BioMed Realty Trust Inc
Form 8-K
May 02, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the

Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): May 1, 2013

BioMed Realty Trust, Inc.

(Exact name of registrant as specified in its charter)

Maryland	**1-32261**	**20-1142292**
(State or Other Jurisdiction of Incorporation)	**(Commission File No.)**	**(I.R.S. Employer Identification No.)**

17190 Bernardo Center Drive

San Diego, California 92128

(Address of principal executive offices, including zip code)

Registrant s telephone number, including area code: (858) 485-9840

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

¨ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

¨ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

¨ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

¨ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02 Results of Operations and Financial Condition.

On May 1, 2013, BioMed Realty Trust, Inc. issued a press release regarding its financial results for the first quarter ended March 31, 2013 which referred to certain supplemental information that is available on BioMed s website at www.biomedrealty.com. Copies of the press release and supplemental information are attached hereto as Exhibits 99.1 and 99.2, respectively, and are incorporated by reference herein.

The information contained in this Current Report, including the exhibits referenced herein, is being furnished and shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section. Such information shall not be incorporated by reference into any filing of BioMed, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) The following exhibits are furnished herewith:

Exhibit Number	**Description of Exhibit**
99.1	Press release issued by BioMed Realty Trust, Inc. on May 1, 2013.
99.2	BioMed Realty Trust, Inc. Supplemental Operating and Financial Data for the quarter ended March 31, 2013.

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 hereunto duly authorized.

Date: May 2, 2013

BIOMED REALTY TRUST, INC.

By: /s/ Greg N. Lubushkin
Name: Greg N. Lubushkin
Title: Chief Financial Officer

bsp;

Total current liabilities 132,078 256,588 Senior debt 126,750 175,500 Senior convertible debt 423,958 424,232 Mandatory convertible securities 300,000 300,000 Deferred income taxes 124,168 182,623 Other long-term liabilities 31,397 20,149

Total liabilities $1,138,351 $1,359,092 Commitments and contingencies (Note 12) Minority interest 87,378 145,163 Stockholders' equity: Common stock ($.01 par value; 83,000 shares authorized; 38,680 shares outstanding in 2004 and 39,024 shares outstanding in 2005) 387 390 Additional paid-in capital 566,776 593,090 Accumulated other comprehensive income 1,537 16,756 Retained earnings 384,119 503,188

952,819 1,113,424 Less: treasury stock, at cost (5,395 shares in 2004 and 5,425 shares in 2005) (245,127) (296,043)

Total stockholders' equity 707,692 817,381

Total liabilities and stockholders' equity $1,933,421 $2,321,636

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

48

AFFILIATED MANAGERS GROUP, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(dollars in thousands)

	Common Shares	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Shares	Treasury Shares at Cost
December 31, 2002	35,276,712	$ 235	$ 405,769	$ (244)	$ 246,444	(2,679,486)	$ (80,343)
Stock issued for option exercises			(359)			510,620	11,735
Tax benefit of option exercises			3,039				
Stock issued to settle notes payable						15,178	465
Repurchase of stock						(1,116,750)	(33,688)
Net Income					60,528		
Other comprehensive income				1,188			
December 31, 2003	35,276,712	$ 235	$ 408,449	$ 944	$ 306,972	(3,270,438)	$ (101,831)
Stock issued for option exercises			(3,132)			714,516	22,521
Tax benefit of option exercises			8,027				
Issuance costs			(9,263)				
2004 PRIDES contract adjustment payment			(24,000)				
Issuance of Affiliate equity interests			(7,519)				
Stock split		118	(118)				
Cash in lieu of fractional shares			(103)				
Stock issued to settle 2001 PRIDES	3,403,742	34	194,435			647,704	28,499
Repurchase of stock						(3,486,512)	(194,316)
Net Income					77,147		
Other comprehensive income				593			
December 31, 2004	38,680,454	$ 387	$ 566,776	$ 1,537	$ 384,119	(5,394,730)	$ (245,127)
Stock issued under option and other incentive plans			(34)			1,152,947	39,269
Tax benefit of option exercises			13,942				
Issuance of Affiliate equity interests			2,231				
Settlement of forward equity sale agreement			(14,378)				
Conversions of zero coupon convertible notes						6,533	347
Stock issued in connection with Affiliate investment	343,204	3	24,553				
Repurchase of stock						(1,189,700)	(90,532)
Net Income					119,069		
Other comprehensive income				15,219			

	Common Shares	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Shares	Treasury Shares at Cost
December 31, 2005	39,023,658	$ 390	$ 593,090	$ 16,756	$ 503,188	(5,424,950)	$ (296,043)

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

49

AFFILIATED MANAGERS GROUP, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years Ended December 31,		
	2003	2004	2005
Cash flow from operating activities:			
Net Income	$ 60,528	$ 77,147	$ 119,069
Adjustments to reconcile Net Income to cash flow from operating activities:			
Amortization of intangible assets	16,176	18,339	24,873
Amortization of debt issuance costs	3,286	3,641	3,018
Depreciation and other amortization	6,231	6,369	7,029
Deferred income tax provision	31,049	31,616	31,688
Accretion of interest	713	1,155	1,896
Income from equity method investments, net of amortization		(1,265)	(26,971)
Distributions received from equity method investments			16,565
Tax benefit from exercise of stock options	3,039	8,027	13,942
Other adjustments	(555)	2,493	(2,231)
Changes in assets and liabilities:			
Increase in investment advisory fees receivable	(14,490)	(26,199)	(53,846)
(Increase) decrease in other current assets	(7,033)	1,827	(8,258)
(Increase) decrease in non-current other receivables	663	(9,992)	(126)
Increase in accounts payable, accrued expenses and other liabilities	6,612	16,386	32,217
Increase in minority interest	10,296	48,342	45,213
Cash flow from operating activities	116,515	177,886	204,078
Cash flow used in investing activities:			
Costs of investments in Affiliates, net of cash acquired	(19,052)	(474,104)	(85,175)
Purchase of fixed assets	(23,889)	(6,977)	(14,523)
Purchase of investment securities	(30,927)	(37,080)	(6,393)
Sale of investment securities		39,955	24,062
Increase in other assets	(14)	(60)	
Cash flow used in investing activities	(73,882)	(478,266)	(82,029)
Cash flow from (used in) financing activities:			
Borrowings of senior bank debt	85,000	134,000	224,500
Repayments of senior bank debt	(85,000)	(83,000)	(100,000)
Repayments of debt assumed in new investment			(150,811)
Issuance of convertible securities	300,000	300,000	
Repurchase of convertible securities	(105,841)	(124,525)	
Repurchase of senior debt securities			(10,000)
Issuance of common stock	11,375	210,232	28,892
Repurchase of common stock.	(33,688)	(194,420)	(82,317)
Settlement of forward equity sale agreement			(14,008)
Issuance costs	(7,850)	(12,800)	(2,660)
Repayment of notes payable and other liabilities	(10,299)	(14,244)	(15,863)
Cash flow from (used in) financing activities	153,697	215,243	(122,267)
Effect of foreign exchange rate changes on cash flow	244	1,132	364
Net increase (decrease) in cash and cash equivalents	196,574	(84,005)	146
Cash and cash equivalents at beginning of period	27,708	224,282	140,277
Cash and cash equivalents at end of period	$ 224,282	$ 140,277	$ 140,423
Supplemental disclosure of cash flow information:			
Interest paid	$ 19,763	$ 30,913	$ 39,381
Income taxes paid	9,918	12,240	29,290
Supplemental disclosure of non-cash financing activities:			

	For the Years Ended December 31,		
Stock issued to settle 2001 PRIDES		28,499	
Stock issued for zero coupon senior convertible note conversions			347
Payables recorded for Affiliate equity purchases.	938	18,518	4,567
Notes received for Affiliate equity sales	1,050		5,205
Stock received for the exercise of stock options	200	206	800
Gain realized from settlement of forward purchase contracts		3,719	
Stock issued in new investment			24,556
Debt assumed in new investment			150,811

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

AFFILIATED MANAGERS GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Business and Summary of Significant Accounting Policies

(a) Organization and Nature of Operations

Affiliated Managers Group, Inc. ("AMG" or the "Company") is an asset management company with equity investments in a diverse group of mid-sized investment management firms ("Affiliates"). AMG's Affiliates currently provide investment management services in the United States, Canada and the United Kingdom to mutual funds, institutional clients and high net worth individuals. Fees for services are largely asset-based and, as a result, the Company's revenue may fluctuate based on the performance of financial markets.

In January 2005, the Company formed Managers Investment Group LLC ("Managers" or "Managers Investment Group," the successor to The Managers Funds LLC), a distribution platform designed to expand its Affiliates' product offerings and distribution capabilities. Managers operates as a single point of contact for retail intermediaries, offering more than 40 AMG Affiliate products to mutual fund and separate account investors through banks, brokerage firms, insurance companies, and other sponsored platforms such as defined contribution plans.

In July 2005, the Company completed an investment in equity interests in six Canadian asset management firms: Foyston, Gordon & Payne Inc.; Beutel, Goodman & Company Ltd. ("Beutel"); Montrusco Bolton Investments Inc.; Deans Knight Capital Management Ltd. ("Deans Knight"); Triax Capital Corporation; and Covington Capital Corporation. The Company acquired these interests and certain other assets through the acquisition of First Asset Management Inc. ("First Asset"), a privately-held Canadian asset management company. In connection with the transaction, First Asset was re-named AMG Canada Corp. ("AMG Canada"). These firms manage approximately 100 investment products, including Canadian, U.S. and international value and growth equity products, as well as balanced, fixed income, venture capital and structured products.

Affiliates are either organized as limited partnerships, limited liability partnerships, limited liability companies, or corporations. AMG has contractual arrangements with many of its Affiliates whereby a percentage of revenue is allocable to fund Affiliate operating expenses, including compensation (the "Operating Allocation"), while the remaining portion of revenue (the "Owners' Allocation") is allocable to AMG and the other partners or members, generally with a priority to AMG. In certain other cases, the Affiliate is not subject to a revenue sharing arrangement, but instead operates on a profit-based model. In these cases, AMG participates fully in any increase or decrease in the revenue or expenses of such firms. In situations where AMG holds a minority equity interest, the revenue sharing arrangement generally allocates a percentage of the Affiliate's revenue with the balance to be used to pay operating expenses and profit distributions to the other owners.

The financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). All dollar amounts except per share data in the text and tables herein are stated in thousands unless otherwise indicated. Certain reclassifications have been made to prior years' financial statements to conform to the current year's presentation.

(b) Principles of Consolidation

The Company evaluates the risk, rewards, and significant terms of each of its Affiliate and other investments to determine the appropriate method of accounting. Majority-owned or otherwise controlled investments are consolidated. In many of its Affiliate investments, AMG is, directly or indirectly, the sole general partner (in the case of Affiliates which are limited partnerships), managing partner (in the case of Affiliates which are limited liability partnerships), sole manager member (in the case of Affiliates which are limited liability companies) or principal shareholder (in the case of Affiliates which are corporations). As a result, the Company generally consolidates its Affiliate investments. Investments that are determined to be Variable Interest Entities as defined by Financial Accounting Standards Board ("FASB") Interpretation No. 46, as revised, are consolidated if AMG or a consolidated Affiliate is the primary beneficiary of the investment.

For Affiliate operations consolidated into these financial statements, the portion of the income allocated to owners other than AMG is included in Minority interest in the Consolidated Statements of Income. Minority interest on the Consolidated Balance Sheets includes capital and undistributed income owned by the managers of the consolidated Affiliates. All material intercompany balances and transactions have been eliminated.

AMG applies the equity method of accounting to investments where AMG or an Affiliate does not hold a majority equity interest but has the ability to exercise significant influence (generally at least a 20% interest or a general partner interest) over operating and financial matters. AMG or an Affiliate also applies the equity method when their minority shareholders have rights to participate in substantive operating decisions (e.g. approval of annual operating budgets, major financings, selection of senior management, etc.). For equity method investments, AMG's or the Affiliate's portion of income before taxes is included in Income from equity method investments. Other investments in which AMG or an Affiliate own less than a 20% interest and does not exercise significant influence are accounted for under the cost method. Under the cost method, income is recognized as dividends when, and if, declared.

The effect of any changes in the Company's equity interests in its Affiliates resulting from the issuance of an Affiliate's equity by the Company or one of its Affiliates is included as a component of stockholders' equity, net of the related income tax effect in the period of the change.

(c) Cash and Cash Equivalents

The Company considers all highly liquid investments, including money market mutual funds, with original maturities of three months or less to be cash equivalents. Cash equivalents are stated at cost, which approximates market value due to the short-term maturity of these investments.

(d) Short-term Investments

Short-term investments consist of auction rate securities classified as available-for-sale, which are stated at estimated fair value. These investments, if any, are on deposit at major financial institutions. Unrealized gains and losses, net of tax, are reported as a separate component of accumulated other comprehensive income in stockholders' equity until realized. If the decline in fair value of these investments is determined to be other than temporary, the carrying amount of the asset is reduced to its fair value, and the difference is charged to income in the period incurred.

(e) Equity Investments in Affiliates

Under the equity method of accounting, the Company records its proportionate share of income or loss currently in earnings within a single row on the income statement, Income from equity method investments. As is consistent with the equity method of accounting, for one of its equity method Affiliates based outside the United States, the Company has elected to record financial results one quarter in arrears to allow for the receipt of financial information. The Company converts the financial information of foreign investments to U.S. GAAP.

The Company's share of income taxes incurred directly by Affiliates accounted for under the equity method are recorded within Income taxes current in the Consolidated Statements of Income because these taxes generally represent the Company's share of the taxes incurred by the Affiliate.

Deferred income taxes incurred as a direct result of the Company's investment in Affiliates accounted for under the equity method have been included in Income taxes deferred in the Consolidated Statements of Income. The associated deferred tax liabilities have been classified as a component of Deferred income taxes in the Consolidated Balance Sheet.

The Company periodically evaluates its equity method investments for impairment. In such impairment evaluations, the Company assesses if the value of the investment has declined below its book value for a period considered to be other than temporary. If the Company determines that a decline in value below the book value of the investment is other than temporary, then a charge would be recognized in the Consolidated Statements of Income.

(f) Fixed Assets

Fixed assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of office equipment and furniture and fixtures range from three to ten years. Computer software developed or obtained for internal use is amortized using the straight-line method over the estimated useful life of the software, generally three years or less. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the lease and the building is amortized over 39 years. The costs of improvements that extend the life of a fixed asset are capitalized, while the cost of repairs and maintenance are expensed as incurred. Land is not depreciated.

(g) Leases

The Company and its Affiliates currently lease office space and equipment under various leasing arrangements. As these leases expire, it can be expected that in the normal course of business they will be renewed or replaced. All leases and subleases are accounted for under Statement of Financial Accounting Standard ("FAS") No. 13, "Accounting for Leases." These leases are classified as either capital leases, operating leases or subleases, as appropriate. Most lease agreements classified as operating leases contain renewal options, rent escalation clauses or other inducements provided by the landlord. Rent expense is accrued to recognize lease escalation provisions and inducements provided by the landlord, if any, on a straight-line basis over the lease term.

(h) Acquired Client Relationships and Goodwill

The purchase price for the acquisition of interests in Affiliates is allocated based on the fair value of net assets acquired, primarily acquired client relationships. In determining the allocation of the purchase price to acquired client relationships, the Company analyzes the net present value of each acquired Affiliate's existing client relationships based on a number of factors including: the Affiliate's historical and potential future operating performance; the Affiliate's historical and potential future rates of attrition among existing clients; the stability and longevity of existing client relationships; the Affiliate's recent, as well as long-term, investment performance; the characteristics of the firm's products and investment styles; the stability and depth of the Affiliate's management team and the Affiliate's history and perceived franchise or brand value.

The Company has determined that certain of its mutual fund acquired client relationships meet the indefinite life criteria outlined in FAS No. 142, "Goodwill and Other Intangible Assets" ("FAS 142"), because the Company expects both the renewal of these contracts and the cash flows generated by these assets to continue indefinitely. Accordingly, the Company does not amortize these intangible assets, but instead reviews these assets at least annually for impairment. Each reporting period, the Company assesses whether events or circumstances have occurred which indicate that the indefinite life criteria are no longer met. If the indefinite life criteria are no longer met, the Company assesses whether the carrying value of the assets exceeds its fair value, and an impairment loss would be recorded in an amount equal to any such excess.

As of December 31, 2005, the cost assigned to all other acquired client relationships was being amortized over a weighted average life of 12 years. The expected useful lives of acquired client relationships are analyzed each period and determined based on an analysis of the historical and potential future attrition rates of each Affiliate's existing clients, as well as a consideration of the specific attributes of the business of each Affiliate. The Company tests for the possible impairment of definite-lived intangible assets annually or more frequently whenever events or changes in circumstances indicate that the carrying amount of the asset is not recoverable. If such indicators exist, the Company compares the undiscounted cash flows related to the asset to the carrying value of the asset. If the carrying value is greater than the undiscounted cash flow amount, an impairment charge is recorded in the Consolidated Statements of Income for amounts necessary to reduce the carrying value of the asset to fair value.

The excess of purchase price for the acquisition of interests in Affiliates over the fair value of net assets acquired, including acquired client relationships, is reported as goodwill within the operating segments in which the Affiliate operates. Goodwill is not amortized, but is instead reviewed for impairment. The Company assesses goodwill for impairment at least annually, or more frequently whenever events or circumstances occur indicating that the recorded goodwill may be impaired. Fair value is determined for each operating segment primarily based on price-earnings multiples. If the carrying amount of goodwill exceeds the fair value, an impairment loss would be recorded in an amount equal to that excess.

As further described in Note 13, the Company periodically purchases additional equity interests in Affiliates from minority interest owners. Resulting payments made to such owners are generally considered purchase price for these acquired interests.

(i) Revenue Recognition

The Company's consolidated revenue represents advisory fees billed monthly, quarterly and annually by Affiliates for managing the assets of clients. Asset-based advisory fees are recognized monthly as services are rendered and are based upon a percentage of the market value of client assets managed. Any fees collected in advance are deferred and recognized as income over the period earned. Performance based advisory fees are generally assessed as a percentage of the investment performance realized on a client's account, generally over an annual period. Performance-based advisory fees are recognized when they are earned (i.e. when they become billable to customers). Also included in revenue are commissions earned by broker dealers, recorded on a trade date basis, and other service fees recorded as earned.

(j) Issuance Costs

Issuance costs incurred in securing credit facility financing are amortized over the remaining term of the credit facility. Costs incurred to issue the zero coupon senior convertible securities and floating rate senior convertible securities are amortized over the period to the first investor put date. Costs incurred to issue the Company's mandatory convertible securities are allocated between the senior notes and the purchase contracts based upon the relative cost to issue each instrument separately. Costs allocated to the senior notes are recognized as interest expense over the period of the forward purchase contract component of such securities. Costs allocated to the forward purchase contract are charged directly to additional paid-in capital and not amortized.

(k) Derivative Financial Instruments

The Company is exposed to interest rate risk inherent in its variable rate debt obligations. The Company's risk management strategy may use financial instruments, specifically interest rate swap contracts, to hedge certain interest rate exposures. For example, the Company may agree with a counter party (typically a major commercial bank) to exchange the difference between fixed-rate and floating-rate interest amounts calculated by reference to an agreed notional principal amount. In entering into these contracts, the Company intends to offset cash flow gains and losses that occur on its existing debt obligations with cash flow gains and losses on the contracts hedging these obligations.

The Company records all derivatives on the balance sheet at fair value. If the Company's derivatives qualify as cash flow hedges, the effective portion of the unrealized gain or loss is recorded in accumulated other comprehensive income as a separate component of stockholders' equity and reclassified into earnings when periodic settlement of variable rate liabilities are recorded in earnings. For interest rate swaps, 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 2003, 2004 or 2005.

(l) Deferred Taxes

Deferred taxes reflect the expected future tax consequences of temporary differences between the book carrying amounts and tax bases of the Company's assets and liabilities. Historically, deferred taxes have been comprised primarily of deferred tax liabilities attributable to intangible assets and deferred tax assets from state credits and loss carryforwards.

In measuring the amount of deferred taxes each period, the Company must project the impact on its future tax payments of any reversal of deferred tax liabilities (which would increase the Company's tax payments), and any use of its state credits and carryforwards (which would decrease its tax payments). In forming these estimates, the Company makes assumptions about future federal and state income tax rates and the apportionment of future taxable income to states in which the Company has operations. An increase or decrease in federal or state income tax rates could have a material impact on the Company's deferred income tax liabilities and assets and would result in a current income tax charge or benefit.

In the case of the Company's deferred tax assets, the Company regularly assesses the need for valuation allowances, which would reduce these assets to their recoverable amounts. In forming these estimates, the Company makes assumptions of future taxable income that may be generated to utilize these assets, which have limited lives. If the Company determines that these assets will be realized, the Company records an adjustment to the valuation allowance, which would decrease tax expense in the period such determination was made. Likewise, should the Company determine that it would be unable to realize additional amounts of deferred tax assets, an adjustment to the valuation allowance would be charged to tax expense in the period such determination was made. For example, if the Company was to make an investment in a new Affiliate located in a state where it has operating loss carryforwards, the projected taxable income from the new Affiliate could be offset by these operating loss carryforwards, justifying a reduction to the valuation allowance.

(m) Foreign Currency Translation

The assets and liabilities of Affiliates that are not based in the United States are translated into U.S. dollars using exchange rates in effect as of the balance sheet date. The revenue and expenses of these Affiliates are translated into U.S. dollars using the average monthly exchange rates then in effect.

Because of the permanent nature of the Company's investments, net translation exchange gains and losses are excluded from net income but are recorded in other comprehensive income. Foreign currency transaction gains and losses are reflected in Investment and other income.

(n) Equity Based Compensation Plans

FAS No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"), as amended by FAS No. 148, "Accounting for Stock-Based Compensation Transition and Disclosure" ("FAS 148") encourages but does not require adoption of a fair value method for equity based compensation arrangements. An entity may continue to apply Accounting Principles Board Opinion No. 25 ("APB 25") and related interpretations, provided the entity discloses its pro forma Net Income and earnings per share as if the fair value method had been applied in measuring compensation cost.

Through the year ended December 31, 2005, the Company has applied the intrinsic value method prescribed by APB 25 in accounting for its stock-based compensation plans. Under this method, compensation cost is measured at the grant date based on the intrinsic value of the award and is recognized over the vesting period. Had compensation cost for the Company's stock option plans been determined based on the fair value method set forth in FAS 123, Net Income and earnings per share would have been as follows:

	Year Ended December 31,		
	2003	**2004**	**2005**
Net Income as reported	$ 60,528	$ 77,147	$ 119,069
Less: Stock-based compensation expense determined under fair value method, net of tax	10,614	14,326	709
Less: Stock-based compensation expense determined under fair value method, related to 2003 Amendment, net of tax	22,054		
Net Income FAS 123 pro forma	$ 27,860	$ 62,821	$ 118,360
Earnings per share basic as reported	$ 1.90	$ 2.57	$ 3.54
Earnings per share basic FAS 123 pro forma	0.87	2.09	3.52
Earnings per share diluted as reported	1.57	2.02	2.81
Earnings per share diluted FAS 123 pro forma	0.75	1.66	2.80

As further described below in footnote (p), beginning in 2006, the Company will apply the fair-value based method to its stock-based compensation plans.

In 2003, the Board of Directors approved an amendment (the "2003 Amendment") to certain of the Company's stock option agreements that resulted in unvested options becoming vested options to purchase shares of restricted stock. The 2003 Amendment was approved in conjunction with a change in the Company's overall compensation strategy which is now increasingly dependent upon the use of restricted stock as a primary equity incentive. The shares issuable upon the exercise of the accelerated options remain the property of the holder under any circumstances, subject to restrictions on transfer. The transfer restrictions lapse according to specified schedules, generally over four years from the date of grant for so long as the option holder remains employed by the Company. In the event the option holder ceases to be employed, the transferability restrictions will remain outstanding until December 2010. As a result of the 2003 Amendment, no compensation expense was recorded under APB 25 in the Company's Consolidated Statement of Income.

The weighted average fair value of options granted in the years ended December 31, 2003, 2004 and 2005 was $10.13, $12.77, and $20.95 per option, respectively, using the Black-Scholes option pricing model. The following weighted average assumptions were used for the option valuations.

	Year Ended December 31,		
	2003	**2004**	**2005**
Dividend yield	0.0%	0.0%	0.0%
Expected volatility	24.9%	20.4%	19.9%
Risk-free interest rate	2.7%	3.3%	4.4%
Expected life of options (in years)	4.6	4.4	5.0

(o) Use of Estimates

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

(p) Recent Accounting Developments

Emerging Issues Task Force Issue No. 04-08, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share" ("EITF 04-08"), became effective in the fourth quarter of 2004. EITF 04-08 states that any shares of common stock that may be issued to settle contingently convertible securities (such as the shares that underlie the Company's zero coupon senior convertible notes and floating rate senior convertible securities) must be considered issued in the calculation of diluted earnings per share, regardless of whether the market price trigger (or other contingent feature) in these securities has been met. This is commonly referred to as the "if-converted" method. EITF 04-08 requires the retroactive application to earnings per share measurements for all prior periods presented. The application of EITF 04-08 had the impact of reducing earnings per share by $0.28, $0.42 and $0.15 in the years ending December 31, 2003, 2004 and 2005, respectively.

In December 2004, the FASB revised FAS 123 ("FAS 123(R)"), requiring the measurement of the cost of all employee share-based payments to employees, including stock option awards, in financial statements using a fair-value based method. The Company adopted FAS 123(R) in the first quarter of fiscal 2006. Using the modified prospective application of the standard, compensation expense will be recognized for new awards and awards modified, repurchased or cancelled after January 1, 2006. Additionally, compensation expense will be recognized for the portion of all outstanding awards for which the required service has not yet been rendered. Compensation expense will be based on the grant-date fair value of those awards, and will not have a material impact on the Company's consolidated financial results. FAS 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operation cash flow as currently presented. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after adoption.

On June 29, 2005, the FASB ratified the Emerging Issues Task Force's consensus on EITF Issue No. 04-05 ("EITF 04-05"), which provides a new framework for addressing when a general partner in a limited partnership controls the partnership. EITF 04-05 applies immediately to any limited partnerships formed after June 29, 2005, other limited partnerships that modify their partnership agreements after June 29, 2005, and to all other limited partnerships beginning January 1, 2006. As a result of EITF 04-05, certain of the Company's Affiliates will be required to consolidate certain investment partnerships in which they hold a general partnership interest. These Affiliates currently report their interest in these partnerships under the equity method of accounting. Beginning on January 1, 2006, approximately $115 million of fund assets will be consolidated, and a minority interest liability will increase in a corresponding amount. Any change in the fair value of these consolidated assets will impact the Company's results of operations, and a corresponding minority interest expense (or income) will be recognized. The adoption of EITF 04-05 will not have a material impact on the Company's stockholders' equity or net income.

2. Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments. The Company maintains cash and cash equivalents, short-term investments and, at times, certain financial instruments with various financial institutions. These financial institutions are typically located in cities in which AMG and its Affiliates operate. For AMG and certain Affiliates, cash deposits at a financial institution may exceed Federal Deposit Insurance Corporation insurance limits.

3. Fixed Assets and Lease Commitments

Fixed assets consisted of the following:

	At December 31,	
	2004	**2005**
Building and leasehold improvements	$ 22,954	$ 31,830
Office equipment	15,521	23,867
Furniture and fixtures	12,924	15,161
Land and improvements	12,137	12,607
Computer software	5,265	5,613
Fixed assets, at cost	68,801	89,078
Accumulated depreciation and amortization	(27,848)	(38,486)
Fixed assets, net	$ 40,953	$ 50,592

The Company and its Affiliates lease office space and computer equipment for their operations. At December 31, 2005, the Company's aggregate future minimum payments for operating leases having initial or noncancelable lease terms greater than one year are payable as follows:

Year Ending December 31,	Required Minimum Payments
2006	$ 18,365
2007	16,753
2008	14,661
2009	14,110
2010	12,652
Thereafter	31,337

Consolidated rent expense for 2003, 2004 and 2005 was $16,056, $16,708 and $21,497, respectively.

4. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

	At December 31, 2004	At December 31, 2005
Accrued compensation	$ 57,992	$ 80,510
Accrued income taxes	16,648	19,542
Accounts payable	8,199	8,800
Accrued share repurchases		8,215
Deferred acquisition purchase price		7,849
Contract adjustment payments	7,137	6,588
Accrued professional services	6,832	4,666
Accrued interest	2,836	3,336
Deferred revenue	1,012	886
Other	13,694	36,319
	$ 114,350	$ 176,711

5. Benefit Plans

The Company has two defined contribution plans consisting of a qualified employee profit-sharing plan covering substantially all of its full-time employees and several of its Affiliates, and non-qualified plans for certain senior employees. AMG's other Affiliates generally have separate defined contribution retirement plans. Under each of the qualified plans, AMG and each participating Affiliate, as the case may be, are able to make discretionary contributions for the benefit of qualified plan participants up to IRS limits. Consolidated expenses related to the Company's qualified and non-qualified plans in 2003, 2004 and 2005 were $7,421, $9,055 and $20,864, respectively.

Consistent with the Company's Compensation Committee's objective that executive compensation be closely aligned with increases in stockholder value and retain key members of senior management, the non-qualified Executive Retention Plan (the "ERP") is designed to work in concert with the Company's stockholder-approved Long-Term Executive Incentive Plan, providing a trust vehicle for long-term compensation awards based upon the Company's performance and growth. The ERP permits the Compensation Committee to make awards that may be invested by the recipient in the Company's common stock, in Affiliate investment products, and in cash accounts, in each case subject to vesting and forfeiture provisions. The Company's contributions to the ERP are irrevocable. Consolidated expenses related to the ERP were $12,380 for the year ended December 31, 2005.

6. Senior Debt

The components of senior debt are as follows:

	At December 31, 2004	At December 31, 2005
Senior revolving credit facility	$ 51,000	$ 175,500
Senior notes due 2006	75,750	65,750
	$ 126,750	$ 241,250

Senior Revolving Credit Facility

The Company entered into an amended and restated senior revolving credit facility (the "Facility") in December 2005, which allows for borrowings of up to $550 million at rates of interest (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 ratings. Subject to the agreement of the lenders (or prospective lenders) to increase their commitments, the Company has the option to borrow up to an aggregate of $650 million under this Facility. Following the successful remarketing of the Company's 2004 PRIDES (as described in Note 8), the Facility will mature in December 2010. The Facility contains financial covenants with respect to net worth, leverage and interest coverage. The Facility also contains customary affirmative and negative covenants, including limitations on indebtedness, liens, cash dividends and fundamental corporate changes. Borrowings under the Facility are collateralized by pledges of all capital stock or other equity interests owned by the Company. The Company pays a quarterly commitment fee on the daily unused portion of the Facility, which fee amounted to $619, $717 and $676 for the years ended December 31, 2003, 2004 and 2005, respectively.

Senior Notes due 2006

In December 2001, the Company issued $230,000 of mandatory convertible securities ("2001 PRIDES"). Each unit of the 2001 PRIDES initially consisted of (i) a senior note due November 2006 with a principal amount of $25 per note, and (ii) a forward purchase contract pursuant to which the holder agreed to purchase shares of the Company's common stock in November 2004, with the number of shares determined based upon the average trading price of the Company's common stock for a period preceding that date.

The Company repurchased $154,250 in aggregate principal amount of the senior notes component of the 2001 PRIDES ("Senior Notes due 2006") and settled the forward purchase contracts in 2004. The Company reported a loss of $2,493 on its repurchase of these notes, which was recorded in Investment and other income, and the Company realized a gain of $3,719 relating to the settlement of the forward purchase contracts, which was recorded directly to stockholders' equity. Also in 2004, the Company issued 3.4 million shares of common stock and received proceeds of $190,750. In 2005, the Company repurchased $10,000 of the Senior Notes due 2006; the remaining $65,750 matures on November 17, 2006 and has an interest rate of 5.406%.

7. Senior Convertible Debt

The components of senior convertible debt are as follows:

	At December 31,	
	2004	**2005**
Zero coupon senior convertible notes	$ 123,958	$ 124,232
Floating rate senior convertible securities	300,000	300,000
	$ 423,958	$ 424,232

Zero Coupon Senior Convertible Notes

In May 2001, the Company issued $251,000 of principal amount at maturity of zero coupon senior convertible notes due 2021 ("zero coupon convertible notes"), with each note issued at 90.50% of such principal amount and accreting at a rate of 0.50% per year. Following the Company's 2003 repurchase of $116,500 principal amount of such notes and certain conversions by holders, $134,125 principal amount at maturity of zero coupon convertible notes remains outstanding. Each security is convertible into 17.429 shares of the Company's common stock (at a current base conversion price of $53.07) upon the occurrence of certain events, including the following: (i) if the closing price of a share of its common stock is more than a specified price over certain periods (initially $62.36 and increasing incrementally at the end of each calendar quarter to $63.08 in April 2021); (ii) if the credit rating assigned by Standard & Poor's to the securities is below BB-; or (iii) if the Company calls the securities for redemption. The holders may require the Company to repurchase the securities at their accreted value in May 2006, 2011 and 2016. If the holders exercise this option in the future, the Company may elect to repurchase the securities with cash, shares of its common stock or some combination thereof. The Company has the option to redeem the securities for cash on or after May 7, 2006 at their accreted value. Under the terms of the indenture governing the zero coupon convertible notes, a holder may convert such security into common stock by following the conversion procedures in the indenture. Subject to changes in the price of the Company's common stock, the zero coupon convertible notes may not be convertible in certain future periods.

In February 2006, the Company amended the zero coupon convertible notes. Under the terms of this amendment, the Company will pay interest from February 24, 2006 to May 7, 2008 at a rate of 0.375% per year on the principal amount at maturity of the notes. This cash interest will be paid in addition to the accrual of the original issue discount.

Floating Rate Senior Convertible Securities

In February 2003, the Company issued $300,000 of floating rate senior convertible securities due 2033 ("floating rate convertible securities"). The floating rate convertible securities bear interest at a rate equal to 3-month LIBOR minus 0.50%, payable in cash quarterly. Each security is convertible into shares of the Company's common stock (at a base conversion price of $54.17) upon the occurrence of certain events, including the following: (i) if the closing price of a share of the Company's common stock exceeds $65.00 over certain periods; (ii) if the credit rating assigned by Standard & Poor's is below BB-; or (iii) if the Company calls the securities for redemption. Upon conversion, holders of the securities will receive 18.462 shares of the Company's common stock for each convertible security. In addition, if the market price of the Company's common stock exceeds the base conversion price at the time of conversion, holders will receive additional shares of common stock based on the stock price at that time. Based on the trading price of the Company's common stock as of December 31, 2005, upon conversion a holder of each security would receive an additional 3.656 shares. The holders of the floating rate convertible securities may require the Company to repurchase such securities in February 2008, 2013, 2018, 2023 and 2028, at their principal amount. The Company may choose to pay the purchase price for such repurchases with cash, shares of its common stock or some combination thereof. The Company may redeem the convertible securities for cash at any time on or after February 25, 2008, at their principal amount. Under the terms of the indenture governing the floating rate convertible securities, a holder may convert such security into common stock by following the conversion procedures in the indenture. Subject to changes in the price of the Company's common stock, the floating rate convertible securities may not be convertible in certain future periods.

As further described in Note 10, the Company has entered into interest rate swap contracts that effectively exchange the variable interest rate for a fixed interest rate on $150,000 of the floating rate convertible securities. For the period through February 2008, the Company will pay a weighted average fixed rate of 3.28% on that notional amount.

8. Mandatory Convertible Securities

In February 2004, the Company issued $300,000 of mandatory convertible securities ("2004 PRIDES"). As described below, these securities are structured to provide $300,000 of additional proceeds to the Company following a successful remarketing and the exercise of forward purchase contracts in February 2008.

Each unit of the 2004 PRIDES consists of (i) a senior note due February 2010 with a principal amount of $1,000 per note, on which the Company pays interest quarterly at the annual rate of 4.125%, and (ii) a forward purchase contract pursuant to which the holder has agreed to purchase shares of the Company's common stock in February 2008. Holders of the purchase contracts receive a quarterly contract adjustment payment at the annual rate of 2.525% per $1,000 purchase contract. The current portion of the contract adjustment payments, approximately $6,588, is recorded in current liabilities. The number of shares to be issued in February 2008 will be determined based upon the average trading price of the Company's common stock for a period preceding that date. Depending on the average trading price in that period, the settlement rate will range from 11.785 to 18.031 shares per $1,000 purchase contract. Based on the trading price of the Company's common stock as of December 31, 2005, the purchase contracts would have a settlement rate of 12.461.

Each of the senior notes is pledged to the Company to collateralize the holder's obligations under the forward purchase contracts. Beginning in August 2007, under the terms of the 2004 PRIDES, the senior notes are expected to be remarketed to new investors. A successful remarketing will generate $300,000 of gross proceeds to be used by the original holders of the 2004 PRIDES to fulfill their obligations on the forward purchase contracts. In exchange for the additional $300,000 payment on the forward purchase contracts, the Company will issue shares of its common stock to the original holders of the senior notes. As referenced above, the number of shares of common stock to be issued will be determined by the market price of the Company's common stock at that time. Assuming a successful remarketing, the senior notes will remain outstanding until at least February 2010.

9. Income Taxes

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

		Year Ended December 31,		
		2003	2004	2005
Current:	Federal	$ 8,975	$ 17,791	$ 31,399
	State	1,280	2,539	2,005
	Foreign			5,491
Deferred:	Federal	27,167	28,283	30,424
	State	3,882	3,333	2,158
	Foreign			(894)
		$ 41,304	$ 51,946	$ 70,583

The components of income before income taxes consisted of the following:

	Year Ended December 31,		
	2003	2004	2005
Domestic	$ 101,832	$ 122,888	$ 160,448
Foreign		6,205	29,204
	$ 101,832	$ 129,093	$ 189,652

The Company's effective income tax rate differs from the amount computed by using income before income taxes and applying the U.S. federal income tax rate to such amount because of the effect of the following items:

	Year Ended December 31,		
	2003	2004	2005
Tax at U.S. federal income tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefit	2.2	1.6	1.4
Non-deductible expenses	1.7	0.7	0.2
Valuation allowance	1.7	2.9	0.6
Foreign taxes		0.5	2.9
Foreign tax credits		(0.5)	(2.9)
	40.6%	40.2%	37.2%

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

	At December 31,	
	2004	2005
Deferred assets (liabilities):		
State net operating loss and credit carryforwards	$ 10,362	$ 12,097
Intangible asset amortization	(116,417)	(139,866)
Non-deductible intangible amortization		(27,727)
Deferred compensation	320	1,712
Convertible securities interest	(8,704)	(12,854)
Fixed asset depreciation	(1,143)	(1,806)
Deferred income	112	(2,271)
Accrued expenses	1,639	189
	(113,831)	(170,526)
Valuation allowance	(10,337)	(12,097)
Net deferred income taxes	$ (124,168)	$ (182,623)

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. In contrast, the intangible assets associated with the Company's recent investment in six Canadian Affiliates are not deductible for tax purposes, but certain of these assets are amortized for book purposes. As such, at the time of its investment, the Company recorded a deferred tax liability that represents the tax effect of the future book amortization of these assets. The Company's floating rate senior convertible securities and mandatory convertible securities also currently generate tax deductions that are higher than the interest expense recorded for financial statement purposes.

At December 31, 2005, the Company had state net operating loss carryforwards that will expire over a 15-year period beginning in 2005. The valuation allowance at December 31, 2004 and 2005 is related to the uncertainty of the realization of most of these loss and credit carryforwards, which realization depends upon the Company's generation of sufficient taxable income prior to their expiration. The change in the valuation allowance for the year ended December 31, 2005 is attributable to state net operating losses during this period and a provision for loss carryforwards that the Company does not expect to realize.

10. Derivative Financial Instruments

The Company periodically uses interest rate derivative contracts to manage market exposures associated with its variable interest rate debt by creating offsetting fixed rate market exposures. As of December 31, 2005, the Company had $150 million notional amount of interest rate swap contracts that fix the interest rate on the notional amount to a weighted average interest rate of approximately 3.28% for the period from February 2005 to February 2008.

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. At December 31, 2004 and 2005, the unrealized gain (loss), before taxes, on the derivative instruments was ($387) and $2,962, respectively. The Company expects no portion of the unrealized gain (loss) to be reclassified from accumulated other comprehensive income to net income over the next 12 months.

11. Comprehensive Income

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

	For the year ended December 31,		
	2003	2004	2005
Net Income	$ 60,528	$ 77,147	$ 119,069
Foreign currency translation adjustment	244	1,132	13,781
Change in net unrealized gain (loss) on derivative instruments		(232)	2,098
Change in unrealized gain (loss) on investment securities	944	11	(50)
Reclassification of unrealized gain on investment securities to realized gain		(318)	(610)
Comprehensive income	$ 61,716	$ 77,740	$ 134,288

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

	At December 31,	
	2004	2005
Foreign currency translation adjustment	$ 1,132	$ 14,913
Unrealized gain (loss) on investment securities	637	(23)
Unrealized gain (loss) on derivative instruments	(232)	1,866
Accumulated other comprehensive income	$ 1,537	$ 16,756

12. 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.

Federal and state regulators have ongoing investigations of the mutual fund industry that focus on a number of issues, including late trading and market timing, and have sent requests for information to a number of mutual fund companies, broker/dealers and mutual fund distributors, including Affiliates

of the Company. The Company believes there will be no material adverse effects resulting from these investigations on the financial condition of the Company.

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

13. Acquisitions

The Company's Affiliate investments in the years ended December 31, 2003, 2004 and 2005 totaled $20,645, $508,781 and $267,169, respectively. These investments were made pursuant to the Company's growth strategy designed to generate shareholder value by making investments in mid-sized investment management firms and other strategic transactions designed to expand the Company's participation in its three principal distribution channels.

As discussed in Note 1, in July 2005 the Company completed the acquisition of six Canadian asset management firms. The Company consolidates the results of four of the six firms, while Deans Knight and Beutel are accounted for under the equity method of accounting. Upon the completion of this acquisition, management began to formulate a plan to restructure certain aspects of the acquired firms; the finalization of the plan will not occur beyond one year from the consummation date of the acquisition. The transaction was financed through borrowings under the Company's senior revolving credit facility, the issuance of common stock, and available cash.

In January 2005, through Managers Investment Group LLC, the Company completed the acquisition of approximately $3.0 billion of assets under management from Fremont Investment Advisors, Inc. ("FIA"). The acquisition included the Fremont Funds, a diversified family of no load mutual funds managed by independent sub advisors and professionals at FIA, as well as FIA assets in separate accounts and 401(k) plans. The transaction was financed through available cash.

In November 2004, the Company acquired a minority equity interest in AQR Capital Management, LLC ("AQR"). Based in Greenwich, Connecticut, AQR offers quantitatively managed hedge funds and long-only international equity products provided through collective investment vehicles and separate accounts. This transaction is accounted for under the equity method of accounting. The transaction was financed through the Company's available cash and borrowings under its senior revolving credit facility.

In November 2004, the Company acquired a controlling interest in the growth equity business of TimesSquare Capital Management, LLC ("TimesSquare"). TimesSquare manages growth-oriented small and mid-cap investment products in the Institutional and Mutual Fund distribution channels. TimesSquare's management team holds the remaining interest. The transaction was financed through the Company's available cash.

The Company purchased an additional interest in its Affiliate, Friess Associates, LLC ("Friess Associates") in November 2004 pursuant to the terms of the Company's original investment in Friess in October 2001. The transaction was financed through the Company's available cash. Friess is the advisor to the Brandywine family of no-load mutual funds and also advises separate portfolios for charitable foundations, major corporations and high net worth individuals.

In June 2004, the Company acquired a controlling interest in Genesis Fund Managers, LLP ("Genesis"). With offices in London, Guernsey and Chile, Genesis manages emerging markets equity investment products, primarily for institutional clients in the United States, United Kingdom, Europe and Australia. Genesis' management team holds the remaining interest. The transaction was financed through the Company's available cash.

In addition to the investments described above, in the years ended December 31, 2003, 2004, and 2005, the Company completed investments in certain existing Affiliates, which were financed through working capital and the issuance of notes.

The assets and liabilities of the investments in acquired businesses are accounted for under the purchase method of accounting and recorded at their fair values at the dates of acquisition. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as an increase in goodwill. The results of operations of acquired businesses have been included in the Consolidated Financial Statements beginning as of the date of acquisition. The following table summarizes the net assets acquired as of the respective acquisition dates during the years ended December 31, 2004 and 2005:

	2004	2005
Current assets, net	$ 6,398	$ 7,679
Fixed assets	3,459	2,145
Definite-lived acquired client relationships	46,591	54,069
Indefinite-lived acquired client relationships	47,728	11,200
Equity investments in Affiliates	251,500	36,199
Deferred income taxes		(27,086)
Deferred purchase price		(10,015)
Goodwill	136,960	193,796
Net assets acquired	$ 492,636	$ 267,987

In connection with the Company's investment in equity method Affiliates in 2004 and 2005, approximately $80,000, and $22,000, respectively, of acquired client relationships and $171,500 and $14,200, respectively, of goodwill have been classified within Equity investments in Affiliates. The Company's purchase price allocation for its acquisition of First Asset is subject to the finalization of management's plans to restructure certain aspects of the acquired investments and the valuation of acquired client relationships. As a result, these preliminary amounts may be subject to revision in future periods.

Unaudited pro forma financial results are set forth below, giving consideration to the investments and acquisitions in 2004 and 2005, as if such transactions occurred as of the beginning of 2004, assuming revenue sharing arrangements had been in effect for the entire period and after making certain other pro forma adjustments.

	Year Ended December 31,	
	2004	2005
Revenue	$ 764,889	$ 951,131
Net Income	101,284	122,339
Earnings per share basic	$ 3.34	$ 3.61
Earnings per share diluted	2.74	2.91

In conjunction with certain acquisitions, the Company has entered into agreements and is contingently liable, upon achievement of specified financial targets, to make additional purchase payments of up to $174,291 through 2011. If measured as of December 31, 2005, the aggregate amount payable under these agreements would be $9,291.

Many of the Company's operating agreements provide Affiliate managers a conditional right to require AMG to purchase their retained equity interests at certain intervals. Certain agreements also provide AMG a conditional right to require Affiliate managers to sell their retained equity interests to the Company at certain intervals and 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. As one measure of the potential magnitude of such purchases, in the event that a triggering event and resulting purchase occurred with respect to all such retained equity interests as of December 31, 2005, the aggregate amount of these payments would have totaled approximately $1,021,128. In the event that all such transactions were closed, AMG would own the prospective cash flow distributions of all equity interests that would be purchased from the Affiliate managers. As of December 31, 2005, this amount would represent approximately $137,627 on an annualized basis.

14. Goodwill and Acquired Client Relationships

In 2004 and 2005, the Company completed new investments, acquired additional interests in existing Affiliates and transferred certain interests to Affiliate management. The goodwill resulting from the acquisition of First Asset is not deductible for tax purposes. The other goodwill generated during this period is deductible for tax purposes. The increase in goodwill associated with transactions with consolidated investments, net of the cost of transferred interests, the carrying amounts of goodwill, as well as the impact of foreign currency translation, are reflected in the following table for each of the Company's operating segments, which are discussed in greater detail in Note 21:

	Mutual Fund	Institutional	High Net Worth	Total
Balance, as of December 31, 2003	$ 309,770	$ 263,851	$ 177,986	$ 751,607
Goodwill acquired, net	35,961	92,998	8,001	136,960
Balance, as of December 31, 2004	345,731	356,849	185,987	888,567
Goodwill acquired, net	85,940	81,316	26,540	193,796
Foreign currency translation	4,681	4,572	1,633	10,886
Balance, as of December 31, 2005	$ 436,352	$ 442,737	$ 214,160	$ 1,093,249

In connection with the Company's equity method investments, approximately $171,500 and $186,600 of goodwill have been classified within Equity investments in Affiliates as of December 31, 2004 and 2005, respectively.

The following table reflects the components of intangible assets of consolidated investments as of December 31, 2004 and 2005:

	2004		2005	
	Carrying Amount	Accumulated Amortization	Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Acquired client relationships	$ 279,595	$ 84,237	$ 336,549	$ 109,108
Non-amortized intangible assets:				
Acquired client relationships mutual fund management contracts	245,051		256,251	
Goodwill	888,567		1,093,249	

For the Company's consolidated investments, definite-lived acquired client relationships are amortized over their expected useful lives. As of December 31, 2005, these relationships were being amortized over a weighted average life of approximately 12 years. Amortization expense was $16,176, $18,339 and $24,873 for the years ended December 31, 2003, 2004 and 2005, respectively. The Company estimates that amortization expense will be approximately $27,500 per year from 2006 through 2010, assuming no additional investments in new or existing Affiliates.

In connection with the Company's equity method investments, approximately $79,100 and $93,800 of amortizable acquired client relationships have been classified within Equity investments in Affiliates, as of December 31, 2004 and 2005, respectively. These acquired client relationships are amortized over their expected useful lives. As of December 31, 2005, these relationships were being amortized over a weighted average life of approximately 11 years. Amortization expense of $908 and $8,483 was recorded relating to these acquired client relationship in 2004 and 2005, respectively. The Company estimates that amortization expense will be approximately $9,200 per year from 2006 through 2010, assuming no additional investment in equity method affiliates.

As a result of the issuance of Affiliate equity interests to certain employees, the Company's Affiliate ownership percentage in those Affiliates decreased. Accordingly, the Company reported a decrease in its stockholders' equity and the carrying value of its investments (primarily goodwill and acquired client relationships) of approximately $7,500 in 2004, and an increase in stockholders' equity and the carrying value of its investments of approximately $2,200 in 2005.

15. Stockholders' Equity

Preferred Stock

The Company is authorized to issue up to 5,000,000 shares of Preferred Stock in classes or series and to fix the designations, powers, preferences and the relative, participating, optional or other special rights of the shares of each series and any qualifications, limitations and restrictions thereon as set forth in the stock certificate. Any such Preferred Stock issued by the Company may rank prior to common stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of common stock.

Common Stock

The Company's Board of Directors has authorized the issuance of up to 80,000,000 shares of Voting Common Stock and 3,000,000 shares of Class B Non-Voting Common Stock. In April 2000, the Company's Board of Directors authorized a share repurchase program permitting AMG to repurchase up to 5% of its issued and outstanding shares of common stock. In July 2002 and April 2003, the Board of Directors approved an increase to the existing share repurchase program, in each case authorizing AMG's repurchase of up to an additional 5% of its issued and outstanding shares of common stock. In January 2004, the Company's Board of Directors authorized share repurchase programs in connection with the issuance of the Company's 2004 PRIDES, pursuant to which the Company was authorized to repurchase (i) up to 3.0 million shares of common stock at the time of the closing of the Company's 2004 PRIDES and (ii) an additional 1.5 million shares through February 2005. The timing and amount of purchases are determined at the discretion of AMG's management. In the year ended December 31, 2004, the Company repurchased 3.5 million shares of common stock at an average price of $55.72 per share. In the year ended December 31, 2005, the Company repurchased 1.2 million shares of common stock at an average price of $76.10 per share. As of December 31, 2005, the Company had the ability to acquire up to 760,515 shares of common stock under its authorized share repurchase program.

In 2005, the Company net settled a forward equity sale agreement for approximately $14,000 in cash, which was recorded as a reduction to stockholders' equity.

Convertible Securities

The Company's 2004 PRIDES contain freestanding forward contracts that require holders to purchase shares of the Company's common stock at a certain date in the future. Additionally, the Company's zero coupon and floating rate convertible securities both contain an embedded right for holders to receive shares of the Company's common stock under certain conditions. All of these arrangements and the forward equity sale agreement (described above) meet the definition of equity under FASB Emerging Issues Task Force Abstract No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock" and are not considered derivative instruments under FAS 133 or required to be accounted for separately.

Stock Option and Incentive Plans

The Company established the 1997 Stock Option and Incentive Plan (as amended and restated), under which it is authorized to grant options to employees, directors and other key persons. In 2002, stockholders approved an amendment to increase the number of shares of common stock authorized for issuance under this plan to 7,875,000.

In 2002, the Company's Board of Directors established the 2002 Stock Option and Incentive Plan, under which the Company is authorized to grant non-qualified stock options and certain other awards to employees and directors. This plan requires that the majority of grants under the plan in any three-year period must be issued to employees of the Company who are not executive officers or directors of the Company. This plan has not been approved by the Company's shareholders. There are 3,375,000 shares of the Company's common stock authorized for issuance under this plan.

The plans are administered by a committee of the Board of Directors. The exercise price of the stock options is the fair market value of the common stock on the date of grant, or such other amount as the committee may determine in accordance with the relevant plan. The options expire seven to ten years after the grant date.

In December 2003, the Board of Directors approved an amendment to each of the Company's stock option agreements to accelerate the vesting of the then-outstanding unvested options. The shares issuable upon the exercise of the accelerated options remain subject to restrictions on transfer which lapse according to specified schedules, for so long as the option holder remains employed by the Company. In the event the option holder ceases to be employed, the transferability restrictions will remain outstanding until December 2010. All shares received upon exercise remain the property of the holder under any circumstance subject to transfer restrictions.

The following table summarizes the transactions of the Company's stock option and incentive plans:

	Number of Shares	Weighted Average Exercise Price
Unexercised options outstanding December 31, 2002	6,400,510	$ 31.20
Activity in 2003		
Options granted	1,873,312	43.20
Options exercised	(515,111)	22.46
Options forfeited	(55,407)	37.41
Unexercised options outstanding December 31, 2003	7,703,304	$ 34.66
Activity in 2004		
Options granted	1,931,250	53.93
Options exercised	(717,577)	27.31
Options forfeited	(122,221)	41.99
Unexercised options outstanding December 31, 2004	8,794,756	$ 39.39
Activity in 2005		
Options granted	105,000	74.71
Options exercised	(1,036,005)	28.66
Options forfeited	(55,362)	43.38
Unexercised options outstanding December 31, 2005	7,808,389	$ 41.26
Exercisable options		
December 31, 2003	7,636,506	$ 34.59
December 31, 2004	8,704,755	39.28
December 31, 2005	7,693,767	40.93

The following table summarizes information about the Company's stock options at December 31, 2005:

	Options Outstanding			Options on Which Transferability Restriction has Lapsed	
Range of Exercise Prices	Number Outstanding as of 12/31/05	Weighted Avg. Remaining Contractual Life (years)	Weighted Avg. Exercise Price	Number Outstanding as of 12/31/05	Weighted Avg. Exercise Price
$ 0-10	1,500	2.8	$ 9.50	1,500	$ 9.50
10-20	588,762	2.9	17.54	588,762	17.54
20-30	590,034	4.2	26.07	590,034	26.07
30-40	2,176,579	4.2	35.24	2,007,445	35.35
40-50	3,389,014	6.0	44.89	2,206,788	45.02
50-60	75,000	8.3	50.51	37,500	50.51
60-70	897,500	8.9	63.36	95,374	63.34
70-80	45,000	9.6	71.75	11,249	71.75
80-90	45,000	10.0	81.83		
	7,808,389	5.5	$ 41.26	5,538,652	$ 36.97

The Company periodically issues Affiliate equity interests to certain Affiliate employees. The estimated fair value of equity granted in these awards, net of estimated forfeitures, is recorded as compensation expense over the service period as equity based compensation.

16. 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 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.

	Year Ended December 31,		
	2003	**2004**	**2005**
Numerator:			
Net Income	$ 60,528,000	$ 77,147,000	$ 119,069,000
Interest expense on contingently convertible securities, net of taxes	2,293,000	3,016,000	6,693,000
Net income, as adjusted	$ 62,821,000	$ 80,163,000	$ 125,762,000

	Year Ended December 31,		
	2003	**2004**	**2005**
Denominator:			
Average shares outstanding basic	31,867,989	29,994,560	33,667,542
Effect of dilutive instruments:			
Stock options	838,788	1,552,613	2,244,874
Forward equity agreement		41,550	88,654
Contingently convertible securities	7,406,263	8,055,953	8,688,585
Average shares outstanding diluted	40,113,040	39,644,676	44,689,655

The calculation of diluted earnings per share in the years ended December 31, 2003, 2004, and 2005 excludes the effect of the potential exercise of options to purchase approximately 2.9, 0.9 and 0.1 million common shares, respectively, because the effect would be anti-dilutive. This calculation also excludes the effect of any potential exercise of the forward purchase contract component of the 2004 PRIDES and the 2001 PRIDES (prior to the August 2004 exercise), because the effect would have been anti-dilutive.

In April 2005, the Company net settled a forward equity sale agreement. Prior to the settlement of the forward equity sale agreement, the Company was required to use the treasury stock method to measure potentially issuable shares, which are reflected in the adjustments above.

As more fully discussed in Note 7, the Company has zero coupon convertible notes and floating rate convertible securities which are convertible into shares of the Company's common stock upon certain conditions. The aggregate number of shares of common stock that could be issued in the future to settle these securities are deemed outstanding for the purposes of the calculation of diluted earnings per share. This approach, referred to as the if-converted method, requires that such shares be deemed outstanding regardless of whether the notes are then contractually convertible into the Company's common stock. For this if-converted calculation, the interest expense (net of tax) attributable to these securities is added back to Net Income, reflecting the assumption that the securities have been converted.

For the years ended December 31, 2003, 2004 and 2005, the Company repurchased approximately 1.2, 3.5 and 1.2 million shares of common stock, respectively, under various stock repurchase programs.

17. Financial Instruments and Risk Management

The Company is exposed to market risks brought on by changes in interest and currency exchange rates. The Company does not enter into foreign currency transactions or derivative financial instruments to reduce risks associate with changes in currency exchange rates. The Company uses derivative financial instruments to reduce risks associated with changes in interest rates.

(a) Notional amounts and credit exposures of derivatives

The notional amount of derivatives does not represent amounts that are exchanged by the parties, and thus are not a measure of the Company's exposure. The amounts exchanged are calculated on the basis of the notional or contract amounts, as well as on other terms of the interest rate swap derivatives and the volatility of these rates and prices.

The Company would be exposed to credit-related losses in the event of nonperformance by the counter parties that issued the financial instruments, although the Company does not expect that the counter parties to interest rate swaps will fail to meet their obligations, given their typically high credit ratings. The credit exposure of derivative contracts is represented by the positive fair value of contracts at the reporting date, reduced by the effects of master netting agreements. The Company generally does not give or receive collateral on interest rate swaps because of its own credit rating and that of its counter parties.

(b) Interest Rate Risk Management

From time to time, the Company enters into interest rate swaps to reduce exposure to interest rate risk connected to existing 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. The Company agrees with another party to exchange the difference between fixed-rate and floating rate interest amounts calculated by reference to an agreed notional principal amount.

(c) Fair Value

Financial Accounting Standard No. 107 ("FAS 107"), "Disclosures about Fair Value of Financial Instruments," requires the Company to disclose the estimated fair values for certain of its financial instruments. Financial instruments include items such as loans, interest rate contracts, notes payable and other items as defined in FAS 107.

Fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Quoted market prices are used when available; otherwise, management estimates fair value based on prices of financial instruments with similar characteristics or by using valuation techniques such as discounted cash flow models. Valuation techniques involve uncertainties and require assumptions and judgments regarding prepayments, credit risk and discount rates. Changes in these assumptions will result in different valuation estimates. The fair value presented would not necessarily be realized in an immediate sale nor are there typically plans to settle liabilities prior to contractual maturity. Additionally, FAS 107 allows companies to use a wide range of valuation techniques; therefore, it may be difficult to compare the Company's fair value information to other companies' fair value information.

The carrying amount of 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 approximate 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 revolving credit facility with variable interest based on selected short-term rates. The fair market value of the zero coupon senior convertible debt, the floating rate senior convertible securities, and the 2004 mandatory convertible debt at December 31, 2005 was $188,046, $575,007 and $353,700, respectively.

18. Selected Quarterly Financial Data (Unaudited)

The following is a summary of the quarterly results of operations of the Company for the years ended December 31, 2004 and 2005.

	2004			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 151,634	$ 158,562	$ 165,846	$ 183,955
Operating income	61,660	66,412	64,397	75,413
Income before income taxes	30,797	31,534	27,998	38,764
Net Income	18,170	18,920	16,799	23,258
Earnings per share diluted	$ 0.47	$ 0.51	$ 0.46	$ 0.58

	2005			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Revenue	$ 201,612	$ 208,257	$ 234,126	$ 272,497
Operating income	74,492	75,783	80,769	104,011
Income before income taxes	41,215	41,653	45,254	61,530
Net Income	25,553	26,241	28,510	38,764
Earnings per share diluted	$ 0.61	$ 0.63	$ 0.67	$ 0.90

The earnings per share measures presented above reflect the retroactive application of EITF 04-08 to each of the periods presented (see Note 1). If the Company did not apply EITF 04-08 to these periods, the measures would have been higher by approximately 17% in 2004 and 5% in 2005.

In each of the quarters in 2005, the Company experienced an increase in revenue (and consequently operating income, income before income taxes, Net Income and Earnings per share) from the same period in 2004, primarily as a result of the Company's investments in new Affiliates in 2004 and 2005, and, to a lesser extent from positive investment performance and cash flows.

19. Related Party Transactions

The Company recorded amounts payable to Affiliate partners of $18,518 and $4,567 in connection with the purchase of additional Affiliate equity interests in 2004 and 2005, respectively. The total amount due to Affiliate partners as of December 31, 2005 was $21,957, of which $14,127 is due in 2006 and is included as a current liability.

The Company recorded recourse notes receivable from Affiliate partners of $5,205 in connection with the transfer of Affiliate equity interests in 2005. The total amount due from Affiliate partners as of December 31, 2005 was $6,710.

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.

20. Summarized Financial Information of Equity Affiliates

The following table presents summarized financial information for the year ended December 31, 2005 on a combined 100 percent basis of the Affiliate investments accounted for by the equity method.

Amounts presented include the accounts of AQR, Beutel, and Deans Knight. Investments accounted for under the equity method were not significant in years prior to 2005.

Current assets	$ 158,676
Noncurrent assets	108,028
Current liabilities	23,612
Noncurrent liabilities	1,741
Revenue	269,004
Net Income	211,985

The Company's share of undistributed earnings from equity method investments totaled $21,062 as of December 31, 2005.

21. Segment Information

Financial Accounting Standard No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("FAS 131"), establishes disclosure requirements relating to operating segments in annual and interim financial statements. Management has assessed the requirements of FAS 131 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 wealthy individuals, family trusts and managed account programs.

During the third quarter of 2005, the Company amended its definition of the Mutual Fund distribution channel in conjunction with its acquisition of First Asset, which increased the number of investment products managed by its Affiliates that are registered abroad. As a result, certain reclassifications have been made to prior period financial results of the Company's operating segments to conform them to the amended definition. These reclassifications are not material to the financial results of any of the Company's operating segments.

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.

	2003			
	Mutual Fund	**Institutional**	**High Net Worth**	**Total**
Revenue	$ 195,838	$ 169,642	$ 129,549	$ 495,029
Operating expenses:				
Depreciation and amortization	1,749	13,977	6,681	22,407
Other operating expenses	104,696	95,483	74,928	275,107
	106,445	109,460	81,609	297,514
Operating income	89,393	60,182	47,940	197,515
Non-operating (income) and expenses:				
Investment and other income	(2,948)	(1,833)	(3,464)	(8,245)
Interest expense	9,855	7,149	5,972	22,976
	6,907	5,316	2,508	14,731
Income before minority interest and income taxes	82,486	54,866	45,432	182,784
Minority interest	(32,529)	(28,473)	(19,950)	(80,952)
Income before income taxes	49,957	26,393	25,482	101,832
Income taxes	20,267	10,712	10,325	41,304
Net Income	$ 29,690	$ 15,681	$ 15,157	$ 60,528
Total assets	$ 672,142	$ 523,736	$ 323,327	$ 1,519,205
Goodwill	$ 309,770	$ 263,851	$ 177,986	$ 751,607

	2004			
	Mutual Fund	**Institutional**	**High Net Worth**	**Total**
Revenue	$ 261,858	$ 262,356	$ 135,783	$ 659,997
Operating expenses:				
Depreciation and other amortization	1,854	13,715	9,139	24,708
Other operating expenses	143,592	144,704	79,111	367,407
	145,446	158,419	88,250	392,115
Operating income	116,412	103,937	47,533	267,882
Non-operating (income) and expenses:				
Investment and other income	(4,361)	(2,866)	(1,233)	(8,460)
Interest expense	13,515	11,961	6,249	31,725
	9,154	9,095	5,016	23,265
Income before minority interest and income taxes	107,258	94,842	42,517	244,617

	2004			
Minority interest	(43,948)	(49,872)	(21,704)	(115,524)
Income before income taxes	63,310	44,970	20,813	129,093
Income taxes	25,478	18,081	8,387	51,946
Net Income	$ 37,832	$ 26,889	$ 12,426	$ 77,147
Total assets	$ 779,824	$ 791,300	$ 362,297	$ 1,933,421
Goodwill	$ 345,731	$ 356,849	$ 185,987	$ 888,567

75

	2005			
	Mutual Fund	Institutional	High Net Worth	Total
Revenue	$ 400,344	$ 384,440	$ 131,708	$ 916,492
Operating expenses:				
Depreciation and amortization	4,173	17,836	9,893	31,902
Other operating expenses	235,395	230,809	83,331	549,535
	239,568	248,645	93,224	581,437
Operating income	160,776	135,795	38,484	335,055
Non-operating (income) and expenses:				
Investment and other income	(4,887)	(29,491)	(1,908)	(36,286)
Interest expense	15,645	17,235	4,546	37,426
	10,758	(12,256)	2,638	1,140
Income before minority interest and income taxes	150,018	148,051	35,846	333,915
Minority interest	(59,625)	(66,539)	(18,099)	(144,263)
Income before income taxes	90,393	81,512	17,747	189,652
Income taxes	33,648	30,326	6,609	70,583
Net Income	$ 56,745	$ 51,186	$ 11,138	$ 119,069
Total assets	$ 871,282	$ 1,100,925	$ 349,429	$ 2,321,636
Goodwill	$ 436,352	$ 442,737	$ 214,160	$ 1,093,249

As of December 31, 2004 an equity method investment of $252,597 is included in the total assets of the Institutional segment. As of December 31, 2005 equity method investments of $8,717, $282,189 and $10,570 are included in the total assets of the Mutual Fund, Institutional and High Net Worth segments, respectively.

22. Subsequent Events

On March 9, 2006, the Board of Directors of the Company authorized a call spread option arrangement with a major securities firm, whereby the Company will be permitted to purchase (in certain future periods) an aggregate of approximately 1,750,000 shares of common stock at a price equal to the market value of the stock at the time the Company enters into the arrangement. The Company currently intends to enter into such an arrangement to purchase a substantial portion of the shares in quarterly installments in 2007. If the market price of the common stock exceeds the specified price at any such interval, the Company may elect to receive the difference, up to a specified maximum amount, in cash proceeds or shares of the Company's common stock. Alternatively, the Company may elect not to exercise its option to purchase shares in any given quarter.

In addition, on March 9, 2006, the Board of Directors of the Company authorized a share repurchase program, permitting the Company to repurchase up to 1,000,000 shares of common stock, in addition to those shares purchased pursuant to the Company's previously authorized share repurchase programs. Purchases may be made in the open market or in privately negotiated transactions, including through the use of derivative instruments, from time to time at management's discretion.

Schedule II
Valuation and Qualifying Accounts

(in thousands)	Balance Beginning of Period	Additions Charged to Costs and Expenses	Balance End of Period
Income Tax Valuation Allowance Year Ending December 31,			
2005	$ 10,337	$ 1,760	$ 12,097
2004	6,615	3,722	10,337
2003	4,810	1,805	6,615

77

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

None.

Item 9A. Controls and Procedures

As required by Rule 13a-15 under the Exchange Act, as of December 31, 2005, 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. In designing and evaluating our disclosure controls and procedures, we and our management 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. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. We review on an ongoing basis and document our disclosure controls and procedures, and our internal controls and procedures 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. See Item 8 for "Management's Report on Internal Control over Financial Reporting."

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 fiscal quarter ended December 31, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information relating to our directors and officers and our codes of ethics is set forth in our proxy statement for our 2006 Annual Meeting of stockholders (to be filed within 120 days after December 31, 2005) (the "Proxy Statement"), and is incorporated herein by reference.

Item 11. Executive Compensation

Information relating to executive compensation is set forth in our Proxy Statement, and is incorporated herein by reference.

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

Information relating to security ownership of certain beneficial owners and management and related stockholders matters is set forth in our Proxy Statement, and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

Information relating to certain relationships and related transactions is set forth in our Proxy Statement, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

Information relating to principal accountant fees and services is set forth in our Proxy Statement, and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) Financial Statements: See Item 8 of this Annual Report on Form 10-K.
(2) Financial Statement Schedule: See Item 8 of this Annual Report on Form 10-K.
(3) Exhibits: See the Exhibit Index attached hereto and incorporated by reference herein.

(b) **Reports on Form 8-K**

We filed the following Current Reports on Form 8-K during the quarter ended December 31, 2005.

1. On October 26, 2005, we filed a Current Report on Form 8-K under Items 2.02 and 9.01.
2. On December 7, 2005, we filed a Current Report on Form 8-K under Items 2.03, 8.01 and 9.01.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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)

Date: March 15, 2006

By: /s/ SEAN M. HEALEY

Sean M. Healey
President and Chief Executive Officer

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

Signature	Title	Date
/s/ WILLIAM J. NUTT William J. Nutt	Chairman of the Board of Directors	March 15, 2006
/s/ SEAN M. HEALEY Sean M. Healey	President, Chief Executive Officer, and Director (Principal Executive Officer)	March 15, 2006
/s/ DARRELL W. CRATE Darrell W. Crate	Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Principal Accounting Officer)	March 15, 2006
/s/ RICHARD E. FLOOR Richard E. Floor	Director	March 15, 2006
/s/ HAROLD J. MEYERMAN Harold J. Meyerman	Director	March 15, 2006
/s/ RITA M. RODRIGUEZ Rita M. Rodriguez	Director	March 15, 2006
/s/ PATRICK T. RYAN Patrick T. Ryan	Director	March 15, 2006
/s/ JIDE J. ZEITLIN Jide J. Zeitlin	Director	March 15, 2006

Exhibit Index

1.1	Pricing Agreement, dated as of October 13, 2004, among the Registrant, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch International(11)
3.1	Amended and Restated Certificate of Incorporation(2)
3.2	Amendment to Amended and Restated Certificate of Incorporation(12)
3.3	Amended and Restated By-laws(2)
3.4	Certificate of Designations, Preferences and Rights of a Series of Stock(3)
4.1	Specimen certificate for shares of common stock of the Registrant(2)
4.2	Amended and restated Credit Agreement dated as of December 5, 2005 between the Registrant, Bank of America, N.A., as Administrative Agent and Swingline Lender, J.P. Morgan Chase Bank, N.A. and The Bank of New York as Co-Syndication Agents, U.S. Bank National Association and ING Capital, LLC as Co-Documentation Agents and the Several Lenders from time to time parties thereto (excluding exhibits and schedules, which we agree to furnish supplementally to the Securities and Exchange Commission upon request), including an amended schedule of lender commitments reflecting the increase of commitments to $550,000,000(13)
4.3	Liquid Yield Option Notes due May 7, 2021 (Zero Coupon-Senior) Purchase Agreement, dated as of May 1, 2001, by and between the Registrant and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated(6)
4.4	Liquid Yield Option Notes due May 7, 2021 (Zero Coupon-Senior) Indenture, dated as of May 7, 2001, First Union National Bank, Trustee(6)
4.5	Liquid Yield Option Notes due May 7, 2021 (Zero Coupon-Senior) Registration Rights Agreement, dated as of May 7, 2001, by and between the Registrant and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated(6)
4.6	Indenture, dated December 21, 2001, between the Registrant and First Union National Bank, as Trustee(7)
4.7	First Supplemental Indenture, dated December 21, 2001, between the Registrant and First Union National Bank, as Trustee(7)
4.8	Purchase Contract Agreement, dated December 21, 2001, between the Registrant and First Union National Bank, as Purchase Contract Agent(7)
4.9	Pledge Agreement, dated December 21, 2001, between the Registrant and First Union National Bank, as Collateral Agent, Custodial Agent, Purchase Contract Agent and Securities Intermediary(7)
4.10	Remarketing Agreement, dated December 21, 2001, by and among the Registrant, First Union National Bank, as Purchase Contract Agent, and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated as Remarketing Agent and Reset Agent(7)
4.11	Form of Income Prides Certificate (included as Exhibit A to Exhibit 4.8)(7)
4.12	Form of Growth Prides Certificate (included as Exhibit B to Exhibit 4.8)(7)
4.13	Form of 6% Senior Note (included as part of Exhibit 4.7)(7)
4.14	Floating Rate Convertible Senior Debentures due February 25, 2033 Purchase Agreement, dated as of February 19, 2003, by and between the Registrant and Merrill Lynch, Pierce, Fenner & Smith Incorporated(16)
4.15	Floating Rate Convertible Senior Debentures due February 25, 2033 Indenture, dated as of February 19, 2003, The Bank of New York, Trustee(16)

4.16	Floating Rate Convertible Senior Debentures due February 25, 2033 Registration Rights Agreement, dated as of February 25, 2003, by and between the Registrant and Merrill Lynch, Pierce, Fenner & Smith Incorporated(16)
4.17	Purchase Agreement (2004 PRIDES), dated February 6, 2004, by and among Affiliated Managers Group, Inc., Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated(8)
4.18	Second Supplemental Indenture, dated February 12, 2004, between Affiliated Managers Group, Inc. and The Bank of New York, as Trustee(8)
4.19	Purchase Contract Agreement (2004 PRIDES), dated February 12, 2004, between Affiliated Managers Group, Inc. and The Bank of New York, as Purchase Contract Agent(8)
4.20	Pledge Agreement (2004 PRIDES), dated February 12, 2004, between Affiliated Managers Group, Inc. and The Bank of New York, as Collateral Agent, Custodial Agent, Purchase Contract Agent and Securities Intermediary(8)
4.21	Remarketing Agreement (2004 PRIDES), dated February 12, 2004, by and among Affiliated Managers Group, Inc., The Bank of New York, as Purchase Contract Agent, and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated as Remarketing Agent and Reset Agent(8)
4.22	Registration Rights Agreement (2004 PRIDES), dated February 12, 2004, by and among Affiliated Managers Group, Inc. and Merrill Lynch & Co., Merrill Lynch, Pierce, Fenner & Smith Incorporated(8)
4.23	Form of 4.125% Senior Note (2004 PRIDES) (included as part of Exhibit 4.17)
4.24	Form of Income Prides Certificate (2004 PRIDES) (included as Exhibit A to Exhibit 4.18)
4.25	Form of Growth Prides Certificate (2004 PRIDES) (included as Exhibit B to Exhibit 4.18)
10.1	Affiliated Managers Group, Inc. Defined Contribution Plan(4)
10.2	Affiliated Managers Group, Inc. Long-Term Executive Incentive Plan(5)
10.3	Affiliated Managers Group, Inc. Amended and Restated 1997 Stock Option and Incentive Plan(9)
10.4	Affiliated Managers Group, Inc. Amended and Restated 2002 Stock Option and Incentive Plan(9)
10.5	Amended and Restated Credit Agreement, dated as of August 17, 2004, by and among the Registrant, Bank of America, N.A., as administrative agent, JP Morgan Chase Bank, as syndication agent, The Bank of New York, as documentation agent, and the several lenders from time to time parties thereto(10)
10.6	Credit Agreement, dated as of August 30, 2004, by and among the Registrant, The Bank of New York, as administrative agent, and the several banks and other financial institutions from time to time parties thereto, as lenders(10)
10.7	Pledge and Security Agreement, dated as of August 17, 2004, by and among the Registrant, the Bank of America, N.A., as agent, and the several lenders from time to time parties to the Amended and Restated Credit Agreement(10)
10.8	Pledge and Security Agreement, dated as of August 30, 2004, by and among the Registrant, The Bank of New York, as agent, and the several lenders from time to time parties to the Credit Agreement(10)
10.9	Confirmation of Forward Stock Sale Transaction, dated as of October 13, 2004, among the Company, Merrill Lynch, Pierce, Fenner & Smith Incorporated and Merrill Lynch International(11)
10.10	Affiliated Managers Group, Inc. Long-Term Stock and Investment Plan(12)
10.11	Affiliated Managers Group, Inc. Executive Retention Plan(14)

10.12	Affiliated Managers Group, Inc. Amended and Restated Policy Regarding Special Trading Procedures(15)
21.1	Schedule of Subsidiaries(1)
23.2	Consent of PricewaterhouseCoopers LLP(1)
31.1	Certification of Registrant's Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)
31.2	Certification of Registrant's Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002(1)
32.1	Certification of Registrant's Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(1)
32.2	Certification of Registrant's Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002(1)

Indicates a management contract or compensatory plan

(1) Filed herewith

(2) Incorporated by reference to the Registrant's Registration Statement on Form S-1 (No. 333-34679), filed August 29, 1997, as amended

(3) Incorporated by reference to the Registrant's Registration Statement on Form S-3 (No. 333-71561), filed February 1, 1999, as amended

(4) Incorporated by reference to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1999

(5) Incorporated by reference to the Registrant's Proxy Statement on Schedule 14A filed April 19, 2000

(6) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed May 15, 2001

(7) Incorporated by reference to the Registrant's Current Report on Form 8-K filed December 31, 2001

(8) Incorporated by reference to the Registrant's Current Report on Form 8-K filed February 23, 2004

(9) Incorporated by reference to the Registrant's Quarterly Report or Form 10-Q filed May 10, 2004

(10) Incorporated by reference to the Registrants Current Report on Form 8-K filed September 3, 2004

(11) Incorporated by reference to the Registrant's Current Report or Form 8-K filed October 15, 2004

(12) Incorporated by reference to the Registrant's Registration Statement on Form S-8 (No. 333-129748) filed November 16, 2005

(13) Incorporated by reference to the Registrant's Current Report on 8-K filed December 7, 2005

(14) Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q filed October 9, 2005

(15)

Incorporated by reference to the Registrant's Current Report on Form 8-K filed January 25, 2006

(16)
Incorporated by reference to the Registrant's Current Report on Form 10-K filed March 31, 2003