly affected by changing conditions in global financial markets generally and in the equity markets particularly, and a decline or a lack of sustained growth in these markets may result in decreased advisory fees or performance fees and a corresponding decline (or lack of growth) in our operating results and in the cash flow distributable to us from our Affiliates;

- we cannot be certain that we will be successful in finding or investing in additional investment management firms on favorable terms, that we will be able to consummate announced investments in new investment management firms, or that existing and new Affiliates will have favorable operating results;

- we may need to raise capital by making long-term or short-term borrowings or by selling shares of our common stock or other securities in order to finance investments in additional investment management firms or additional investments in our existing Affiliates, and we cannot be sure that such capital will be available to us on acceptable terms, if at all; and

- those certain other factors discussed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2009, and in any other filings we make with the Securities and Exchange Commission from time to time.

These factors (among others) could affect our financial performance and cause actual results to differ materially from historical earnings and those presently anticipated and projected. We will not undertake and we specifically disclaim any obligation to release publicly the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of events, whether or not anticipated. In that respect, we wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

Overview

We are a global asset management company with equity investments in a diverse group of boutique investment management firms (our "Affiliates"). We pursue a growth strategy designed to generate shareholder value through the internal growth of our existing business, additional investments in investment management firms and strategic transactions and relationships structured to enhance our Affiliates' businesses and growth prospects.

As of September 30, 2010, we manage approximately $280 billion in assets through our Affiliates in more than 350 investment products across a broad range of asset classes and investment styles in three principal distribution channels: Mutual Fund, Institutional and High Net Worth. We believe that our diversification across asset classes, investment styles and distribution channels helps to mitigate our exposure to the risks created by changing market environments. The following summarizes our operations in our three principal distribution channels.

- In the Mutual Fund distribution channel, our Affiliates provide advisory or sub-advisory services to more than 200 mutual funds. These funds are distributed to retail and institutional clients directly and through intermediaries, including independent investment advisors, retirement plan sponsors, broker/dealers, major fund marketplaces and bank trust departments.

- In the Institutional distribution channel, our Affiliates offer more than 200 investment products across over 50 different investment styles, including small, small/mid, mid and large capitalization value, growth equity and emerging markets. In addition, our Affiliates offer quantitative, alternative, credit arbitrage and fixed income products. Through this distribution channel, our Affiliates manage assets for foundations and endowments, defined benefit and defined contribution plans for corporations and municipalities, and Taft-Hartley plans, with disciplined and focused investment styles that address the specialized needs of institutional clients.

- The High Net Worth distribution channel is comprised broadly of two principal client groups. The first group consists principally of direct relationships with high net worth individuals and families and charitable foundations. For these clients, our Affiliates provide investment management or customized investment counseling and fiduciary services. The second group consists of individual managed account client relationships established through intermediaries, generally brokerage firms or other sponsors. Our Affiliates provide investment management services through approximately 100 managed account and wrap programs.

New Investments

In September 2010, we announced an agreement to acquire a majority interest in Trilogy Global Advisors, LLC ("Trilogy"). Trilogy manages assets for institutional and retail clients specializing in emerging and global market strategies. As of September 30, Trilogy had approximately $14 billion in assets under management.

On June 30, 2010, we completed our investment in Pantheon Ventures Inc., Pantheon Holdings Limited and Pantheon Capital (Asia) Limited (collectively, "Pantheon"). Pantheon manages regional funds-of-funds in Europe, the United States and Asia, as well as global secondary funds-of-funds, global infrastructure fund-of-funds and customized separate account programs.

On April 15, 2010, we completed our investment in Aston Asset Management LLC ("Aston") through the acquisition of Highbury Financial Inc., Aston's parent company. Based in Chicago, Aston offers sub-advised investment products to the mutual fund and managed accounts markets. Aston is the principal advisor to the Aston Funds, a fund family of 24 sub-advised, no-load mutual funds.

On March 15, 2010, we completed our investment in Artemis Investment Management Ltd ("Artemis") in combination with the management team of Artemis. Artemis specializes in active investment management for retail and institutional investors in the UK, as well as Europe and the Middle East, across a range of mutual funds and segregated institutional accounts.

Our Structure and Relationship with Affiliates

We operate our business through our Affiliates in our three principal distribution channels, maintaining each Affiliate's distinct entrepreneurial culture and independence through our investment structure. In making investments in boutique investment management firms, we seek to partner with the highest quality firms in the industry, with outstanding management teams, strong long-term performance records and a demonstrated commitment to continued growth and success. Fundamental to our investment approach is the belief that Affiliate management equity ownership (along with AMG's ownership) aligns our interests and provides Affiliate managers with a powerful incentive to continue to grow their business. Our investment structure provides a degree of liquidity and diversification to principal owners of boutique investment management firms, while at the same time expanding equity ownership opportunities among the firm's management and allowing management to continue to participate in the firm's future growth. Our partnership approach also ensures that

Affiliates maintain operational autonomy in managing their business, thereby preserving their firm's entrepreneurial culture and independence.

Although the specific structure of each investment is highly tailored to meet the needs of a particular Affiliate, in all cases, AMG establishes a meaningful equity interest in the firm, with the remaining equity interests retained by the management of the Affiliate. Each Affiliate is organized as a separate firm, and its operating or shareholder agreement is structured to provide appropriate incentives for Affiliate management owners and to address the Affiliate's particular characteristics while also enabling us to protect our interests, including through arrangements such as long-term employment agreements with key members of the firm's management team.

In most cases, we own a majority of the equity interests of a firm and structure a revenue sharing arrangement, in which a percentage of revenue is allocated for use by management of that Affiliate in paying operating expenses of the Affiliate, including salaries and bonuses. We call this the "Operating Allocation." The portion of the Affiliate's revenue that is allocated to the owners of that Affiliate (including us) is called the "Owners' Allocation." Each Affiliate allocates its Owners' Allocation to its managers and to us generally in proportion to their and our respective ownership interests in that Affiliate. However, should actual operating expenses exceed the Operating Allocation, the excess expenses first reduce the portion of the Owners' Allocation allocated to the Affiliate's managers until that portion is eliminated, before reducing the portion allocated to us. Any such reduction in our portion of the Owners' Allocation is required to be paid back to us out of the portion of future Owners' Allocation allocated to the Affiliate's managers.

One of the purposes of our revenue sharing arrangements is to provide ongoing incentives for Affiliate managers by allowing them to participate in the growth of their firm's revenue, which may increase their compensation from both the Operating Allocation and the Owners' Allocation. These arrangements also provide incentives to control operating expenses, thereby increasing the portion of the Operating Allocation that is available for growth initiatives and compensation.

An Affiliate's Operating Allocation is structured to cover its operating expenses. However, should actual operating expenses exceed the Operating Allocation, our contractual share of cash under the Owners' Allocation generally has priority over the allocations and distributions to the Affiliate's managers. As a result, the excess expenses first reduce the portion of the Owners' Allocation allocated to the Affiliate's managers until that portion is eliminated, before reducing the portion allocated to us. Any such reduction in our portion of the Owners' Allocation is required to be paid back to us out of the portion of future Owners' Allocation allocated to the Affiliate's managers.

Our minority investments are also structured to align our interests with those of the Affiliate's management through shared equity ownership, as well as to preserve the Affiliate's entrepreneurial culture and independence by maintaining the Affiliate's operational autonomy. In cases where we hold a minority investment, the revenue sharing arrangement generally allocates a percentage of the Affiliate's revenue to us. The remaining revenue is used to pay operating expenses and profit distributions to the other owners.

Certain of our Affiliates operate under profit-based arrangements through which we own a majority of the equity in the firm and receive a share of profits as cash flow, rather than a percentage of revenue through a typical revenue sharing agreement. As a result, we participate fully in any increase or decrease in the revenue or expenses of such firms. In these cases, we participate in a budgeting process and generally provide incentives to management through compensation arrangements based on the performance of the Affiliate.

We are focused on establishing and maintaining long-term partnerships with our Affiliates. Our shared equity ownership gives both AMG and our Affiliate partners meaningful incentives to manage their businesses for strong future growth. From time to time, we may consider changes to the structure of our relationship with an Affiliate in order to better support the firm's growth strategy.

Through our affiliated investment management firms, we derive most of our revenue from the provision of investment management services. Investment management fees ("asset-based fees") are usually determined as a percentage fee charged on periodic values of a client's assets under management; most asset-based advisory fees are billed by our Affiliates quarterly. Certain clients are billed for all or a portion of their accounts based upon assets under management valued at the beginning of a billing period ("in advance"). Other clients are billed for all or a portion of their accounts based upon assets under management valued at the end of the billing period ("in arrears"). Most client accounts in the High Net Worth distribution channel are billed in advance, and most client accounts in the Institutional distribution channel are billed in arrears. Clients in the Mutual Fund distribution channel are billed based upon average daily assets under management. Advisory fees billed in advance will not reflect subsequent changes in the market value of assets under management for that period but may reflect changes due to client withdrawals. Conversely, advisory fees billed in arrears will reflect changes in the market value of assets under management for that period.

In addition, over 50 Affiliate alternative investment and equity products, representing approximately $33 billion of assets under management (as of September 30, 2010), also bill on the basis of absolute or relative investment performance ("performance fees"). These products, which are primarily in the Institutional distribution channel, are often structured to have returns that are not directly correlated to changes in broader equity indices and, if earned, the performance fee component is typically billed less frequently than an asset-based fee. Although performance fees inherently depend on investment results and will vary from period to period, we anticipate performance fees to be a recurring component of our revenue. We also anticipate that, within any calendar year, the majority of any performance fees will typically be realized in the fourth quarter.

For certain of our Affiliates, generally where we own a non-controlling interest, we are required to use the equity method of accounting. Consistent with this method, we have not consolidated the operating results of these firms (including their revenue) in our Consolidated Statements of Income. Our share of these firms' profits (net of intangible amortization) is reported in "Income from equity method investments," and is therefore reflected in our Net Income (controlling interest) and EBITDA. As a consequence, increases or decreases in these firms' assets under management (which totaled $64.9 billion as of September 30, 2010) will not affect reported revenue in the same manner as changes in assets under management at our other Affiliates.

Our Net Income attributable to controlling interest reflects the revenue of our consolidated Affiliates and our share of income from Affiliates which we account for under the equity method, reduced by:

- our expenses, including the operating expenses of our consolidated Affiliates; and
- the profits allocated to managers of our consolidated Affiliates (i.e., income attributable to non-controlling interests).

As discussed above, for consolidated Affiliates with revenue sharing arrangements, the operating expenses of the Affiliate as well as its managers' non-controlling interest generally increase (or decrease) as the Affiliate's revenue increases (or decreases) because of the direct relationship established in many of our agreements between the Affiliate's revenue and its Operating Allocation and Owners' Allocation. At our consolidated profit-based Affiliates, expenses may or may not correspond to increases or decreases in the Affiliates' revenues.

Our level of profitability will depend on a variety of factors, including:

- those affecting the global financial markets generally and the equity markets particularly, which could potentially result in considerable increases or decreases in the assets under management at our Affiliates;
- the level of Affiliate revenue, which is dependent on the ability of our existing and future Affiliates to maintain or increase assets under management by maintaining their existing investment advisory relationships and fee structures, marketing their services successfully to new clients and obtaining favorable investment results;
- our receipt of Owners' Allocation from Affiliates with revenue sharing arrangements, which depends on the ability of our existing and future Affiliates to maintain certain levels of operating profit margins;
- the increases or decreases in the revenue and expenses of Affiliates that operate on a profit-based model;
- the availability and cost of the capital with which we finance our existing and new investments;
- our success in making new investments and the terms upon which such transactions are completed;
- the level of intangible assets and the associated amortization expense resulting from our investments;
- the level of our expenses, including compensation for our employees; and
- the level of taxation to which we are subject.

Diversification of Assets under Management

The following table provides information regarding the composition of our assets under management:

	December 31, 2009		September 30, 2010	
(in billions)	Assets under Management	Percentage of Total	Assets under Management	Percentage of Total
Asset Class:				
Equity[1]	$ 153.2	74%	$ 184.6	66%
Alternative[2]	31.3	15%	63.0	23%
Fixed Income	23.5	11%	32.1	11%
Total	$ 208.0	100%	$ 279.7	100%
Geography:[3]				
Domestic	$ 89.7	43%	$ 100.0	36%
Global/International	93.2	45%	148.7	53%
Emerging Markets	25.1	12%	31.0	11%
Total	$ 208.0	100%	$ 279.7	100%

(1) The Equity asset class includes equity, balanced and asset allocation products.

(2) The Alternative asset class includes private equity, multi-strategy, market neutral equity and hedge products.

(3) The Geography of a particular investment product describes the general location of its investment holdings.

Our assets under management increased significantly during the nine months ended September 30, 2010 as a result of new Affiliate investments in Artemis, Aston and Pantheon. Our investments in Pantheon and Artemis (in the second and first quarters of 2010, respectively) further diversified our business by increasing our exposure to alternative product offerings that we anticipate will be uncorrelated to equity markets (in the case of Pantheon) and global/international product offerings (in the case of Pantheon and Artemis). Our investment in Pantheon also provides a stable revenue stream because Pantheon charges management fees on the capital committed to its funds, not the value of the funds. Our investment in Aston, which closed in the second quarter of 2010, increased our domestic equity product offerings. In addition, during the nine months ended September 30, 2010, positive net client cash flows increased assets under management in our alternative and fixed income asset classes and all asset classes benefited from positive investment returns.

Results of Operations

The following table presents our Affiliates' reported assets under management by operating segment (which are also referred to as distribution channels in this Quarterly Report on Form 10-Q).

Assets under Management

Statement of Changes-Quarter to Date *(in billions)*	**Mutual Fund**	**Institutional**	**High Net Worth**	**Total**
Assets under management, June 30, 2010	$ 64.3	$ 155.2	$ 29.5	$ 249.0
Client cash inflows	6.4	8.5	1.4	16.3
Client cash outflows	(5.3)	(4.3)	(1.2)	(10.8)
Net client cash flows	1.1	4.2	0.2	5.5
Investment performance	7.9	15.2	2.7	25.8
Other(2)	1.6	(2.2)	—	(0.6)
Assets under management, September 30, 2010	$ 74.9	$ 172.4	$ 32.4	$ 279.7

Statement of Changes-Year to Date *(in billions)*	**Mutual Fund**	**Institutional**	**High Net Worth**	**Total**
Assets under management, December 31, 2009	$ 44.5	$ 133.9	$ 29.6	$ 208.0
New Investments(1)	22.9	26.0	0.5	49.4
Adjusted Assets under management, December 31, 2009	67.4	159.9	30.1	257.4
Client cash inflows	15.3	20.8	5.0	41.1
Client cash outflows	(13.2)	(18.5)	(4.7)	(36.4)
Net client cash flows	2.1	2.3	0.3	4.7
Investment performance	3.8	12.5	2.0	18.3
Other(2)	1.6	(2.3)	—	(0.7)
Assets under management, September 30, 2010	$ 74.9	$ 172.4	$ 32.4	$ 279.7

(1) We completed our investment in Artemis during the first quarter of 2010 and we completed our investments in Pantheon and Aston during the second quarter of 2010. Our presentation of assets under management activity is pro forma assuming these investments closed at the beginning of each period presented.

(2) Includes assets under management attributable to Affiliate product transitions, the financial effects of which are not material to our ongoing results.

As shown in the assets under management table above, client cash inflows totaled $41.1 billion while client cash outflows totaled $36.4 billion for the nine months ended September 30, 2010. The net flows for the nine months ended September 30, 2010 occurred across a broad range of product offerings in each of our distribution channels, with no individual cash inflow or outflow having a material impact on our revenue or expenses.

The operating segment analysis presented in the following table is based on average assets under management. For the Mutual Fund distribution channel, average assets under management represent an average of the daily net assets under management. For the Institutional and High Net Worth distribution channels, average assets under management takes into consideration the billing patterns of particular client accounts. For example, assets under management for an account that bills in advance is included in the table using beginning of period assets under management while an account that bills in arrears uses end of period assets under management. We believe that this analysis more closely correlates to the billing cycle of each distribution channel and, as such, provides a more meaningful relationship to revenue.

(dollars in millions, except as noted)	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2010	% Change	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	% Change
Average assets under management (in billions)[1]						
Mutual Fund	$ 39.0	$ 70.3	80%	$ 35.2	$ 60.4	72%
Institutional	119.5	167.0	40%	111.6	146.5	31%
High Net Worth	27.7	31.2	13%	26.2	30.4	16%
Total	$ 186.2	$ 268.5	44%	$ 173.0	$ 237.3	37%
Revenue						
Mutual Fund	$ 80.7	$ 151.8	88%	$ 221.4	$ 397.7	80%
Institutional	109.9	171.0	56%	293.6	445.1	52%
High Net Worth	26.9	31.6	17%	82.2	94.7	15%
Total	$ 217.5	$ 354.4	63%	$ 597.2	$ 937.5	57%
Net Income						
Mutual Fund	$ 9.0	$ 13.5	40%	$ 19.5	$ 31.3	41%
Institutional	7.6	16.8	49%	13.1	36.8	48%
High Net Worth	1.2	3.7	11%	2.3	8.5	11%
Total	$ 17.8	$ 34.0	91%	$ 34.9	$ 76.6	119%
EBITDA[2]						
Mutual Fund	$ 14.5	$ 31.3	116%	$ 43.8	$ 79.2	81%
Institutional	38.2	61.1	60%	97.3	144.9	49%
High Net Worth	7.8	9.9	27%	21.8	28.1	29%
Total	$ 60.5	$ 102.3	69%	$ 162.9	$ 252.2	55%

(1) As described above, our average assets under management considers balances used to bill revenue during the reporting period. These amounts also include assets managed by firms whose financial results are not consolidated ($49.2 billion and $62.4 billion for the three months ended September 30, 2009 and 2010, respectively, and $45.6 billion and $58.3 billion for the nine months ended September 30, 2009 and 2010, respectively). Assets under management attributable to any investments in new Affiliates are included on a weighted average basis for the period from the closing date of the respective investment.

(2) EBITDA represents earnings before interest expense, income taxes, depreciation and amortization. Our use of EBITDA, including reconciliation to cash flow from operations, is described in greater detail in "Liquidity and Capital Resources—Supplemental Liquidity Measure." For purposes of our distribution channel operating results, expenses not incurred directly by Affiliates have been allocated based on the proportion of aggregate cash flow distributions reported by each Affiliate in the particular distribution channel.

Revenue

Our revenue is generally determined by the level of our assets under management, the portion of our assets across our products and three operating segments, which realize different fee rates, and the recognition of any performance fees. As described in the "Overview" section above, performance fees are generally measured on absolute or relative investment performance against a benchmark. As a result, the level of performance fees earned can vary significantly from period to period and these fees may not necessarily be correlated to changes in total assets under management.

Our total revenue increased $136.9 million (or 63%) in the three months ended September 30, 2010, as compared to the three months ended September 30, 2009, primarily from a 44% increase in average assets under management. This increase in average assets under management resulted principally from our new Affiliate investments and investment performance. Performance fees were not a significant component of revenue in either the three months ended September 30, 2010 or the three months ended September 30, 2009 (approximately 2% of revenue for both time periods).

Our total revenue increased $340.3 million (or 57%) in the nine months ended September 30, 2010, as compared to the nine months ended September 30, 2009, primarily from a 37% increase in average assets under management. This increase in average assets under management resulted principally from our new Affiliate investments and investment performance. Unrelated to the change in assets under management, performance fees increased $23.1 million to $39.2 million (or 144%) in the nine months ended September 30, 2010, as compared to the nine months ended September 30, 2009.

The following discusses the changes in our revenue by operating segments.

Mutual Fund Distribution Channel

Our revenue in the Mutual Fund distribution channel increased $71.1 million (or 88%) in the three months ended September 30, 2010 as compared to the three months ended September 30, 2009, while average assets under management increased 80%, and revenue increased $176.3 million (or 80%) in the nine months ended September 30, 2010 as compared to the nine months ended September 30, 2009, while average assets under management increased 72%. These increases in average assets under management resulted principally from investment performance and our 2010 investments in new Affiliates.

Institutional Distribution Channel

Our revenue in the Institutional distribution channel increased $61.1 million (or 56%) in the three months ended September 30, 2010 as compared to the three months ended September 30, 2009, while average assets under management increased 40%, and revenue increased $151.5 million (or 52%) in the nine months ended September 30, 2010 as compared to the nine months ended September 30, 2009, while average assets under management increased 31%. These increases in average assets under management resulted principally from investment performance and our 2010 investments in new Affiliates. Unrelated to the change in assets under management, performance fees increased $23.7 million (or 154%) in the nine months ended September 30, 2010, as compared to the nine months ended September 30, 2009. The increase in revenue was proportionately greater than the increase in average assets under management as a result of an increase in assets under management at Affiliates that realize comparatively higher fee rates.

High Net Worth Distribution Channel

Our revenue in the High Net Worth distribution channel increased $4.7 million (or 17%) in the three months ended September 30, 2010 as compared to the three months ended September 30, 2009, while average assets under management increased 13%, and revenue increased $12.5 million (or 15%) in the nine months ended September 30, 2010 as compared to the nine months ended September 30, 2009, while average assets under management increased 16%. These increases in average assets under management resulted principally from investment performance.

Operating Expenses

The following table summarizes our consolidated operating expenses:

(dollars in millions)	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2010	% Change	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	% Change
Compensation and related expenses	$ 105.2	$ 151.5	44%	$ 292.8	$ 413.5	41%
Selling, general and administrative	26.8	73.4	174%	89.3	190.8	114%
Amortization of intangible assets	8.3	20.5	147%	24.4	39.0	60%
Depreciation and other amortization	3.2	3.7	16%	9.6	10.1	5%
Other operating expenses	10.9	9.6	(12)%	21.4	24.1	13%
Total operating expenses	$ 154.4	$ 258.7	68%	$ 437.5	$ 677.5	55%

The substantial portion of our operating expenses is incurred by our Affiliates, the majority of which is incurred by Affiliates with revenue sharing arrangements. For Affiliates with revenue sharing arrangements, an Affiliate's Operating Allocation percentage generally determines its operating expenses. Accordingly, our compensation expense is impacted by increases or decreases in each Affiliate's revenue and the corresponding increases or decreases in each Affiliate's respective Operating Allocation. During the three and nine months ended September 30, 2010, approximately $79.4 million and $205.0 million (or 52% and 50%), respectively, of our consolidated compensation expense was attributable to our Affiliate management partners. The percentage of revenue allocated to operating expenses varies from one Affiliate to another and may also vary within an Affiliate depending on the source or amount of revenue. As a result, changes in our aggregate revenue may not impact our consolidated operating expenses to the same degree.

Compensation and related expenses increased 44% and 41% in the three and nine months ended September 30, 2010, as compared to the three and nine months ended September 30, 2009, respectively, primarily as a result of the relationship between revenue and operating expenses at extant Affiliates, which experienced increases in revenue, and accordingly, reported higher compensation expenses. These increases were also attributable to increases in aggregate Affiliate expenses of $29.8 million and $44.4 million in the three and nine months ended September 30, 2010 from new Affiliate investments, as compared to the three and nine months ended September 30, 2009, respectively, as well as increases in holding company incentive and stock-based compensation of $5.2 million and $15.3 million in the three and nine months ended September 30, 2010, as compared to the three and nine months ended September 30, 2009, respectively.

Selling, general and administrative expenses increased 174% and 114% in the three and nine months ended September 30, 2010, as compared to the three and nine months ended September 30, 2009, respectively. These increases resulted principally from increases in aggregate Affiliate expenses of $36.6 million and $77.6 million from new Affiliate investments in the three and nine months ended September 30, 2010, as compared to the three and nine months ended September 30, 2009, respectively. These increases also resulted from a $6.0 million insurance recovery in the three and nine months ended September 30, 2009, which did not recur in the three and nine months ended September 30, 2010. The increase in the nine months ended September 30, 2010 as compared to the nine months ended September 30, 2009, also resulted from increases in professional fees principally related to recent investment closings of $9.8 million.

Amortization of intangible assets increased 147% and 60% in the three and nine months ended September 30, 2010, as compared to the three and nine months ended September 30, 2009, respectively. These increases were principally attributable to increases in definite-lived intangible assets resulting from new Affiliate investments.

Depreciation and other amortization increased 16% and 5% in the three and nine months ended September 30, 2010, as compared to the three and nine months ended September 30, 2009, principally attributable to increases in aggregate Affiliate expenses from new Affiliate investments of $0.8 million and $1.3 million in the three and nine months ended September 30, 2010, as compared to the three and nine months ended September 30, 2009, respectively. These increases were partially offset by decreases in spending on depreciable assets in recent periods.

Other operating expenses decreased 12% in the three months ended September 30, 2010, as compared to the three months ended September 30, 2009, principally attributable to a loss realized on the transfer of Affiliate interests in the three months ended September 30, 2009, which did not recur in the three months ended September 30, 2010. This decrease was partially offset by a $4.1 million increase in aggregate Affiliate expenses from new Affiliate investments. Other operating expenses increased 13% in the nine months ended September 30, 2010, as compared to the nine months ended September 30, 2009, principally attributable to a $5.3 million increase in aggregate Affiliate expenses from new Affiliate investments, partially offset by a decrease in losses realized on transfers of Affiliate interests in the nine months ended September 30, 2010, as compared to the nine months ended September 30, 2009.

Other Income Statement Data

The following table summarizes other income statement data:

	For the Three Months Ended September 30,			**For the Nine Months Ended September 30,**		
(dollars in millions)	**2009**	**2010**	**% Change**	**2009**	**2010**	**% Change**
Income from equity method investments	$ 8.2	$ 9.5	16%	$ 22.0	$ 28.5	30%
Investment and other income	6.6	11.4	73%	13.6	14.9	10%
Investment income (loss) from investments in partnerships	14.9	—	(100)%	26.1	(4.5)	(117)%
Interest expense	16.2	16.3	1%	48.6	48.8	0%
Imputed interest expense	3.4	7.2	112%	10.1	17.3	71%
Income tax expense	5.4	24.0	344%	15.3	52.9	246%

Income from equity method investments consists of our share of income from Affiliates that are accounted for under the equity method of accounting, net of any related intangible amortization. Income from equity method investments increased 16% and 30% in the three and nine months ended September 30, 2010, as compared to the three and nine months ended September 30, 2009, respectively, principally as a result of increases in assets under management at Affiliates that we account for under the equity method of accounting.

Investment and other income increased 73% in the three months ended September 30, 2010, as compared to the three months ended September 30, 2009, principally as a result of an increase in Affiliate investment earnings and foreign exchange gains, including a $2.5 million increase in aggregate Affiliate income from new Affiliate investments. Investment and other income increased 10% in the nine months ended September 30, 2010, as compared to the nine months ended September 30, 2009, principally as a result of a $2.8 million increase in investment and other income from new Affiliates, partially offset by a decrease in extant Affiliate investment income.

Investment income (loss) from Affiliate investments in partnerships relates to the consolidation of certain investment partnerships in which our Affiliates are the general partner. In the third quarter of 2010, we deconsolidated these partnerships. For the three months ended September 30, 2009, the income from Affiliate investments in partnerships was $14.9 million. For the nine months ended September 30, 2009 and 2010, the income (loss) from Affiliate investments in partnerships was $26.1 million and $(4.5) million, respectively. This income (loss) was principally attributable to investors who are unrelated to us.

Interest expense increased slightly in the three and nine months ended September 30, 2010, as compared to the three and nine months ended September 30, 2009, principally as a result of increased borrowings under the Revolver.

Imputed interest expense consists of interest accretion on our senior convertible securities and our junior convertible trust preferred securities as well as the accretion of our projected contingent payment arrangements. Imputed interest expense increased 112% and 71% in the three and nine months ended September 30, 2010, as compared to the three and nine months ended September 30, 2009, respectively, principally as a result of increases in accretion related to our contingent payment arrangements of $4.9 million and $8.4 million in the three and nine months ended September 30, 2010, as compared to the three and nine months ended September 30, 2009, respectively.

Income taxes increased 344% and 246% in the three and nine months ended September 30, 2010 as compared to the three and nine months ended September 30, 2009, respectively, as the result of increases in Income before income taxes and approximately $6.0 million of taxes attributable to non-controlling interests from our 2010 new Affiliate investments. In 2009, we reported a $3 million benefit from a reduction in valuation allowances on state net operating losses, and in the third quarter of 2010, we reported a $4.1 million benefit from a change in corporate tax rates in the United Kingdom.

Net Income

The following table summarizes Net Income:

(dollars in millions)	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2010	% Change	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	% Change
Net income (non-controlling interests)	$ 35.5	$ 35.1	(1)%	$ 87.0	$ 107.8	24%
Net income (loss) (non-controlling interests in partnerships)	14.6	—	(100)%	25.5	(4.4)	(117)%
Net Income (controlling interest)	17.8	34.0	91%	34.9	76.6	119%

Net income attributable to non-controlling interests was flat in the three months ended September 30, 2010, as compared to the three months ended September 30, 2009, principally as a result of the previously discussed changes in revenue, which were offset by the increases in tax expenses attributable to non-controlling interests. Net income attributable to non-controlling interests increased 24% in the nine months ended September 30, 2010, as compared to the nine months ended September 30, 2009, principally as a result of the previously discussed changes in revenue partially offset by the previously discussed increases in tax expenses.

Net income (loss) (non-controlling interest in partnerships) relates to the consolidation of certain investment partnerships in which our Affiliates are the general partner. In the third quarter of 2010, we deconsolidated these partnerships. For the three months ended September 30, 2009, the net income from Affiliate investment partnerships attributable to the non-controlling interests was $14.6 million. For the nine months ended September 30, 2009 and 2010, the net income (loss) from Affiliate investment partnerships attributable to the non-controlling interests was $25.5 million and $(4.4) million, respectively.

Net Income (controlling interest) increased 91% and 119% in the three and nine months ended September 30, 2010, as compared to the three and nine months ended September 30, 2009, respectively, as a result of the previously discussed increases in revenue, partially offset by increases in reported operating and income tax expenses.

Supplemental Performance Measures

In reporting our financial and operating results during the second quarter of 2010, we renamed our non-GAAP performance measures to Economic Net Income and Economic earnings per share (formerly known as Cash Net Income and Cash earnings per share). We consider Economic Net Income an important measure of our financial performance, as we believe it best represents our operating performance before non-cash expenses relating to our acquisition of interests in our investment management firms. Economic Net Income and Economic earnings per share are used by our management and Board of Directors as our principal performance benchmarks, including as measures for aligning executive compensation with stockholder value. These measures are provided in addition to, but not as a substitute for, Net Income (controlling interest) and Earnings per share. Economic Net Income and Economic earnings per share are not liquidity measures and should not be used in place of any liquidity measure calculated under GAAP. These measures facilitate comparisons to other asset management firms that have not engaged in significant acquisitions or issued convertible debt.

Under our Economic Net Income definition, we add to Net Income (controlling interest) amortization (including equity method amortization), deferred taxes related to intangible assets, Affiliate depreciation and Affiliate equity expense, and exclude the non-cash effect of APB 14-1 (principally imputed interest on convertible securities) and non-cash expenses related to contingent payment arrangements. We add back amortization attributable to acquired client relationships because this expense does not correspond to the changes in value of these assets, which do not diminish predictably over time. The portion of deferred taxes generally attributable to intangible assets (including goodwill) that we no longer amortize but which continues to generate tax deductions is added back, because we believe it is unlikely these accruals will be used to settle material tax obligations. Since our acquired assets do not generally depreciate or require replacement by us, and since they generate deferred tax expenses that are unlikely to reverse, we add back these non-cash expenses to Net Income to measure operating performance. We add back non-cash expenses relating to certain transfers of equity between Affiliate management partners, when these transfers have no dilutive effect to our shareholders. We add back the portion of consolidated depreciation expense incurred by our Affiliates because under our Affiliates' operating agreements we are generally not required to replenish these depreciating assets.

Economic earnings per share represents Economic Net Income divided by the adjusted diluted average shares outstanding, which measures the potential share issuance from our senior convertible securities and junior convertible securities (each further described in Liquidity and Capital Resources) using a "treasury stock" method. Under this method, only the net number of shares of common stock equal to the value of these securities in excess of par, if any, are deemed to be outstanding. We believe the inclusion of net shares under a treasury stock method best reflects the benefit of the increase in available capital resources (which could be used to repurchase shares of common stock) that occurs when these securities are converted and we are relieved of our debt obligation. This method does not take into account any increase or decrease in our cost of capital in an assumed conversion.

In connection with recent investments in Affiliates, in the first quarter of 2010 we modified our Economic Net Income definition to exclude non-cash imputed interest and revaluation adjustments related to contingent payment arrangements from Net Income (controlling interest). The modification of the Economic Net Income definition did not have an impact on the prior periods reported.

The following table provides a reconciliation of Net Income (controlling interest) to Economic Net Income:

(in millions, except shares and per share data)	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010
Net Income (controlling interest)	$ 17.8	$ 34.0	$ 34.9	$ 76.6
Intangible amortization(1)(2)	16.1	26.0	48.1	59.7
Intangible-related deferred taxes	6.2	9.8	25.3	34.9
Imputed interest and contingent payment adjustments(3)	2.0	3.7	6.2	9.2
Affiliate equity expense	1.6	1.8	5.5	5.3
Affiliate depreciation	1.9	2.6	5.8	6.8
Economic Net Income	$ 45.6	$ 77.9	$ 125.8	$ 192.5

	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010
Average shares outstanding—diluted	44,267,107	51,895,871	42,835,258	48,741,873
Assumed issuance of senior convertible securities shares	(873,803)	—	(873,803)	(514,761)
Assumed issuance of junior convertible securities shares	—	—	—	—
Dilutive impact of senior convertible securities shares	129,809	—	43,657	132,886
Dilutive impact of junior convertible securities shares	—	—	—	—
Average shares outstanding—adjusted diluted	43,523,113	51,895,871	42,005,112	48,359,998
Economic earnings per share	$ 1.05	$ 1.50	$ 2.99	$ 3.98

(1) We are required to use the equity method of accounting for certain of our investments and, as such, do not separately report these Affiliates' revenues or expenses (including intangible amortization) in our income statement. Our share of these investments' amortization, $8.0 million and $24.1 million for the three and nine months ended September 30, 2010, respectively, is reported in "Income from equity method investments."

(2) Our reported intangible amortization, $20.5 million and $39.0 million for the three and nine months ended September 30, 2010, respectively, includes $2.5 million and $3.5 million, respectively,

of amortization attributable to our non-controlling interests, amounts not added back to Net Income (controlling interest) to measure our Economic Net Income.

(3) Our reported imputed interest expense, $7.2 million and $17.3 million for the three and nine months ended September 30, 2010, respectively, includes $1.2 million and $2.5 million, respectively, of imputed interest attributable to our non-controlling interests, amounts not added back to Net Income (controlling interest) to measure our Economic Net Income.

Economic Net Income increased 71% and 53% in the three and nine months ended September 30, 2010 as compared to the three and nine months ended September 30, 2009, primarily as a result of the previously-described factors that caused an increase in Net Income as well as increases in amortization and intangible-related deferred tax expenses.

Liquidity and Capital Resources

The following table summarizes certain key financial data relating to our liquidity and capital resources:

(in millions)	December 31, 2009	September 30, 2010
Balance Sheet Data		
Cash and cash equivalents	$ 259.5	$ 255.5
Senior bank debt	—	371.0
2008 senior convertible notes	409.6	419.0
Zero coupon convertible notes	47.4	—
Junior convertible trust preferred securities	507.4	509.2

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2009	2010	2009	2010
Cash Flow Data				
Operating cash flow	$ 80.2	$ 168.4	$ 168.1	$ 351.5
Investing cash flow	(136.7)	(26.0)	(145.4)	(840.8)
Financing cash flow	5.3	(110.6)	(197.0)	483.2
EBITDA[1]	60.5	102.3	162.9	252.2

(1) The definition of EBITDA is presented in Note 2 on page 34 and below under Supplemental Liquidity Measure.

We view our ratio of debt to EBITDA (our "internal leverage ratio") as an important gauge of our ability to service debt, make new investments and access additional capital. Consistent with industry practice, we do not consider junior trust preferred securities as debt for the purpose of determining our internal leverage ratio. We also view our leverage on a "net debt" basis by deducting from our debt balance holding company cash. At September 30, 2010, our internal leverage ratio was 1.7:1.

Under the terms of our credit facility we are required to meet two financial ratio covenants. The first of these covenants is a maximum ratio of debt to EBITDA (the "bank leverage ratio") of 3.5. The calculation of our bank leverage ratio is generally consistent with our internal leverage ratio approach. The second covenant is a minimum EBITDA to cash interest expense ratio of 3.0 (our "bank interest coverage ratio"). For the purposes of calculating these ratios, share-based compensation expense is added back to EBITDA. As of September 30, 2010, our actual bank leverage and bank interest coverage ratios were 2.0 and 6.3, respectively, and we were in full compliance with all terms of our credit facility. We have $399 million of remaining capacity under our $770 million credit facility and we could borrow the entire amount and remain in compliance with our credit agreement.

We are rated BBB- by Standard & Poor's. With the exception of a modest increase in the borrowing rate under our Revolver (30 basis points), a downgrade of our credit rating would have no financial effect on any of our agreements or securities (or otherwise trigger a default).

Supplemental Liquidity Measure

As supplemental information in this Quarterly Report on Form 10-Q, we have provided information regarding our EBITDA, a non-GAAP liquidity measure. This measure is provided in addition to, but not as a substitute for, cash flow from operations. EBITDA represents earnings before interest expense, income taxes, depreciation and amortization. EBITDA, as calculated by us, may not be consistent with computations of EBITDA by other companies. As a measure of liquidity, we believe that EBITDA is useful as an indicator of our ability to service debt, make new investments and meet working capital requirements. We further believe that many investors use this information when analyzing the financial position of companies in the investment management industry.

The following table provides a reconciliation of cash flow from operations to EBITDA:

(in millions)	For the Three Months Ended September 30, 2009	For the Three Months Ended September 30, 2010	For the Nine Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010
Cash flow from operations	$ 80.2	$ 168.4	$ 168.1	$ 351.5
Interest expense, net of non-cash items[1]	14.2	14.4	42.9	43.0
Current tax provision	0.1	7.9	(9.1)	15.8
Income from equity method investments, net of distributions[2]	2.5	2.9	3.3	1.2
Changes in assets and liabilities and other adjustments[3]	(36.5)	(91.3)	(42.3)	(159.3)
EBITDA	$ 60.5	$ 102.3	$ 162.9	$ 252.2

(1) Non-cash items represent amortization of issuance costs and imputed interest ($5.2 million and $9.2 million for the three months ended September 30, 2009 and 2010, respectively, and $15.6 million and $23.0 million for the nine months ended September 30, 2009 and 2010, respectively).

(2) Distributions from equity method investments were $13.7 million and $14.7 million for the three months ended September 30, 2009 and 2010, respectively, and $42.5 million and $51.4 million for the nine months ended September 30, 2009 and 2010, respectively.

(3) Other adjustments include stock option expenses, tax benefits from stock options, net income attributable to non-controlling interests and other adjustments to reconcile Net Income (controlling interest) to net cash flow from operating activities.

In the nine months ended September 30, 2010, we met our cash requirements primarily through cash generated by operating activities and borrowings of senior bank debt. Our principal uses of cash in the three and nine months ended September 30, 2010 were to make investments in new and existing Affiliates, make distributions to Affiliate managers and repay our senior bank debt. We expect that our principal uses of cash for the foreseeable future will be for investments in new and existing Affiliates, distributions to Affiliate managers, payment of interest on outstanding debt, the repurchase of debt securities, and the repurchase of shares of our common stock and for working capital purposes.

The following table summarizes the principal amount due at maturity of our debt obligations and convertible securities as of September 30, 2010:

(in millions)	Amount	Maturity Date	Form of Repayment
Senior Bank Debt	$ 371.0	2012	(1)
2008 Senior Convertibles Notes	460.0	2038	(2)
Junior Convertible Trust Preferred Securities	730.8	2036/2037	(3)

(1) Settled in cash.

(2) Settled in cash if holders exercise their August 2013, 2018, 2023, 2028 or 2033 put rights, and in cash or common stock (or a combination thereof) at our election if the holders exercise their conversion rights.

(3) Settled in cash or common stock (or a combination thereof) at our election if the holders exercise their conversion rights.

Senior Bank Debt

We have a $770 million revolving credit facility (the "Revolver") under which we pay interest at specified rates (based either on the LIBOR rate or the prime rate as in effect from time to time) that vary depending on our credit rating. Subject to the agreement of lenders to provide additional commitments, we have the option to increase the Revolver by up to $175 million. The Revolver contains financial covenants with respect to leverage and interest coverage and customary affirmative and negative covenants, including limitations on indebtedness, liens, cash dividends and fundamental corporate changes. Borrowings under the Revolver are collateralized by pledges of the substantial majority of our capital stock or other equity interests owned by us. As of September 30, 2010, we had $371 million outstanding under the Revolver.

We have entered into interest rate swap contracts to exchange a fixed rate for the variable rate on $50 million of our variable rate debt. For the period October 1, 2010 through October 1, 2015, we will pay a weighted average fixed rate of 1.66% on the notional amount plus any applicable spread payable under variable rate debt agreements. Certain of our derivative contracts contain provisions that require us or the counterparties to post collateral based upon the current fair value of the derivative contracts. As of September 30, 2010, we had posted collateral of $0.6 million related to our derivative contracts.

Senior Convertible Securities

We have one senior convertible security outstanding at September 30, 2010. The principal terms of these notes are summarized below.

	2008 Convertible Notes
Issue Date	August 2008
Maturity Date	August 2038
Par Value	$460.0
Carrying Value	419.0(1)
Note Denomination	1,000
Current Conversion Rate	7.959
Current Conversion Price	125.65
Stated Coupon	3.95%
Tax Deduction Rate	9.38%(2)

(1) The carrying value is accreted to the principal amount at maturity using an interest rate of 7.4%.

(2) The 2008 convertible notes are considered contingent payment debt instruments under tax regulations that require us to deduct interest in an amount greater than our cash coupon rate.

The 2008 convertible notes are convertible into a defined number of shares of our common stock upon the occurrence of certain events. Upon conversion, we may elect to pay or deliver cash, shares of common stock, or some combination thereof. The holders of the 2008 convertible notes may put these securities to us in August of 2013, 2018, 2023, 2028 and 2033. We may call the notes for cash at any time on or after August 15, 2013.

In the second quarter of 2010, we called our Zero Coupon Senior Convertible Notes due May 7, 2021 ("zero coupon senior convertible notes") for redemption at their principal amount plus any original issue discount accrued thereon. In lieu of redemption, all of the holders elected to convert their zero coupon senior convertible notes into shares of our common stock. We issued 873,626 shares of common stock to settle these conversions. All of our zero coupon senior convertible notes have been cancelled and retired as of June 14, 2010.

Junior Convertible Trust Preferred Securities

We have two junior convertible trust preferred securities outstanding at September 30, 2010, one issued in 2006 (the "2006 junior convertible trust preferred securities") and a second issued in 2007 (the "2007 junior convertible trust preferred securities".) The principal terms of these securities are summarized below.

	2006 Junior Convertible Trust Preferred Securities	2007 Junior Convertible Trust Preferred Securities
Issue Date	April 2006	October 2007
Maturity Date	April 2036	October 2037
Par Value	$300.0	$430.8
Carrying Value	213.3(1)	295.9(2)
Note Denomination	50	50
Current Conversion Rate	0.333	0.250
Current Conversion Price	150.00	200.00
Stated Coupon	5.10%	5.15%
Tax Deduction Rate	7.50%(3)	8.00%(3)

(1) The carrying value is accreted to the principal amount at maturity using an interest rate of 7.5% (over its expected life of 30 years).

(2) The carrying value is accreted to the principal amount at maturity using an interest rate of 8.0% (over its expected life of 30 years).

(3) The 2006 and 2007 junior convertible trust preferred securities are considered contingent payment debt instruments under the federal income tax regulations. We are required to deduct interest in an amount greater than our cash coupon rate.

Both the 2006 and 2007 junior convertible trust preferred securities are convertible, at any time, into a defined number of shares. Upon conversion, holders will receive cash or shares of our common stock, or a combination thereof. We can call the 2006 junior convertible trust preferred securities on or after April 2011 if the closing price of our common stock exceeds $195 per share for a specified period of time.

We can call the 2007 junior convertible trust preferred securities on or after October 2012 if the closing price of our common stock exceeds $260 per share for a specified period of time. Holders of the 2006 and 2007 junior trust preferred securities have no rights to put these securities to us.

Forward Equity Sale Agreement

During 2009, we entered into a forward equity sale agreement with a major securities firm to sell shares of our common stock. As of September 30, 2010, no forward equity sales are outstanding and we may sell up to an additional $103.5 million under this agreement.

Share Repurchase Program

In the third quarter of 2010, we did not purchase any shares of common stock under our share repurchase programs. In July 2010, our Board of Directors authorized an additional 500,000 shares of common stock for repurchase under our share repurchase programs. There are currently 1,584,706 shares that could be purchased under our share repurchase program.

Affiliate Equity

Many of our operating agreements provide Affiliate managers a conditional right to require us to purchase their retained equity interests at certain intervals. Certain agreements also provide us a conditional right to require Affiliate managers to sell their retained equity interests to us upon their death, permanent incapacity or termination of employment and provide Affiliate managers a conditional right to require us to purchase such retained equity interests upon the occurrence of specified events. The purchase price of these conditional purchases are generally calculated based upon a multiple of the Affiliate's cash flow distributions, which is intended to represent fair value. Affiliate management partners are also permitted to sell their equity interests to other individuals or entities in certain cases, subject to our approval or other restrictions.

We may pay for Affiliate equity purchases in cash, shares of our common stock or other forms of consideration and can consent to the transfer of these interests to other individuals or entities. Our cumulative redemption obligation for these interests has been presented as "Redeemable non-controlling interests" on our Consolidated Balance Sheets. Although the timing and amounts of these purchases are difficult to predict, we expect to repurchase approximately $100 million of Affiliate equity during the next twelve months, and, in such event, will own the cash flow associated with any equity repurchased.

Operating Cash Flow

Cash flow from operations generally represents Net Income plus non-cash charges for amortization, deferred taxes, equity-based compensation and depreciation, as well as increases and decreases in our consolidated working capital.

The increase in cash flows from operations for the nine months ended September 30, 2010 as compared to the nine months ended September 30, 2009, resulted principally from increased Net Income of $32.7 million, a decrease in settlements of accounts payable and accrued liabilities of $88.7 million and a decrease in purchases of prepaids and other current assets of $9.5 million, partially offset by a decrease in collections of investment advisory fees receivable of $12.9 million and an increase in other assets of $12.6 million.

Investing Cash Flow

The net cash flow used in investing activities increased $695.4 million for the nine months ended September 30, 2010 as compared to the nine months ended September 30, 2009. This was primarily the result of a $664.7 million increase relating to our new Affiliate investments in 2010.

Financing Cash Flow

Net cash flows from financing activities increased $680.2 million for the nine months ended September 30, 2010, as compared to the nine months ended September 30, 2009. This was primarily a result of an increase in net borrowings of senior bank debt of $604.5 million, partially offset by an increase in repurchases of Affiliate equity of $75.8 million. In addition, we received $144.3 million and $294.7 million of proceeds from the settlement of forward equity sales in the nine months ended September 30, 2009 and September 30, 2010, respectively.

Our investment in Artemis was financed through borrowings under our Revolver, and our investment in Aston was financed through the issuance of approximately 1.7 million shares of our common stock. Our investment in Pantheon was financed with borrowings under our Revolver and proceeds from the partial settlement of forward equity sales. We plan to finance our investment in Trilogy with available cash and borrowings from the Revolver.

Under past acquisition agreements, we are contingently liable, upon achievement of specified financial targets, to make payments of up to $609 million through 2015. In the remainder of 2010, we do not expect to make any significant payments to settle portions of these contingent obligations.

Proceeds available under our Revolver are sufficient to support our cash flow needs for the foreseeable future.

Contractual Obligations

The following table summarizes our contractual obligations as of September 30, 2010:

Contractual Obligations		Payments Due			
	Total	Remainder of 2010	2011-2012	2013-2014	Thereafter
(in millions)					
Senior bank debt	$ 371.0	$ —	$ 371.0	$ —	$ —
Senior convertible securities[1]	968.7	—	36.3	36.3	896.1
Junior convertible trust preferred securities[2]	1,708.7	9.3	74.1	74.1	1,551.2
Leases	91.5	5.8	38.3	28.3	19.1
Other liabilities[3]	164.1	34.2	129.9	—	—
Total Contractual Obligations	$ 3,304.0	$ 49.3	$ 649.6	$ 138.7	$ 2,466.4
Contingent Obligations					
Contingent payment obligations[4]	111.5	1.4	83.8	24.2	2.1

(1) The timing of debt payments assumes that outstanding debt is settled for cash or common stock at the applicable maturity dates. The amounts include the cash payment of fixed interest. Holders of the 2008 convertible notes may put their interests to us for $460 million in 2013.

(2) As more fully discussed on page 40, consistent with industry practice, we do not consider our junior convertible trust preferred securities as debt for the purpose of determining our leverage ratio.

(3) Other liabilities reflect amounts payable to Affiliate managers related to our purchase of additional Affiliate equity interests and deferred purchase price. This table does not include liabilities for uncertain tax positions or commitments to co-invest in certain investment partnerships (of $23.1 million and $98.0 million as of September 30, 2010, respectively) as we cannot predict when such obligations will be paid.

(4) The amount of contingent payments related to business acquisitions disclosed in the table represents our expected settlement amounts. The maximum settlement amount is $168 million through 2011 and $442 million in periods after 2011.

Market Risk

From time to time, we seek to offset our exposure to changing interest rates under our debt financing arrangements by entering into interest rate hedging contracts. As of September 30, 2010, we were a party, with major commercial banks as counterparties, to $50 million notional amount interest rate swap contracts which fix the interest rate on the notional amount to a weighted average interest rate of approximately 1.66% for the period from October 2010 to October 2015. The unrealized loss on these interest rate swap contracts as of September 30, 2010 was $0.6 million.

Recent Accounting Developments

During the first quarter of 2010, we adopted a new standard that requires an enterprise to perform a qualitative analysis to determine whether its variable interests give it a controlling financial interest in a variable interest entity ("VIE"). Under the standard, an enterprise has a controlling financial interest when it has (a) the power to direct the activities of a VIE that most significantly impact the entity's economic performance and (b) the obligation to absorb losses of the entity or the right to receive benefits from the entity that could potentially be significant to the VIE. An enterprise that holds a controlling financial interest is deemed to be the primary beneficiary and is required to consolidate the

VIE. This new standard has been deferred for certain entities that utilize the specialized accounting guidance for investment companies or that have the attributes of investment companies. The adoption of the portions of this new standard that were not deferred did not have a material impact on our Consolidated Financial Statements.

During the first quarter of 2010, we adopted a new standard that eliminated the concept of a qualifying special-purpose entity ("QSPE"), changed the requirements for derecognizing financial assets, and required additional disclosures to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets, including an entity's continuing involvement in and exposure to the risks related to transferred financial assets. The standard also clarified the requirements for isolation and limitations on portions of financial assets that are eligible for sale accounting. The adoption of this new standard did not have a material impact on our Consolidated Financial Statements.

Annual Goodwill Assessment

As of September 30, 2010, the carrying value of goodwill was $1,995.8 million. Goodwill represents the excess of the purchase price of acquisitions over the fair value of identified assets and liabilities. Our goodwill impairment tests are performed annually during the third quarter at the reporting unit level (in our case, our three operating segments), or more frequently, should circumstances suggest fair value has declined below the related carrying amount. We completed our annual goodwill impairment test during the third quarter and no impairments were identified. For purposes of our test, the fair value of each reporting unit was measured by applying a multiple to the estimated cash flow of the reporting unit, including cash flows attributable to non-controlling interests. The fair value of each of our reporting units substantially exceeds their respective carrying values and only a material decline in the value of any of our reporting units would indicate that an impairment may exist. Management believes that the valuation inputs used to determine fair value of our reporting units are reasonable.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes to our Quantitative and Qualitative Disclosures About Market Risk in the three and nine months ended September 30, 2010. Please refer to Item 7A in our 2009 Annual Report on Form 10-K.

Item 4. Controls and Procedures

We carried out an evaluation under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures during the quarter covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the quarter covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures are effective in ensuring that (i) the information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) such information is accumulated and communicated to our management, including our principal executive officer and principal financial officers as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, we recognize that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Our disclosure controls and procedures were designed to provide reasonable assurance of achieving their stated objectives and our principal executive officer and principal financial officers concluded that our disclosure controls and procedures are effective at the reasonable assurance level. We review on an ongoing basis and document our disclosure controls and procedures, and our internal control over financial reporting, and we may from time to time make changes in an effort to enhance their effectiveness and ensure that our systems evolve with our business.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the quarter covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 6. Exhibits

The exhibits are listed on the Exhibit Index and are included elsewhere in this Quarterly Report on Form 10-Q.

SIGNATURES

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

AFFILIATED MANAGERS GROUP, INC.
(Registrant)

November 9, 2010	/s/ DARRELL W. CRATE
	Darrell W. Crate *on behalf of the Registrant as Executive Vice President, Chief Financial Officer and Treasurer (and also as Principal Financial and Principal Accounting Officer)*

EXHIBIT INDEX

Exhibit No.	Description
3.1	Second Amended and Restated By-laws.
31.1	Certification of Registrant's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Registrant's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Registrant's Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Registrant's Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	The following financial statements from the Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2010 are furnished herewith, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Income for the three and nine month periods ended September 30, 2010 and 2009, (ii) the Consolidated Balance Sheets at September 30, 2010 and December 31, 2009, (iii) the Consolidated Statement of Equity for the nine month period ended September 30, 2010, (iv) the Consolidated Statements of Cash Flows for the three and nine month periods ended September 30, 2010 and 2009, and (v) the Notes to the Consolidated Financial Statements.

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SECOND AMENDED AND RESTATED

BY-LAWS

OF

AFFILIATED MANAGERS GROUP, INC.

ARTICLE I

Stockholders

SECTION 1. Annual Meeting. The annual meeting of stockholders shall be held at the hour, date and place within or without the United States which is fixed by the majority of the Board of Directors, the Chairman of the Board, if one is elected, or the Chief Executive Officer, which time, date and place may subsequently be changed at any time by vote of the Board of Directors. If no annual meeting has been held for a period of thirteen months after the Corporation's last annual meeting of stockholders, a special meeting in lieu thereof may be held, and such special meeting shall have, for the purposes of these By-laws or otherwise, all the force and effect of an annual meeting. Any and all references hereafter in these By-laws to an annual meeting or annual meetings also shall be deemed to refer to any special meeting(s) in lieu thereof.

SECTION 2. Matters to be Considered at Annual Meetings. At any annual meeting of stockholders or any special meeting in lieu of annual meeting of stockholders (the "Annual Meeting"), only such business shall be conducted, and only such proposals shall be acted upon, as shall have been properly brought before such Annual Meeting. To be considered as properly brought before an Annual Meeting, business must be: (a) specified in the notice of meeting, (b) otherwise properly brought before the meeting by, or at the direction of, the Board of Directors, or (c) otherwise properly brought before the meeting by any holder of record (both as of the time notice of such proposal is given by the stockholder as set forth below and as of the record date for the Annual Meeting in question) of any shares of capital stock of the Corporation entitled to vote at such Annual Meeting who complies with the requirements set forth in this Section 2.

In addition to any other applicable requirements, for business to be properly brought before an Annual Meeting by a stockholder of record of any shares of capital stock entitled to vote at such Annual Meeting, such stockholder shall: (i) give timely notice as required by this Section 2 to the Secretary of the Corporation and (ii) be present at such meeting, either in person or by a representative. For the first Annual Meeting following the initial public offering of common stock of the Corporation, a stockholder's notice shall be timely if delivered to, or

mailed to and received by, the Corporation at its principal executive office not later than the close of business on the later of (x) the 75th day prior to the scheduled date of such Annual Meeting or (y) the 15th day following the day on which public announcement of the date of such Annual Meeting is first made by the Corporation. For all subsequent Annual Meetings, a stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not less than 75 days nor more than 120 days prior to the anniversary date of the immediately preceding Annual Meeting (the "Anniversary Date"); provided, however, that in the event the Annual Meeting is scheduled to be held on a date more than 30 days before the Anniversary Date or more than 60 days after the Anniversary Date, a stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not later than the close of business on the later of (1) the 75th day prior to the scheduled date of such Annual Meeting or (2) the 15th day following the day on which public announcement of the date of such Annual Meeting is first made by the Corporation.

For purposes of these By-laws, "public announcement" shall mean: (a) disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service, (b) a report or other document filed publicly with the Securities and Exchange Commission (including, without limitation, a Form 8-K), or (c) a letter or report sent to stockholders of record of the Corporation at the time of the mailing of such letter or report.

A stockholder's notice to the Secretary shall set forth as to each matter proposed to be brought before an Annual Meeting: (i) a brief description of the business the stockholder desires to bring before such Annual Meeting and the reasons for conducting such business at such Annual Meeting, (ii) the name and address, as they appear on the Corporation's stock transfer books, of the stockholder proposing such business, (iii) the class and number of shares of the Corporation's capital stock beneficially owned by the stockholder proposing such business, (iv) the names and addresses of the beneficial owners, if any, of any capital stock of the Corporation registered in such stockholder's name on such books, and the class and number of shares of the Corporation's capital stock beneficially owned by such beneficial owners, (v) the names and addresses of other stockholders known by the stockholder proposing such business to support such proposal, and the class and number of shares of the Corporation's capital stock beneficially owned by such other stockholders, and (vi) any material interest of the stockholder proposing to bring such business before such meeting (or any other stockholders known to be supporting such proposal) in such proposal.

If the Board of Directors or a designated committee thereof determines that any stockholder proposal was not made in a timely fashion in accordance with the provisions of this Section 2 or that the information provided in a stockholder's notice does not satisfy the information requirements of this Section 2 in any material respect, such proposal shall not be presented for action at the Annual Meeting in question. If neither the Board of Directors nor such committee makes a determination as to the validity of any stockholder proposal in the manner set forth above, the presiding officer of the Annual Meeting shall determine whether the stockholder proposal was made in accordance with the terms of this Section 2. If the presiding officer determines that any stockholder proposal was not made in a timely fashion in accordance with the provisions of this Section 2 or that the information provided in a stockholder's notice does not satisfy the information requirements of this Section 2 in any material respect, such proposal shall not be presented for action at the Annual Meeting in question. If the Board of Directors, a designated committee thereof or the presiding officer determines that a stockholder proposal was made in accordance with the requirements of this Section 2, the presiding officer shall so declare at the Annual Meeting and ballots shall be provided for use at the meeting with respect to such proposal.

Notwithstanding the foregoing provisions of this By-Law, a stockholder shall also comply with all applicable requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the rules and regulations thereunder with respect to the matters set forth in this Section 2, and nothing in this Section 2 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

SECTION 3. Special Meetings. Except as otherwise required by law and subject to the rights, if any, of the holders of any series of preferred stock, special meetings of the stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution approved by the affirmative vote of a majority of the directors then in office.

SECTION 4. Matters to be Considered at Special Meetings. Only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders of the Corporation, unless otherwise provided by law.

SECTION 5. Notice of Meetings; Adjournments. A written notice of each Annual Meeting stating the hour, date and place of such Annual Meeting shall be given by the Secretary or an Assistant Secretary (or other person authorized by these By-laws or by law) not less than 10 days nor more than 60 days before the Annual Meeting, to each stockholder entitled to vote thereat and to each stockholder who, by law or under the Certificate of Incorporation of the Corporation (as the same may hereafter be amended and/or restated, the "Certificate") or under these By-laws, is entitled to such notice, by delivering such notice to him or by mailing it, postage prepaid, addressed to such stockholder at the address of such stockholder as it appears on the Corporation's stock transfer books. Such notice shall be deemed to be given when hand delivered to such address or deposited in the mail so addressed, with postage prepaid.

Notice of all special meetings of stockholders shall be given in the same manner as provided for Annual Meetings, except that the written notice of all special meetings shall state the purpose or purposes for which the meeting has been called.

Notice of an Annual Meeting or special meeting of stockholders need not be given to a stockholder if a written waiver of notice is signed before or after such meeting by such stockholder or if such stockholder attends such meeting, unless such attendance was for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any Annual Meeting or special meeting of stockholders need be specified in any written waiver of notice.

The Board of Directors may postpone and reschedule any previously scheduled Annual Meeting or special meeting of stockholders and any record date with respect thereto, regardless of whether any notice or public disclosure with respect to any such meeting has been sent or made pursuant to Section 2 of this Article I or Section 3 of Article II hereof or otherwise. In no event shall the public announcement of an adjournment, postponement or rescheduling of any previously scheduled meeting of stockholders commence a new time period for the giving of a stockholder's notice under Section 2 of Article I and Section 3 of Article II of these By-laws.

When any meeting is convened, the presiding officer may adjourn the meeting if (a) no quorum is present for the transaction of business, (b) the Board of Directors determines that adjournment is necessary or appropriate to enable the stockholders to consider fully information which the Board of Directors determines has not been made sufficiently or timely available to stockholders, or (c) the Board of Directors determines that adjournment is otherwise in the best interests of the Corporation. When any Annual Meeting or special meeting of stockholders is adjourned to another hour, date or place, notice need not be given of the adjourned meeting other than an announcement at the meeting at which the adjournment is taken of the hour, date and place to which the meeting is adjourned; provided, however, that if the adjournment is for more than 30 days, or if after the adjournment a new record date is fixed for the adjourned meeting, notice of the adjourned meeting shall be given to each stockholder of record entitled to vote thereat and each stockholder who, by law or under the Certificate or these By-laws, is entitled to such notice.

SECTION 6. Quorum. A majority of the shares entitled to vote, present in person or represented by proxy, shall constitute a quorum at any meeting of stockholders. If less than a quorum is present at a meeting, the holders of voting stock representing a majority of the voting power present at the meeting or the presiding officer may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice, except as provided in Section 5 of this Article I. At such adjourned meeting at which a quorum is present, any business may be transacted which might have been transacted at the meeting as originally noticed. The stockholders present at a duly constituted meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum.

SECTION 7. Voting and Proxies. Stockholders shall have one vote for each share of stock entitled to vote owned by them of record according to the books of the Corporation, unless otherwise provided by law or by the Certificate. Stockholders may vote either in person or by written proxy, but no proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Proxies shall be filed with the Secretary of the meeting before being voted. Except as otherwise limited therein or as otherwise provided by law, proxies shall entitle the persons authorized thereby to vote at any adjournment of such meeting, but they shall not be valid after final adjournment of such meeting. A proxy with respect to stock held in the name of two or more persons shall be valid if executed by or on behalf of any one of them unless at or prior to the exercise of the proxy the Corporation receives a specific written notice to the contrary from any one of them.

SECTION 8. Action at Meeting. When a quorum is present, any matter before any meeting of stockholders shall be decided by the affirmative vote of the majority of shares present in person or represented by proxy at such meeting and entitled to vote on such matter, except where a larger vote is required by law, by the Certificate or by these By-laws. Any election by stockholders shall be determined by a plurality of the votes of the shares present in person or represented by proxy at the meeting and entitled to vote on the election of directors, except where a larger vote is required by law, by the Certificate or by these By-laws. The Corporation shall not directly or indirectly vote any shares of its own stock; provided, however, that the Corporation may vote shares which it holds in a fiduciary capacity to the extent permitted by law.

SECTION 9. Stockholder Lists. The Secretary or an Assistant Secretary (or the Corporation's transfer agent or other person authorized by these By-laws or by law) shall prepare and make, at least 10 days before every Annual Meeting or special meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the hour, date and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

SECTION 10. Presiding Officer. The Chairman of the Board, if one is elected, or if not elected or in his or her absence, the Chief Executive Officer, shall preside at all Annual Meetings or special meetings of stockholders and shall have the power, among other things, to adjourn such meeting at any time and from time to time, subject to Sections 5 and 6 of this Article I. The order of business and all other matters of procedure at any meeting of the stockholders shall be determined by the presiding officer.

SECTION 11. Voting Procedures and Inspectors of Elections. The Corporation shall, in advance of any meeting of stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of stockholders, the presiding officer shall appoint one or more inspectors to act at the meeting. Any inspector may, but need not, be an officer, employee or agent of the Corporation. Each inspector, before entering upon the discharge of his or her duties, shall take and sign an oath faithfully to execute the duties of inspector with strict impartiality and according to the best of his or her ability. The inspectors shall perform such duties as are required by the General Corporation Law of the State of Delaware, as amended from time to time (the "DGCL"), including the counting of all votes and ballots. The inspectors may appoint or retain other persons or entities to assist the inspectors in the performance of the duties of the inspectors. The presiding officer may review all determinations made by the inspectors, and in so doing the presiding officer shall be entitled to exercise his or her sole judgment and discretion and he or she shall not be bound by any determinations made by the inspectors. All determinations by the

inspectors and, if applicable, the presiding officer, shall be subject to further review by any court of competent jurisdiction.

ARTICLE II

Directors

SECTION 1. Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors except as otherwise provided by the Certificate or required by law.

SECTION 2. Number and Terms. The number of directors of the Corporation shall be fixed by resolution duly adopted from time to time by the Board of Directors. The directors shall hold office in the manner provided in the Certificate.

SECTION 3. Director Nominations. Nominations of candidates for election as directors of the Corporation at any Annual Meeting may be made only (a) by, or at the direction of, a majority of the Board of Directors or (b) by any holder of record (both as of the time notice of such nomination is given by the stockholder as set forth below and as of the record date for the Annual Meeting in question) of any shares of the capital stock of the Corporation entitled to vote at such Annual Meeting who complies with the timing, informational and other requirements set forth in this Section 3. Any stockholder who has complied with the timing, informational and other requirements set forth in this Section 3 and who seeks to make such a nomination, or his, her or its representative, must be present in person at the Annual Meeting. Only persons nominated in accordance with the procedures set forth in this Section 3 shall be eligible for election as directors at an Annual Meeting.

Nominations, other than those made by, or at the direction of, the Board of Directors, shall be made pursuant to timely notice in writing to the Secretary of the Corporation as set forth in this Section 3. For the first Annual Meeting following the initial public offering of common stock of the Corporation, a stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not later than the close of business on the later of (i) the 75th day prior to the scheduled date of such Annual Meeting or (ii) the 15th day following the day on which public announcement of the date of such Annual Meeting is first made by the Corporation. For all subsequent Annual Meetings, a stockholder's notice shall be timely if delivered to, or mailed to and received by, the Corporation at its principal executive office not less than 75 days nor more than 120 days prior to the Anniversary Date; provided, however, that in the event the Annual Meeting is scheduled to be held on a date more than 30 days before the Anniversary Date or more than 60 days after the Anniversary Date, a stockholder's notice shall be timely if delivered to, or mailed and received by, the Corporation at its principal executive office not later than the close of business on the later of (x) the 75th day prior to the scheduled date of such Annual Meeting or (y) the 15th day following the day on which public announcement of the date of such Annual Meeting is first made by the Corporation.

A stockholder's notice to the Secretary shall set forth as to each person whom the stockholder proposes to nominate for election or re-election as a director: (1) the name, age, business address and residence address of such person, (2) the principal occupation or employment of such person, (3) the class and number of shares of the Corporation's capital stock which are beneficially owned by such person on the date of such stockholder notice, and (4) the consent of each nominee to serve as a director if elected. A stockholder's notice to the Secretary shall further set forth as to the stockholder giving such notice: (a) the name and address, as they appear on the Corporation's stock transfer books, of such stockholder and of the beneficial owners (if any) of the Corporation's capital stock registered in such stockholder's name and the name and address of other stockholders known by such stockholder to be supporting such nominee(s), (b) the class and number of shares of the Corporation's capital stock which are held of record, beneficially owned or represented by proxy by such stockholder and by any other stockholders known by such stockholder to be supporting such nominee(s) on the record date for the Annual Meeting in question (if such date shall then have been made publicly available) and on the date of such stockholder's notice, and (c) a description of all arrangements or understandings between such stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such stockholder.

If the Board of Directors or a designated committee thereof determines that any stockholder nomination was not made in accordance with the terms of this Section 3 or that the information provided in a stockholder's notice does not satisfy the informational requirements of this Section 3 in any material respect, then such nomination shall not be considered at the Annual Meeting in question. If neither the Board of Directors nor such committee makes a determination as to whether a nomination was made in accordance with the provisions of this Section 3, the presiding officer of the Annual Meeting shall determine whether a nomination was made in accordance with such provisions. If the presiding officer determines that any stockholder nomination was not made in accordance with the terms of this Section 3 or that the information provided in a stockholder's notice does not satisfy the informational requirements of this Section 3 in any material respect, then such nomination shall not be considered at the Annual Meeting in question. If the Board of Directors, a designated committee thereof or the presiding officer determines that a nomination was made in accordance with the terms of this Section 3, the presiding officer shall so declare at the Annual Meeting and ballots shall be provided for use at the meeting with respect to such nominee.

Notwithstanding anything to the contrary in the second paragraph of this Section 3, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 75 days prior to the Anniversary Date, a stockholder's notice required by this Section 3 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if such notice shall be delivered to, or mailed to and received by, the Corporation at its principal executive office not later than the close of business on the 15th day following the day on which such public announcement is first made by the Corporation.

No person shall be elected by the stockholders as a director of the Corporation unless nominated in accordance with the procedures set forth in this Section. Election of directors at an Annual Meeting need not be by written ballot, unless otherwise provided by the Board of Directors or presiding officer at such Annual Meeting. If written ballots are to be used, ballots bearing the names of all the persons who have been nominated for election as directors at the Annual Meeting in accordance with the procedures set forth in this Section shall be provided for use at the Annual Meeting.

SECTION 4. Qualification. No director need be a stockholder of the Corporation.

SECTION 5. Vacancies. Subject to the rights, if any, of the holders of any series of preferred stock to elect directors and to fill vacancies in the Board of Directors relating thereto, any and all vacancies in the Board of Directors, however occurring, including, without limitation, by reason of an increase in size of the Board of Directors, or the death, resignation, disqualification or removal of a director, shall be filled solely by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum of the Board of Directors. Any director appointed in accordance with the preceding sentence shall hold office until the next annual meeting of stockholders and until such director's successor shall have been duly elected and qualified or until his or her earlier resignation or removal. No decrease in the number of directors shall shorten the term of any incumbent director. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law, may exercise the powers of the full Board of Directors until the vacancy is filled.

SECTION 6. Removal. Directors may be removed from office in the manner provided in the Certificate.

SECTION 7. Resignation. A director may resign at any time by giving written notice to the Chairman of the Board, if one is elected, the Chief Executive Officer or the Secretary. A resignation shall be effective upon receipt, unless the resignation otherwise provides.

SECTION 8. Regular Meetings. The regular annual meeting of the Board of Directors shall be held, without notice other than this Section 8, on the same date and at the same place as the Annual Meeting following the close of such meeting of stockholders. Other regular meetings of the Board of Directors may be held at such hour, date and place as the Board of Directors may by resolution from time to time determine without notice other than such resolution.

SECTION 9. Special Meetings. Special meetings of the Board of Directors may be called, orally or in writing, by or at the request of a majority of the directors, the Chairman of the Board, if one is elected, or the Chief Executive Officer. The person calling any such special meeting of the Board of Directors may fix the hour, date and place thereof.

SECTION 10. Notice of Meetings. Notice of the hour, date and place of all special meetings of the Board of Directors shall be given to each director by the Secretary or an Assistant Secretary, or in case of the death, absence, incapacity or refusal of such persons, by the Chairman of the Board, if one is elected, or the Chief Executive Officer or such other officer designated by the Chairman of the Board, if one is elected, or the Chief Executive Officer.

Notice of any special meeting of the Board of Directors shall be given to each director in person, by telephone, or by facsimile, telex, telecopy, telegram, or other written form of electronic communication, sent to his or her business or home address, at least 24 hours in advance of the meeting, or by written notice mailed to his or her business or home address, at least 48 hours in advance of the meeting. Such notice shall be deemed to be delivered when hand delivered to such address, read to such director by telephone, deposited in the mail so addressed, with postage thereon prepaid if mailed, dispatched or transmitted if faxed, telexed or telecopied, or when delivered to the telegraph company if sent by telegram.

When any Board of Directors meeting, either regular or special, is adjourned for 30 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. It shall not be necessary to give any notice of the hour, date or place of any meeting adjourned for less than 30 days or of the business to be transacted thereat, other than an announcement at the meeting at which such adjournment is taken of the hour, date and place to which the meeting is adjourned.

A written waiver of notice signed before or after a meeting by a director and filed with the records of the meeting shall be deemed to be equivalent to notice of the meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting at the beginning of the meeting to the transaction of any business because such meeting is not lawfully called or convened. Except as otherwise required by law, by the Certificate or by these By-laws, neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

SECTION 11. Quorum. At any meeting of the Board of Directors, a majority of the directors then in office shall constitute a quorum for the transaction of business, but if less than a quorum is present at a meeting, a majority of the directors present may adjourn the meeting from time to time, and the meeting may be held as adjourned without further notice, except as provided in Section 10 of this Article II. Any business which might have been transacted at the meeting as originally noticed may be transacted at such adjourned meeting at which a quorum is present.

SECTION 12. Action at Meeting. At any meeting of the Board of Directors at which a quorum is present, a majority of the directors present may take any action on behalf of the Board of Directors, unless otherwise required by law, by the Certificate or by these By-laws.

SECTION 13. Action by Consent. Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting if all members of the Board of Directors consent thereto in writing. Such written consent shall be filed with the records of the meetings of the Board of Directors and shall be treated for all purposes as a vote at a meeting of the Board of Directors.

SECTION 14. Manner of Participation. Directors may participate in meetings of the Board of Directors by means of conference telephone or similar communications equipment by means of which all directors participating in the meeting can hear each other, and participation in

a meeting in accordance herewith shall constitute presence in person at such meeting for purposes of these By-laws.

SECTION 15. Committees. The Board of Directors, by vote of a majority of the directors then in office, may elect from its number one or more committees, including, without limitation, an Executive Committee, a Compensation Committee, a Stock Option Committee and an Audit Committee, and may delegate thereto some or all of its powers except those which by law, by the Certificate or by these By-laws may not be delegated. Except as the Board of Directors may otherwise determine, any such committee may make rules for the conduct of its business, but unless otherwise provided by the Board of Directors or in such rules, its business shall be conducted so far as possible in the same manner as is provided by these By-laws for the Board of Directors. All members of such committees shall hold such offices at the pleasure of the Board of Directors. The Board of Directors may abolish any such committee at any time. Any committee to which the Board of Directors delegates any of its powers or duties shall keep records of its meetings and shall report its action to the Board of Directors. The Board of Directors shall have power to rescind any action of any committee, to the extent permitted by law, but no such rescission shall have retroactive effect.

SECTION 16. Compensation of Directors. Directors shall receive such compensation for their services as shall be determined by a majority of the Board of Directors provided that directors who are serving the Corporation as employees and who receive compensation for their services as such, shall not receive any salary or other compensation for their services as directors of the Corporation.

SECTION 17. Lead Director. The Board has established a lead director, who will generally be the Chairman of the Nominating and Governance Committee, unless the Board determines that special circumstances warrant otherwise. The principal responsibilities of the lead director will be determined from time to time by the Board, in consultation with the selected lead director, but are expected to include serving as a key source of communication between the independent directors and the Chief Executive Officer of the Company, and coordinating the agenda for and leading meetings of the independent directors.

ARTICLE III

Officers

SECTION 1. Enumeration. The officers of the Corporation shall consist of a Chief Executive Officer, a Treasurer, a Secretary and such other officers, including, without limitation, a Chairman of the Board of Directors, a President, a Chief Financial Officer, a Chief Operating Officer, a General Counsel and one or more Vice Presidents (including Executive Vice Presidents or Senior Vice Presidents), Assistant Vice Presidents, Assistant Treasurers and Assistant Secretaries, as the Board of Directors may determine.

SECTION 2. Election. At the regular annual meeting of the Board following the Annual Meeting of stockholders, the Board of Directors shall elect the Chief Executive Officer, the

Treasurer and the Secretary. Other officers may be elected by the Board of Directors at such regular annual meeting of the Board of Directors or at any other regular or special meeting.

SECTION 3. Qualification. No officer need be a stockholder or a director. Any person may occupy more than one office of the Corporation at any time. Any officer may be required by the Board of Directors to give bond for the faithful performance of his or her duties in such amount and with such sureties as the Board of Directors may determine.

SECTION 4. Tenure. Except as otherwise provided by the Certificate or by these By-laws, each of the officers of the Corporation shall hold office until the regular annual meeting of the Board of Directors following the next Annual Meeting of stockholders and until his or her successor is elected and qualified or until his or her earlier resignation or removal.

SECTION 5. Resignation. Any officer may resign by delivering his or her written resignation to the Corporation addressed to the Chief Executive Officer or the Secretary, and such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event.

SECTION 6. Removal. Except as otherwise provided by law, the Board of Directors may remove any officer with or without cause by the affirmative vote of a majority of the directors then in office.

SECTION 7. Absence or Disability. In the event of the absence or disability of any officer, the Board of Directors may designate another officer to act temporarily in place of such absent or disabled officer.

SECTION 8. Vacancies. Any vacancy in any office may be filled for the unexpired portion of the term by the Board of Directors.

SECTION 9. Chief Executive Officer. The Chief Executive Officer shall, subject to the direction of the Board of Directors, have general supervision and control of the Corporation's business. If there is no Chairman of the Board or if he or she is absent, the Chief Executive Officer shall preside, when present, at all meetings of stockholders and of the Board of Directors. The Chief Executive Officer shall have such other powers and perform such other duties as the Board of Directors may from time to time designate.

SECTION 10. Chairman of the Board. The Chairman of the Board, if one is elected, shall preside, when present, at all meetings of the stockholders and of the Board of Directors. The Chairman of the Board shall have such other powers and shall perform such other duties as the Board of Directors may from time to time designate.

SECTION 11. President. The President, if one is elected, shall have such powers and shall perform such duties as the Board of Directors may from time to time designate.

SECTION 12. Vice Presidents and Assistant Vice Presidents. Any Vice President (including any Executive Vice President or Senior Vice President) and any Assistant Vice

President shall have such powers and shall perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 13. Treasurer and Assistant Treasurers. The Treasurer shall, subject to the direction of the Board of Directors and except as the Board of Directors or the Chief Executive Officer may otherwise provide, have general charge of the financial affairs of the Corporation and shall cause to be kept accurate books of account. The Treasurer shall have custody of all funds, securities, and valuable documents of the Corporation. He or she shall have such other duties and powers as may be designated from time to time by the Board of Directors or the Chief Executive Officer.

Any Assistant Treasurer shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 14. Secretary and Assistant Secretaries. The Secretary shall record all the proceedings of the meetings of the stockholders and the Board of Directors (including committees of the Board) in books kept for that purpose. In his or her absence from any such meeting, a temporary secretary chosen at the meeting shall record the proceedings thereof. The Secretary shall have charge of the stock ledger (which may, however, be kept by any transfer or other agent of the Corporation). The Secretary shall have custody of the seal of the Corporation, and the Secretary, or an Assistant Secretary, shall have authority to affix it to any instrument requiring it, and, when so affixed, the seal may be attested by his or her signature or that of an Assistant Secretary. The Secretary shall have such other duties and powers as may be designated from time to time by the Board of Directors or the Chief Executive Officer. In the absence of the Secretary, any Assistant Secretary may perform his or her duties and responsibilities.

Any Assistant Secretary shall have such powers and perform such duties as the Board of Directors or the Chief Executive Officer may from time to time designate.

SECTION 15. Other Powers and Duties. Subject to these By-laws and to such limitations as the Board of Directors may from time to time prescribe, the officers of the Corporation shall each have such powers and duties as generally pertain to their respective offices, as well as such powers and duties as from time to time may be conferred by the Board of Directors or the Chief Executive Officer.

ARTICLE IV

Capital Stock

SECTION 1. Certificates of Stock. Each stockholder shall be entitled to a certificate of the capital stock of the Corporation in such form as may from time to time be prescribed by the Board of Directors. Such certificate shall be signed by the Chairman of the Board of Directors, the Chief Executive Officer or a Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary. The Corporation seal and the signatures by the Corporation's officers, the transfer agent or the registrar may be facsimiles. In case any officer,

transfer agent or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he or she were such officer, transfer agent or registrar at the time of its issue. Every certificate for shares of stock which are subject to any restriction on transfer and every certificate issued when the Corporation is authorized to issue more than one class or series of stock shall contain such legend with respect thereto as is required by law.

SECTION 2. Transfers. Subject to any restrictions on transfer and unless otherwise provided by the Board of Directors, shares of stock may be transferred only on the books of the Corporation by the surrender to the Corporation or its transfer agent of the certificate theretofore properly endorsed or accompanied by a written assignment or power of attorney properly executed, with transfer stamps (if necessary) affixed, and with such proof of the authenticity of signature as the Corporation or its transfer agent may reasonably require.

SECTION 3. Record Holders. Except as may otherwise be required by law, by the Certificate or by these By-laws, the Corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to vote with respect thereto, regardless of any transfer, pledge or other disposition of such stock, until the shares have been transferred on the books of the Corporation in accordance with the requirements of these By-laws.

It shall be the duty of each stockholder to notify the Corporation of his or her post office address and any changes thereto.

SECTION 4. Record Date. In order that the Corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date: (a) in the case of determination of stockholders entitled to vote at any meeting of stockholders, shall, unless otherwise required by law, not be more than sixty nor less than ten days before the date of such meeting and (b) in the case of any other action, shall not be more than sixty days prior to such other action. If no record date is fixed: (i) the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held and (ii) the record date for determining stockholders for any other purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

SECTION 5. Replacement of Certificates. In case of the alleged loss, destruction or mutilation of a certificate of stock, a duplicate certificate may be issued in place thereof, upon such terms as the Board of Directors may prescribe.

ARTICLE V

Indemnification

SECTION 1. Definitions. For purposes of this Article:

(a) "Director" means any person who serves or has served the Corporation as a director on the Board of Directors of the Corporation;

(b) "Officer" means any person who serves or has served the Corporation as an officer appointed by the Board of Directors of the Corporation;

(c) "Non-Officer Employee" means any person who serves or has served as an employee of the Corporation, but who is not or was not a Director or Officer;

(d) "Proceeding" means any threatened, pending or completed action, suit, arbitration, alternate dispute resolution mechanism, inquiry, investigation, administrative hearing or other proceeding, whether civil, criminal, administrative, arbitrative or investigative;

(e) "Expenses" means all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of expert witnesses, private investigators and professional advisors (including, without limitation, accountants and investment bankers), travel expenses, duplicating costs, printing and binding costs, costs of preparation of demonstrative evidence and other courtroom presentation aids and devices, costs incurred in connection with document review, organization, imaging and computerization, telephone charges, postage, delivery service fees, and all other disbursements, costs or expenses of the type customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, settling or otherwise participating in, a Proceeding;

(f) "Corporate Status" describes the status of a person who (i) in the case of a Director, is or was a director of the Corporation and is or was acting in such capacity, (ii) in the case of an Officer, is or was an officer, employee or agent of the Corporation or is or was a director, officer, employee, trustee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such Officer is or was serving at the request of the Corporation, and (iii) in the case of a Non-Officer Employee, is or was an employee of the Corporation or is or was a director, officer, employee, trustee or agent of any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise which such Non-Officer Employee is or was serving at the request of the Corporation; and

(g) "Disinterested Director" means, with respect to each Proceeding in respect of which indemnification is sought hereunder, a Director of the Corporation who is not and was not a party to such Proceeding.

SECTION 2. Indemnification of Directors and Officers. Subject to the operation of Section 4 of this Article V, each Director and Officer shall be indemnified and held harmless by

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the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment) against any and all Expenses, judgments, penalties, fines and amounts reasonably paid in settlement that are incurred by such Director or Officer or on such Director or Officer's behalf in connection with any threatened, pending or completed Proceeding or any claim, issue or matter therein, which such Director or Officer is, or is threatened to be made, a party to or participant in by reason of such Director or Officer's Corporate Status, if such Director or Officer acted in good faith and in a manner such Director or Officer reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The rights of indemnification provided by this Section 2 shall continue as to a Director or Officer after he or she has ceased to be a Director or Officer and shall inure to the benefit of his or her heirs, executors, administrators and personal representatives. Notwithstanding the foregoing, the Corporation shall indemnify any Director or Officer seeking indemnification in connection with a Proceeding initiated by such Director or Officer only if such Proceeding was authorized by the Board of Directors of the Corporation.

SECTION 3. Indemnification of Non-Officer Employees. Subject to the operation of Section 4 of this Article V, each Non-Officer Employee may, in the discretion of the Board of Directors of the Corporation, be indemnified by the Corporation to the fullest extent authorized by the DGCL, as the same exists or may hereafter be amended, against any or all Expenses, judgments, penalties, fines and amounts reasonably paid in settlement that are incurred by such Non-Officer Employee or on such Non-Officer Employee's behalf in connection with any threatened, pending or completed Proceeding or any claim, issue or matter therein, which such Non-Officer Employee is, or is threatened to be made, a party to or participant in by reason of such Non-Officer Employee's Corporate Status, if such Non-Officer Employee acted in good faith and in a manner such Non-Officer Employee reasonably believed to be in or not opposed to the best interests of the Corporation and, with respect to any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful. The rights of indemnification provided by this Section 3 shall continue as to a Non-Officer Employee after he or she has ceased to be a Non-Officer Employee and shall inure to the benefit of his or her heirs, personal representatives, executors and administrators. Notwithstanding the foregoing, the Corporation may indemnify any Non-Officer Employee seeking indemnification in connection with a Proceeding initiated by such Non-Officer Employee only if such Proceeding was authorized by the Board of Directors of the Corporation.

SECTION 4. Good Faith. No indemnification shall be provided pursuant to this Article V to a Director, to an Officer or to a Non-Officer Employee with respect to a matter as to which such person shall have been finally adjudicated in any Proceeding (i) not to have acted in good faith and in a manner such person reasonably believed to be in or not opposed to the best interests of the Corporation and (ii) with respect to any criminal Proceeding, to have had reasonable cause to believe his or her conduct was unlawful. In the event that a Proceeding is compromised or settled prior to final adjudication so as to impose any liability or obligation upon a Director, an Officer or a Non-Officer Employee, no indemnification shall be provided pursuant to this Article V to said Director, Officer or Non-Officer Employee with respect to a matter if

there be a reasonable good faith determination that with respect to such matter such person did not act in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Corporation, and, with respect to any criminal Proceeding, had no reasonable cause to believe his or her conduct was unlawful. The determination contemplated by the preceding sentence shall be made (a) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board of Directors, (b) by a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, even though less than a quorum of the Board of Directors, (c) if there are no such Disinterested Directors, or if a majority of Disinterested Directors so direct, by independent counsel in a written opinion, or (d) by the stockholders of the Corporation.

SECTION 5. Advancement of Expenses to Directors and Officers Prior to Final Disposition. The Corporation shall advance all Expenses incurred by or on behalf of any Director or Officer in connection with any Proceeding in which such Director or Officer is involved by reason of such Director or Officer's Corporate Status within ten days after the receipt by the Corporation of a written statement from such Director or Officer requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by such Director or Officer and shall be preceded or accompanied by an undertaking by or on behalf of such Director or Officer to repay any Expenses so advanced if it shall ultimately be determined that such Director or Officer is not entitled to be indemnified against such Expenses.

SECTION 6. Advancement of Expenses to Non-Officer Employees Prior to Final Disposition. The Corporation may, in the discretion of the Board of Directors of the Corporation, advance any or all Expenses incurred by or on behalf of any Non-Officer Employee in connection with any Proceeding in which such Non-Officer Employee is involved by reason of such Non-Officer Employee's Corporate Status upon the receipt by the Corporation of a statement or statements from such Non-Officer Employee requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by such Non-Officer Employee and shall be preceded or accompanied by an undertaking by or on behalf of such Non-Officer Employee to repay any Expenses so advanced if it shall ultimately be determined that such Non-Officer Employee is not entitled to be indemnified against such Expenses.

SECTION 7. Contractual Nature of Rights. The foregoing provisions of this Article V shall be deemed to be a contract between the Corporation and each Director and Officer who serves in such capacity at any time while this Article V is in effect, and any repeal or modification thereof shall not affect any rights or obligations then existing with respect to any state of facts then or theretofore existing or any Proceeding theretofore or thereafter brought based in whole or in part upon any such state of facts. If a claim for indemnification or advancement of Expenses hereunder by a Director or Officer is not paid in full by the Corporation within (a) 60 days after the Corporation's receipt of a written claim for indemnification, or (b) 10 days after the Corporation's receipt of documentation of Expenses and the required undertaking, such Director or Officer may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim, and if successful in whole or in part, such Director or Officer shall also be entitled to be paid the expenses of prosecuting such claim. The failure of the Corporation (including its Board of Directors or any committee thereof,

independent legal counsel, or stockholders) to make a determination concerning the permissibility of such indemnification or advancement of Expenses under this Article V shall not be a defense to the action and shall not create a presumption that such indemnification or advancement is not permissible.

SECTION 8. Non-Exclusivity of Rights. The rights to indemnification and advancement of Expenses set forth in this Article V shall not be exclusive of any other right which any Director, Officer or Non-Officer Employee may have or hereafter acquire under any statute, provision of the Corporation's Certificate or these By-laws, agreement, vote of stockholders or Disinterested Directors or otherwise.

SECTION 9. Insurance. The Corporation may maintain insurance, at its expense, to protect itself and any Director, Officer or Non-Officer Employee against any liability of any character asserted against or incurred by the Corporation or any such Director, Officer or Non-Officer Employee, or arising out of any such person's Corporate Status, whether or not the Corporation would have the power to indemnify such person against such liability under the DGCL or the provisions of this Article V.

ARTICLE VI

Miscellaneous Provisions

SECTION 1. Fiscal Year. Except as otherwise determined by the Board of Directors, the fiscal year of the Corporation shall end on the last day of December of each year.

SECTION 2. Seal. The Board of Directors shall have power to adopt and alter the seal of the Corporation.

SECTION 3. Execution of Instruments. All deeds, leases, transfers, contracts, bonds, notes and other obligations to be entered into by the Corporation in the ordinary course of its business without director action may be executed on behalf of the Corporation by the Chairman of the Board, if one is elected, the Chief Executive Officer or the Treasurer or any other officer, employee or agent of the Corporation as the Board of Directors or Executive Committee may authorize.

SECTION 4. Voting of Securities. Unless the Board of Directors otherwise provides, the Chairman of the Board, if one is elected, the Chief Executive Officer or the Treasurer may waive notice of and act on behalf of this Corporation, or appoint another person or persons to act as proxy or attorney in fact for this Corporation with or without discretionary power and/or power of substitution, at any meeting of stockholders or shareholders of any other corporation or organization, any of whose securities are held by this Corporation.

SECTION 5. Resident Agent. The Board of Directors may appoint a resident agent upon whom legal process may be served in any action or proceeding against the Corporation.

SECTION 6. Corporate Records. The original or attested copies of the Certificate, By-laws and records of all meetings of the incorporators, stockholders and the Board of Directors and the stock transfer books, which shall contain the names of all stockholders, their record addresses and the amount of stock held by each, may be kept outside the State of Delaware and shall be kept at the principal office of the Corporation, at the office of its counsel or at an office of its transfer agent or at such other place or places as may be designated from time to time by the Board of Directors.

SECTION 7. Amendment of By-laws.

(a) Amendment by Directors. Except as provided otherwise by law, these By-laws may be amended or repealed by the Board of Directors by the affirmative vote of a majority of the directors then in office.

(b) Amendment by Stockholders. These By-laws may be amended or repealed at any Annual Meeting of stockholders, or special meeting of stockholders called for such purpose, by the affirmative vote of at least two-thirds of the shares present in person or represented by proxy at such meeting and entitled to vote on such amendment or repeal, voting together as a single class; provided, however, that if the Board of Directors recommends that stockholders approve such amendment or repeal at such meeting of stockholders, such amendment or repeal shall only require the affirmative vote of the majority of the shares present in person or represented by proxy at such meeting and entitled to vote on such amendment or repeal, voting together as a single class.

Adopted and effective as of October 26, 2010.

Exhibit 31.1

**CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002**

I, Sean M. Healey, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Affiliated Managers Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2010

/s/ SEAN M. HEALEY

/s/ Sean M. Healey
Sean M. Healey
President and Chief Executive Officer

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[Exhibit 31.1]

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Exhibit 31.2

CERTIFICATION PURSUANT TO SECTION 302(a)
OF THE SARBANES-OXLEY ACT OF 2002

I, Darrell W. Crate, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Affiliated Managers Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2010

/s/ DARRELL W. CRATE

Darrell W. Crate
Executive Vice President, Chief Financial Officer and Treasurer

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Exhibit 31.2

Exhibit 32.1

**CERTIFICATE 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 Quarterly Report on Form 10-Q of Affiliated Managers Group, Inc. (the "Company") for the period ended September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Sean M. Healey, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2010

By: /s/ SEAN M. HEALEY

Sean M. Healey
President and Chief Executive Officer

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Exhibit 32.1

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Exhibit 32.2

CERTIFICATE 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 Quarterly Report on Form 10-Q of Affiliated Managers Group, Inc. (the "Company") for the period ended September 30, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Darrell W. Crate, Executive Vice President, Chief Financial Officer and Treasurer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2010

By: /s/ DARRELL W. CRATE

Darrell W. Crate
Executive Vice President, Chief Financial Officer and Treasurer

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Exhibit 32.2