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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)

/X/ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 1997

OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

Commission File Number 001-13459

AFFILIATED MANAGERS GROUP, INC.

(Exact name of registrant as specified in its charter)

DELAWARE	04-3218510
(State or other jurisdiction or incorporation or organization)	(IRS Employer Identification Number)

TWO INTERNATIONAL PLACE, BOSTON, MASSACHUSETTS, 02110

(Address of principal executive offices)

(617) 747-3300

(Registrant's telephone number, including area code)

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock ($.01 par value)	New York Stock Exchange

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /X/

Aggregate market value of the voting and non-voting common stock held by non-affiliates of the Registrant, based upon the closing price of $37.125 on March 13, 1998 on the New York Stock Exchange was $314,705,766. Calculation of holdings by non-affiliates is based upon the assumption, for these purposes only, that executive officers, directors, and persons holding 10% or more of the Registrant's Common Stock (including the Registrant's Common Stock, $.01 par value per share and the Registrant's Class B Non-Voting Common Stock, $.01 par value per share, as if they were a single class) are affiliates. Number of shares of the Registrant's Common Stock outstanding at March 13, 1998: 17,703,617 including 2,636,800 shares of Class B Non-Voting Common Stock. Unless otherwise specified, the term Common Stock includes both Common Stock and Class B Non-Voting Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

The information called for by Part III of this report on Form 10-K is incorporated by reference to certain portions of the Proxy Statement of the Registrant to be filed pursuant to Regulation 14A and sent to stockholders in connection with the Annual Meeting of Stockholders to be held on May 20, 1998. Such Proxy Statement, except for the parts therein which have been specifically incorporated herein by reference, shall not be deemed "filed" as part of this report on Form 10-K.

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FORM 10-K
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PART I

ITEM 1. BUSINESS

OVERVIEW

Affiliated Managers Group, Inc. ("AMG" or the "Company") is an asset management holding company which acquires majority interests in mid-sized investment management firms. The Company's strategy is to generate growth through investments in new affiliates, as well as through the internal growth of existing affiliated firms. With the completion of its investment in Essex Investment Management Company, LLC ("Essex"), the Company's most recent investment, AMG has grown since its founding in December 1993, to eleven investment management firms (the "Affiliates") with approximately $50 billion in assets under management.

AMG has developed an innovative transaction structure (the "AMG Structure"), which it believes addresses the succession planning needs of growing mid-sized investment management firms. The Company believes that the AMG Structure appeals to target firms for both financial and operational reasons:

- The AMG Structure allows owners of mid-sized investment management firms to sell a portion of their interest, while ongoing management retains a significant ownership interest with the opportunity to realize value for that interest in the future.

- The AMG Structure provides management owners of each Affiliate with autonomy over the day-to-day operations of their firm, and includes a revenue sharing arrangement which provides that a specified percentage of revenues are retained to pay operating expenses at the discretion of the Affiliate's management.

The Company believes that the AMG Structure distinguishes AMG from most other acquirers of investment management firms which generally seek to own 100% of their target firms and, in many cases, seek to participate in the day-to-day management of such firms. AMG believes that the opportunity for managers of each Affiliate to realize the value of their retained equity interest makes the AMG Structure particularly appealing to managers of firms who anticipate strong future growth and provides those managers with an ongoing incentive to continue to grow their firm.

AMG's Affiliates manage assets across a diverse range of investment styles, asset classes and client types, with significant participation in fast-growing segments such as equities, global investments and mutual funds. On a pro forma basis(1), for the year ended December 31, 1997, investments in equity securities represented 84% of EBITDA Contribution(2), while global investments represented 38% of EBITDA Contribution. For the same period, mutual fund assets represented 31% of EBITDA Contribution on a pro forma basis. Other asset classes, including fixed income, represented 16% of EBITDA Contribution; domestic investments represented 62% of EBITDA Contribution; and institutional, high net worth and other client types represented 69% of EBITDA Contribution for the same period and on the same basis.

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(1) Throughout this document, the use of the term "pro forma" assumes that the Company's investment in each Affiliate (other than Essex, in which the Company invested on March 20, 1998) occurred on January 1, 1997.

(2) EBITDA Contribution represents the portion of an Affiliate's revenues that is allocated to the Company, after amounts retained by the Affiliate for compensation and day-to-day operating and overhead expenses, but before the interest, tax, depreciation and amortization expenses of the Affiliate. EBITDA Contribution does not include holding company expenses. The Company believes that EBITDA Contribution may be useful to investors as an indicator of each Affiliate's contribution to the Company's ability to service debt, to make new investments and to meet working capital requirements. EBITDA Contribution is not a measure of financial performance under generally accepted accounting principles and should not be considered an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. EBITDA Contribution and EBITDA, as calculated by the Company, may not be consistent with comparable computations by other companies.

THE INDUSTRY

ASSETS UNDER MANAGEMENT

The investment management sector is one of the fastest growing sectors in the financial services industry. According to U.S. Federal Reserve "Flow of Funds Account" data, from 1992-1997, mutual fund assets under management (excluding money market funds) grew at a compound annual growth rate of approximately 21.9%, while the aggregate assets managed on behalf of pension funds increased at a compound annual growth rate of approximately 12.1%. These assets, which totaled over $9.5 trillion in 1997, represent only a portion of the funds available for investment management. In addition, substantial assets are managed on behalf of individuals in separate accounts, for foundations and endowments, as a portion of certain insurance contracts such as variable annuity plans and on behalf of corporations and other financial intermediaries. The Company believes that demographic trends and the ongoing disintermediation of bank deposits and life insurance reserves will result in continued growth of the investment management industry.

INVESTMENT ADVISERS

The growth in industry assets under management has resulted in a significant increase in the number of investment management firms within AMG's principal targeted size range of $500 million to $10 billion of assets under management. Within this size range, the Company has identified over 1,000 investment management firms in the United States, and over 200 additional investment management firms in Canada, the United Kingdom and in other European and Asian countries. AMG believes that, in the coming years, a substantial number of investment opportunities will arise as founders of such firms approach retirement age and begin to plan for succession. The Company also anticipates that there will be significant additional investment opportunities among firms which are currently wholly-owned by larger entities. AMG believes that it is well positioned to take advantage of these investment opportunities because it has a management team with substantial industry experience and expertise in structuring and negotiating transactions, as well as a highly organized process for identifying and contacting investment prospects.

HOLDING COMPANY OPERATIONS

AMG's management performs two primary functions: (i) implementing the Company's strategy of growth through acquisitions of interests in prospective affiliates; and (ii) supporting, enhancing, and monitoring the activities of the existing Affiliates.

ACQUISITION OF INTERESTS IN PROSPECTIVE AFFILIATES

The acquisition of interests in new affiliates is a primary element of AMG's growth strategy. AMG's management is responsible for each step in the new investment process, including identification and contact of potential affiliates, and the valuation, structuring and negotiation of transactions. In general, the Company seeks to initiate its contacts with potential affiliates on an exclusive basis and does not actively seek to participate in competitive auction processes or employ investment bankers or finders. The Company and the AMG Structure have been competitive, however, in processes where investment bankers are employed. Of the Company's eleven Affiliates, four were represented by investment bankers while the remaining seven were transactions initiated by AMG's management.

AMG's management identifies and develops relationships with promising potential affiliates based on a thorough understanding of its principal target universe, mid-sized investment management firms. Using its proprietary database--comprised of data from third party vendors, public and industry sources, and AMG research--AMG screens and prioritizes prospects within its target universe. AMG also utilizes the database to monitor the level and frequency of interaction with potential affiliates. AMG's database and contact management system enhances the Company's ability to identify promising potential affiliates and to develop and maintain relationships with these firms.

AMG's management seeks to increase awareness of AMG's approach to investing by sending periodic mailings to up to 5,000 individuals involved in the industry and by participating in conferences and seminars related to succession planning for investment management firms. Such activities lead to a number of unsolicited calls to AMG by firms which are considering succession planning issues. In addition, AMG's management maintains an active calling program in order to develop relationships with prospective affiliates. The Company believes that it has established ongoing relationships with a substantial number of firms which will be considering succession planning alternatives in the future.

Once discussions with a target firm lead to transaction negotiations, AMG's management team performs all of the functions related to the valuation, structuring, and negotiation of the transaction. The Company's management team includes professionals with substantial experience in mergers and acquisitions of investment management firms.

Upon the negotiation and execution of definitive agreements, the firm contacts its clients to notify them and seek their consent to the transaction (which constitutes an assignment of the firm's investment advisory contracts) as required by the Investment Advisers Act of 1940, as amended (the "Investment Advisers Act") and, with respect to mutual fund clients, seeks new contracts (as required by the Investment Company Act of 1940, as amended (the "1940 Act")) through a proxy process.

During 1997 the Company invested in three affiliates: Gofen and Glossberg, L.L.C., GeoCapital, LLC and Tweedy, Browne Company LLC. In addition, in March, 1998 the Company completed its investment in Essex.

GOFEN AND GLOSSBERG

Gofen and Glossberg, L.L.C. is an investment counseling firm which, as of December 31, 1997, had $3.86 billion in assets under management. With its predecessor having been founded in 1932, the firm has a long history of managing assets for prominent individuals, families, retirement plans, foundations and endowments. Based in Chicago, the firm is led by its President, William H. Gofen, and its Executive Vice President, Joseph B. Glossberg.

GEOCAPITAL

GeoCapital, LLC invests in domestic small-capitalization growth and special situation equities on behalf of corporations, retirement programs, foundations, high net worth individuals and private partnerships. As of December 31, 1997, GeoCapital, LLC had $2.39 billion in assets under management. With principal offices in New York, the firm is led by its Chairman and Chief Investment Officer, Irwin Lieber, and its President, Barry K. Fingerhut.

TWEEDY, BROWNE

Tweedy, Browne Company LLC is recognized as a leading practitioner of the value-oriented investment approach first advocated by Benjamin Graham. Tweedy, Browne Company LLC manages domestic, international and global equity portfolios for institutions, individuals, partnerships, and mutual funds and, as of December 31, 1997, had $5.34 billion in assets under management. The firm, which is the successor to Tweedy & Co., a brokerage firm founded in 1920, is led by Christopher H. Browne, William H. Browne and John D. Spears. Based in New York, the firm also maintains a research office in London.

RECENT INVESTMENT: ESSEX

On March 20, 1998, the Company completed its investment (the "Essex Investment") in Essex Investment Management Company, LLC. Essex is a Boston-based manager which specializes in investing in growth equities, using a fundamental research driven approach. As of December 31, 1997, Essex

Investment Management Company, Inc. (Essex's predecessor) had $4.3 billion in assets under management. Essex is led by its Chairman Joseph C. McNay, its President Stephen D. Cutler and its Executive Vice President Stephen R. Clark. In the Essex Investment, AMG paid $69.6 million in cash and the assumption of debt and 1,750,942 shares of its Class C Convertible Non-Voting Stock, $.01 par value per share (the "Class C Stock"), for an indirect 68.0% interest in the Owner's Allocation (as defined below) of Essex. The Class C Stock is non-voting stock and carries no preferences with respect to dividends or liquidation; however, each share of Class C Stock converts into one share of Common Stock upon the earlier of March 20, 1999 or certain extraordinary events.

AFFILIATE SUPPORT

In addition to its new investment efforts, AMG seeks to support and enhance the growth and operations of its Affiliates. AMG believes that the management of each Affiliate is in the best position to assess its firm's needs and opportunities, and that the autonomy and culture of each Affiliate should be preserved. However, when requested by Affiliate management, AMG provides strategic, marketing, and operational assistance. The Company believes that these support services are attractive to the Affiliates because such services otherwise may not be as accessible or as affordable to mid-sized investment management firms.

In addition to the diverse industry experience and knowledge of AMG's senior management, AMG maintains relationships with numerous consultants whose specific expertise enhances AMG's ability to offer a wide range of assistance. Specific Affiliate support initiatives have included: new product development, marketing material development, institutional sales assistance, recruiting, compensation evaluation, regulatory compliance audits, and client satisfaction surveys. The Company also endeavors to negotiate discounted pricing on products and services useful to the operations of the Affiliates. For example, AMG has arranged discounts on services such as sales training seminars, public relations services, insurance, and retirement benefits.

AMG STRUCTURE AND RELATIONSHIP WITH AFFILIATES

As part of AMG's investment structure, each of the Affiliates is organized as a separate and largely autonomous limited liability company or partnership. Each Affiliate operates under its own limited liability company agreement or partnership agreement (such Affiliate's "organizational document") which includes provisions regarding the use of the Affiliate's revenues and the management of the Affiliate. The organizational document of each Affiliate also gives management owners the ability to realize the value of their retained equity interests in the future. While the organizational document of each Affiliate is agreed upon at the time of AMG's investment, from time to time amendments are made to such organizational documents to accommodate business needs of the Affiliate or AMG.

OPERATIONAL AUTONOMY OF AFFILIATES

The management provisions in each organizational document are jointly developed by AMG and the Affiliate's senior management at the time AMG makes its investment. These provisions, while varying among Affiliates, provide for delegation to the Affiliate's management team of the power and authority to carry on the day-to-day operation and management of the Affiliate, including matters relating to personnel, investment management policies and fee structures, product development, client relationships and employee compensation programs. AMG does, however, retain the authority to prevent certain specified types of actions which AMG believes could adversely affect cash distributions to AMG. For example, none of the Affiliates may incur material indebtedness without the consent of AMG. AMG itself does not manage investments for clients, does not provide any investment management services and is not registered as an investment adviser under federal or state law.

REVENUE SHARING ARRANGEMENTS

AMG has a revenue sharing arrangement with each Affiliate which is contained in the organizational document of that Affiliate. Each such arrangement allocates a portion of revenues (typically 50-70%) for use by management of that Affiliate in paying operating expenses of the Affiliate, including salaries and bonuses (the "Operating Allocation"). The percentage of revenues included in each Affiliate's Operating Allocation is determined by AMG and the managers of the Affiliate at the time of AMG's investment, based on the Affiliate's historical and projected operating margins. The remaining portion of revenues of the Affiliate (typically 30-50%) is allocated to the owners of that Affiliate (including AMG), generally in proportion to their ownership of the Affiliate. AMG defines the portion of revenues that is allocated to the owners of each Affiliate as the "Owners' Allocation" because it is the portion of both revenues and cash flow which the Affiliate's management is prohibited from spending on operating expenses (under the Affiliate's organizational document) without the prior consent of AMG.

When AMG makes an investment in an Affiliate, the organizational document of the Affiliate includes allocation provisions that divide the revenues of the firm into the Owners' Allocation and the Operating Allocation. Before agreeing to these allocations, AMG examines the revenue and expense base of the firm and only agrees to a specific division of revenues if AMG believes that the allocation to the Operating Allocation both (i) is sufficient to provide for the payment of all operating expenses of the Affiliate, including salaries and bonuses, and (ii) includes some Excess Operating Allocation (as defined below) to provide a cushion against an increase in expenses or a decrease in revenues which is not accompanied by a corresponding decrease in operating expenses. While AMG and its management have significant experience in the asset management industry, there can be no assurance that AMG will successfully anticipate changes in the revenue and expense base of any firm and, therefore, there can be no assurance that the agreed-upon allocation of revenues to the Operating Allocation will be sufficient to pay for all operating expenses, including salaries and bonuses of the Affiliate.

One of the purposes of the revenue sharing arrangements is to provide ongoing incentives for the managers of the Affiliates. The revenue sharing arrangements are designed to allow each Affiliate's managers to participate in their firm's growth (through their compensation from the Operating Allocation and their ownership of a portion of the Owners' Allocation) and to make operating expenditures freely within the limits of the Operating Allocation. The portion of the Operating Allocation that is not used to pay salaries and other operating expenses (the "Excess Operating Allocation") is generally available to be used at the discretion of management of the Affiliate, including for the payment of bonuses or distributions to management. The managers of each Affiliate thus have an incentive to both increase revenues (thereby increasing the Operating Allocation) and to control expenses (thereby increasing the Excess Operating Allocation). The ownership by an Affiliate's management of a portion of the Affiliate, which entitles them to a portion of the Owners' Allocation, provides an important additional incentive to managers of each Affiliate to increase revenues.

The revenue sharing arrangements allow AMG to participate in the growth of revenues of each Affiliate, because as revenues increase, the Owners' Allocation also increases. However, AMG participates in that growth to a lesser extent than the managers of the Affiliate, because AMG does not participate in the growth of the Operating Allocation. In addition, according to the organizational documents of the Affiliates, the allocations and distributions to AMG generally take priority over the allocations and distributions to the management owners of the Affiliates, to further protect AMG if there are any expenses in excess of the Operating Allocation of the Affiliate. Thus, if an Affiliate's expenses exceed its Operating Allocation, the excess expenses first reduce the portion of the Owners' Allocation allocated to the Affiliate's management owners, until that portion is eliminated, and then reduce the portion allocated to AMG.

CAPITALIZATION OF RETAINED INTEREST

The incentive effect of retained equity ownership is an integral part of the AMG Structure. In order to maximize this incentive effect, the organizational documents of each Affiliate (other than Paradigm Asset Management Company, L.L.C.) include various provisions for the management owners of that Affiliate to periodically realize the equity value they have created, by requiring the Company to purchase portions of their interests in the Affiliate ("Puts"). In addition, the organizational documents of certain of the Affiliates provide AMG with the ability to require the management owners to sell portions of their interests in the Affiliate to AMG ("Calls"). Finally, the organizational documents of each Affiliate include provisions obligating each such owner to sell his or her remaining interests at a point in the future, generally after the termination of his or her employment with the Affiliate. Underlying all of these provisions is AMG's basic philosophy that management owners of each Affiliate should maintain an ownership level in that Affiliate within a range that the Company believes offers them sufficient incentives to grow and improve their business.

The Puts are designed to let the management owners of an Affiliate realize portions of the equity value they have created prior to their retirement. In addition, as an alternative to simply purchasing all of a management owner's interest in the Affiliate following the termination of his or her employment, the Puts enable AMG to purchase additional interests in the Affiliates at a more gradual rate. The Company believes that a more gradual purchase of interests in Affiliates will make it easier for AMG to keep its ownership of each Affiliate within a desired range, by transferring purchased interests in the Affiliate to more junior members of that Affiliate's management. In most cases, the Puts do not become exercisable for a period of several years from the date of AMG's investment in an Affiliate, and once exercisable, are generally limited in the aggregate to a percentage of a given management owner's ownership interests. The most common formulation among all the Affiliates is that a management owner's Puts (i) do not commence for five years from the date of AMG's investment (or, if later, the date he or she purchased his or her interest in the Affiliate), (ii) are limited, in the aggregate, to fifty percent of the interests he or she held in the Affiliate, and (iii) are limited, in any twelve-month period, to ten percent of the greatest interest he or she held in the Affiliate. In addition, the organizational documents of the Affiliates generally contain a limitation on the maximum aggregate amount that management owners of any Affiliate may require AMG to purchase pursuant to their Puts in any given twelve-month period. The purchase price for Puts to AMG is paid either in cash, AMG stock, or a combination of cash and AMG stock. If paid in cash, the purchase price for Puts is generally based on a multiple of the Owners' Allocation of the Affiliate at the time the Put is exercised, with the multiple generally having been determined at the time AMG made its initial investment (the "Fair Value Purchase Price"). If paid in stock, the most common formulation is as follows: AMG will exchange a number of shares of Common Stock equal in value to seventy-five percent of the trailing Owners' Allocation purchased in the transaction, multiplied by the multiple of trailing EBITDA at which AMG Common Stock is then trading in the public market.

The Calls are designed to provide the Company and management members of certain Affiliates with the assurance that a mechanism exists for AMG to facilitate a degree of transition within the senior management team after an agreed-upon period of time. While the Calls vary in each specific instance, in all cases, the timing, mechanism and price are agreed upon when AMG makes its investment, with the price payable in cash or AMG stock and if paid in cash, with the price generally being the Fair Value Purchase Price.

The organizational documents of each Affiliate provide that the management owners will realize the remaining equity value they have created generally following the termination of their employment with the Affiliate. In general, upon a management owner's retirement after an agreed-upon number of years, or upon his earlier death, permanent incapacity or termination without cause (but with AMG's consent), that management owner (or his estate) is required to sell to AMG (and AMG is required to purchase from the management owner) his or her remaining interests. The purchase price in these cases is paid either in cash, AMG stock or a combination of cash and AMG stock. If paid in cash, the purchase price is generally the

Fair Value Purchase Price, and if paid in stock, the most common formulation is identical to that used in the payment of a purchase price for Puts in shares of AMG stock. In general, if a management owner quits early or is terminated for cause, his or her interests will be purchased by AMG at a reduced multiple which represents a substantial discount to the Fair Value Purchase Price, and, in general, if he or she quits or is terminated for cause within the first several years following AMG's investment (or, if later, the date he or she purchased his or her interest in the Affiliate) he or she generally receives nothing for his or her retained interest.

THE AFFILIATES

In general, the Affiliates derive revenues by charging fees to their clients that are typically based on the market value of assets under management. In some instances, however, the Affiliates may derive revenues from fees based on investment performance.

AMG's Affiliates are listed below in alphabetical order and include Essex, in which AMG invested in March 1998. Unless otherwise indicated, AMG holds a majority ownership interest in each such Affiliate.

AFFILIATE	PRINCIPAL LOCATION(S)	DATE OF INVESTMENT	AMG'S EQUITY OWNERSHIP PERCENTAGE AS OF DECEMBER 31, 1997(1)	PRO FORMA ASSETS UNDER MANAGEMENT AS OF DECEMBER 31, 1997 (IN MILLIONS)
The Burridge Group LLC ("Burridge")	Chicago	December 1996	55.0%	$ 1,353
Essex Investment Management Company, LLC ("Essex")	Boston	March 1998	68.0	4,310
First Quadrant, L.P.; First Quadrant Limited (collectively, "First Quadrant")	Pasadena, CA; London	March 1996	66.1	26,735(2)
GeoCapital, LLC ("GeoCapital")	New York	September 1997	60.0	2,391
Gofen and Glossberg, L.L.C. ("Gofen and Glossberg")	Chicago	May 1997	55.0	3,857
J.M. Hartwell Limited Partnership ("Hartwell")	New York	May 1994	74.9	334
Paradigm Asset Management Company, L.L.C. ("Paradigm")	New York	May 1995	30.0	1,925
Renaissance Investment Management ("Renaissance")	Cincinnati	November 1995	66.7	1,373
Skyline Asset Management, L.P. ("Skyline")	Chicago	August 1995	62.5	1,214
Systematic Financial Management, L.P. ("Systematic")	Teaneck, NJ	May 1995	90.7	1,148
Tweedy, Browne Company LLC ("Tweedy, Browne")	New York; London	October 1997	71.2	5,343
Total				$ 49,983

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(1) Except for Essex, in which AMG invested in March 1998.

(2) Includes directly managed assets of $9.2 billion and $17.5 billion of assets indirectly managed using overlay strategies ("overlay strategies") which employ futures, options or other derivative securities to achieve a particular investment objective. These overlay strategies are intended to add incremental value to the underlying portfolios, which may or may not be directly managed by First Quadrant, and generate advisory fees which are generally at the lower end of the range of those generated by First Quadrant's directly managed portfolios.

The following table provides the pro forma composition of the Company's assets under management and relative EBITDA Contribution of the Affiliates for the year ended December 31, 1997.

All amounts below are pro forma for the inclusion of the investments in Gofen and Glossberg, GeoCapital and Tweedy, Browne as if such transactions occurred on January 1, 1997 and excludes the Essex Investment. In addition, EBITDA Contribution and other unaudited pro forma financial data reflect the Company's Recent Financing (with interest expense adjusted for the terms of the New Credit Facility) (as such terms are defined in "Management's Discussion and Analysis of Financial Condition and Results of Operation--Liquidity and Capital Resources"), the sale of Common Stock sold in the Company's initial public offering ("IPO") and the application of the net proceeds therefrom, the conversion of convertible preferred stock into Common Stock, the 50-for-1 split of each share of Common Stock outstanding prior to the IPO, and the issuance of shares of Common Stock to the shareholders of an Affiliate in exchange for an additional ownership interest in that Affiliate, all effected in connection with the initial public offering.

UNAUDITED PRO FORMA
ASSETS UNDER MANAGEMENT AND EBITDA CONTRIBUTION(1)

	YEAR ENDED DECEMBER 31, 1997			
	ASSETS UNDER MANAGEMENT (IN MILLIONS)	PERCENTAGE OF TOTAL	EBITDA CONTRIBUTION (IN THOUSANDS)	PERCENTAGE OF TOTAL
CLIENT TYPE:				
Institutional	$ 36,401	80%	$ 24,945	47%
Mutual fund	3,376	7	16,599	31
High net worth	5,276	12	8,555	16
Other	620	1	3,322	6
Total	$ 45,673	100%	$ 53,421	100%
ASSET CLASS:				
Equity	$ 25,345	56%	$ 44,953	84%
Fixed income	2,829	6	2,072	4
Tactical asset allocation	17,499	38	6,396	12
Total	$ 45,673	100%	$ 53,421	100%
GEOGRAPHY:				
Domestic investments	$ 23,425	51%	$ 33,130	62%
Global investments	22,248	49	20,291	38
Total	$ 45,673	100%	$ 53,421	100%
OTHER PRO FORMA FINANCIAL DATA:				
RECONCILIATION OF EBITDA CONTRIBUTION TO EBITDA:				
Total EBITDA Contribution (as above)			$ 53,421	
Less holding company expenses			(8,411)	
EBITDA (2)			$ 45,010	
EBITDA as adjusted (3)			$ 26,695	
OTHER HISTORICAL CASH FLOW DATA:				
Cash flow from operating activities			$ 16,205	
Cash flow used in investing activities			(327,275)	
Cash flow from financing activities			327,112	
EBITDA (2)			$ 20,044	
EBITDA as adjusted (3)			$ 10,201	

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(1) As defined by Note (2) on page 3.

(2) EBITDA represents earnings before interest, income taxes, depreciation, amortization and extraordinary item. The Company believes EBITDA may be useful to investors as an indicator of the Company's ability to service debt, to make new investments and to meet working capital requirements. EBITDA, as calculated by the Company, may not be consistent with computations of EBITDA by other companies. EBITDA is not a measure of financial performance under generally accepted accounting principles and should not be considered an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity.

(3) EBITDA as adjusted represents earnings after interest expense and income taxes but before depreciation, amortization and extraordinary item. The Company believes that this measure may be useful to investors as another indicator of funds available to the Company, which may be used to make new investments, repay debt obligations, repurchase shares of Common Stock or pay dividends on Common Stock. EBITDA as adjusted, as calculated by the Company, may not be consistent with computations of EBITDA as adjusted by other companies. EBITDA as adjusted is not a measure of financial performance under generally

accepted accounting principles and should not be considered an alternative to net income as a measure of operating performance or to cash flows from operating activities as a measure of liquidity.

COMPETITION

The Company operates as an asset management holding company organized to invest in mid-sized asset management firms. The Company believes that the market for investments in asset management companies is, and will continue to remain, highly competitive. The Company competes with many purchasers of investment management firms, including other investment management holding companies, insurance companies, broker-dealers, banks and private equity firms. Many of these companies, both privately and publicly held, have longer operating histories and greater resources than the Company, which may make them more attractive to the owners of firms in which AMG is considering an investment and may enable them to offer greater consideration to such owners. The Company is aware of several other holding companies that have been organized to invest in or acquire less than 100% of investment management firms and the Company views these firms as among its competitors. Certain of the Company's principal stockholders also pursue investments in, and acquisitions of, investment management firms, and the Company may, from time to time, encounter competition from such principal stockholders with respect to certain investments. The Company believes that important factors affecting its ability to compete for future investments are (i) the degree to which target firms view the AMG Structure as preferable, financially and operationally, to acquisition or investment arrangements offered by other potential purchasers, (ii) the attractiveness of AMG's Common Stock as a form of consideration in acquisitions, and (iii) the reputation and performance of the existing Affiliates and future affiliates, by which target firms will judge AMG and its future prospects.

The Affiliates compete with a large number of domestic and foreign investment management firms, including public companies, subsidiaries of commercial banks, and insurance companies. Many of these firms have greater resources and assets under management than any of the Affiliates, and offer a broader array of investment products and services than any of the Affiliates. From time to time, Affiliates may also compete with other Affiliates for clients. In addition, there are relatively few barriers to entry by new investment management firms, especially in the institutional managed accounts business. AMG believes that the most important factors affecting its Affiliates' ability to compete for clients are (i) the products offered, (ii) the abilities, performance records and reputation of its Affiliates and their management teams, (iii) the management fees charged, (iv) the level of client service offered, and (v) the development of new investment strategies and marketing. The importance of these factors can vary depending on the type of investment management service involved. Each Affiliate's ability to retain and increase assets under management would be adversely affected if client managed accounts underperform in comparison to relevant benchmarks, or if key management or employees leave the Affiliate. The ability of each Affiliate to compete with other investment management firms is also dependent, in part, on the relative attractiveness of their respective investment philosophies and methods under then prevailing market conditions.

GOVERNMENT REGULATION

Virtually all aspects of the Affiliates' businesses are subject to extensive regulation. Each Affiliate (other than First Quadrant Limited) is registered with the Securities and Exchange Commission (the "Commission") as an investment adviser under the Investment Advisers Act. As an investment adviser, each such Affiliate is subject to the provisions of the Investment Advisers Act and the Commission's regulations promulgated thereunder. The Investment Advisers Act imposes numerous obligations on registered investment advisers, including fiduciary, recordkeeping, operational, and disclosure obligations. Each of the Affiliates (other than First Quadrant Limited) is, as an investment adviser, also subject to regulation under the securities laws and fiduciary laws of certain states. Each of the mutual funds for which Tweedy, Browne and Skyline are advisors is registered with the Commission under the 1940 Act, shares of each such fund are registered with the Commission under the Securities Act of 1933, as amended (the "Securities Act"), and the shares of each such fund are qualified for sale (or exempt from such

qualification) under the laws of each state and the District of Columbia to the extent such shares are sold in any of such jurisdictions. In addition, each of Renaissance, Systematic and Essex are subadvisors for one or more mutual funds. As an adviser or subadviser to a registered investment company, each such Affiliate is subject to requirements under the 1940 Act and the Commission's regulations promulgated thereunder. The Affiliates are also subject to the Employee Retirement Income Security Act of 1974 ("ERISA"), and to regulations promulgated thereunder, insofar as they are "fiduciaries" under ERISA with respect to certain of their clients. ERISA and the applicable provisions of the Internal Revenue Code of 1986, as amended (the "Code") impose certain duties on persons who are fiduciaries under ERISA, and prohibit certain transactions involving the assets of each ERISA plan which is a client of an Affiliate, as well as certain transactions by the fiduciaries (and certain other related parties) to such plans. Each of First Quadrant, L.P. and Renaissance is also registered with the Commodity Futures Trading Commission as a Commodity Trading Advisor and each is a member of the National Futures Association. Tweedy, Browne is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended and is subject to regulation by the Commission, the National Association of Securities Dealers, Inc. and other federal and state agencies. As a registered broker-dealer, Tweedy, Browne is subject to the Commission's net capital rules. Under certain circumstances, these rules may limit the ability of Tweedy, Browne to make distributions to the Company.

A number of the Affiliates are subject to the laws of non-U.S. jurisdictions and non-U.S. regulatory agencies or bodies. For example, First Quadrant Limited, located in London, is a member of the Investment Management Regulatory Organisation of the United Kingdom, and Tweedy, Browne and other Affiliates are investment advisers to certain funds which are organized under non-U.S. jurisdictions, including Luxembourg (where they are regulated by the Institute Monetaire Luxembourgeois) and Bermuda (where they are regulated by the Bermuda Monetary Authority).

Under the Investment Advisers Act, every investment advisory contract between a registered investment adviser and its clients must provide that it may not be assigned by the investment adviser without the consent of the client. In addition, under the 1940 Act, each contract with a registered investment company must provide that it terminates upon its assignment. Under both the Investment Advisers Act and the 1940 Act, an investment advisory contract is deemed to have been assigned in the case of a direct "assignment" of the contract as well as in the case of a sale, directly or indirectly, of a "controlling block" of the adviser's voting securities. Such an assignment may be deemed to take place when a firm is acquired by AMG. Prior to AMG's investment, each Affiliate sought to obtain the consent of its clients to the assignment of the advisory contracts which results from the acquisition (and, in the case of mutual fund clients, sought to obtain new advisory contracts on substantially the same terms). Each investment consummated thus far has been, and the Company expects that each future investment will be, conditioned on the obtaining of such consents (and, to the extent applicable, new contracts) from substantially all of the clients of the acquired firm. Because the reduction or dilution of the interests in AMG of certain of AMG's stockholders could be considered to constitute a deemed "assignment" of AMG's Affiliates' contracts with their clients, each of AMG's Affiliates will solicit their clients' consents to such a reduction or dilution.

The foregoing laws and regulations generally grant supervisory agencies and bodies broad administrative powers, including the power to limit or restrict any of the Affiliates from conducting their business in the event that they fail to comply with such laws and regulations. Possible sanctions that may be imposed in the event of such noncompliance include the suspension of individual employees, limitations on the Affiliate's business activities for specified periods of time, revocation of the Affiliate's registration as an investment adviser, commodity trading adviser and/or other registrations, and other censures and fines. Changes in these laws or regulations could have a material adverse impact on the profitability and mode of operations of the Company and each of its Affiliates.

The officers, directors and employees of AMG and each of the Affiliates may, from time to time, own securities that are also owned by one or more of the Affiliates' clients. Each Affiliate and AMG has

internal policies with respect to individual investments and requires reports of securities transactions and restricts certain transactions so as to minimize possible conflicts of interest.

EMPLOYEES

As of December 31, 1997, the Company and its Affiliates employed approximately 311 persons, approximately 293 of which are full-time employees. The Company and its Affiliates are not subject to any collective bargaining agreements and the Company believes that its labor relations are good.

CORPORATE LIABILITY AND INSURANCE

The businesses of the Affiliates entail the inherent risk of liability related to litigation from clients and actions taken by regulatory agencies. In addition, the Company faces liability both directly as a control person, and indirectly as a direct or indirect general partner of certain of the Affiliates. To protect its overall operations from such potential liabilities, the Company and each of its Affiliates maintains errors and omissions and general liability insurance in amounts which the Company and its Affiliates' management consider appropriate. There can be no assurance, however, that a claim or claims will not exceed the limits of available insurance coverage, that any insurer will remain solvent and will meet its obligations to provide coverage, or that such coverage will continue to be available with sufficient limits or at a reasonable cost. A judgment against one of the Affiliates or the Company in excess of available coverage could have a material adverse effect on the Company.

CAUTIONARY STATEMENTS

The Company's growth strategy includes acquiring ownership interests in investment management firms. To date, AMG has invested in eleven such firms and intends to continue this investment program in the future, subject to its ability to locate suitable investment management firms in which to invest and its ability to negotiate agreements with such firms on acceptable terms. There can be no assurance that AMG will be successful in locating or investing in such firms or that any of such firms will have favorable operating results.

The Company's acquisitions of interests in investment management firms require substantial capital investments. Although the Company believes that its existing cash resources and cash flow from operations will be sufficient to meet the Company's working capital needs for normal operations for the foreseeable future, these sources of capital are not expected to be sufficient to fund anticipated investments. Therefore, the Company will need to raise capital through the incurrence of additional long-term or short-term indebtedness or the issuance of additional equity securities in private or public transactions in order to complete further investments. This could result in dilution of existing equity positions, increased interest expense or decreased net income. There can be no assurance that acceptable financing for future investments can be obtained on suitable terms, if at all.

The Company has outstanding indebtedness of $222.3 million under its New Credit Facility (as defined in "Management's Discussion and Analysis of Financial Condition and Results of Operation-- Liquidity and Capital Resources") as of March 20, 1998, and anticipates that it will incur additional indebtedness in the future in connection with investments in investment management firms and to fund working capital. The Company will be subject to risks normally associated with debt financing. Accordingly, the Company will be subject to the risk that a substantial portion of the Company's cash flow may be required to be dedicated to the payment of the Company's debt service obligations or even that its cash flow will be insufficient to meet required payments of principal and interest. The failure to make any required debt service payments or to comply with any restrictive or financial covenants contained in any debt instrument could give rise to a default permitting acceleration of the debt under such instrument as well as debt under other instruments that contain cross-acceleration or cross-default provisions, which could have an adverse effect on the Company's financial condition and prospects. The New Credit Facility

contains, and future debt instruments may contain, restrictive covenants that could limit the Company's ability to obtain additional debt financing and could adversely affect the Company's ability to make future investments in investment management firms. The New Credit Facility prohibits the payment of dividends and other distributions to stockholders of the Company and restricts the Company, the Affiliates and the Company's other subsidiaries from incurring indebtedness, incurring liens, disposing of assets and engaging in extraordinary transactions. The Company is also required to comply with certain financial covenants on an ongoing basis. The Company's ability to borrow under the New Credit Facility is conditioned upon its compliance with the requirements of the New Credit Facility, and any non-compliance with those requirements could give rise to a default entitling the lenders to accelerate all outstanding borrowings under the New Credit Facility. In addition, the New Credit Facility bears interest at variable rates and future indebtedness may also bear interest at variable rates. An increase in interest rates on such indebtedness would increase the Company's interest expense, which could adversely affect the Company's cash flow and ability to meet its debt service obligations. Although the Company has entered into interest rate hedging contracts designed to offset a portion of the Company's exposure to interest rate fluctuations above certain levels, there can be no assurance that this objective will be achieved, and, if prevailing interest rates drop below a given point, the Company may be obligated to pay a higher interest rate under the hedging contracts than would otherwise apply under the actual indebtedness.

At December 31, 1997, the Company's total assets were approximately $457 million, of which approximately $393 million were intangible assets consisting of acquired client relationships and goodwill. There can be no assurance that the value of such intangible assets will ever be realized by the Company. In addition, the Company intends to invest in additional investment management firms in the future. While these firms may contribute additional revenue to the Company, such investments will also result in the recognition of additional intangible assets which will cause further increases in amortization expense.

The loss of key management personnel or an inability to attract, retain and motivate sufficient numbers of qualified management personnel on the part of the Company or any of its Affiliates would adversely affect the Company's business. The market for investment managers is extremely competitive and is increasingly characterized by frequent movement by investment managers among different firms. In addition, individual investment managers at the Affiliates often have regular direct contact with particular clients, which can lead to a strong client relationship based on the client's trust in that individual manager. The loss of a key investment manager of certain of the Affiliates could jeopardize the Affiliate's relationships with its clients and lead to the loss of the client accounts at such Affiliate. Losses of such accounts could have a material adverse effect on the results of operations and financial condition of the Affiliate and, in the case of certain of the Affiliates, the Company. Although the Company uses a combination of economic incentives, vesting provisions, and, in some instances, non-solicitation agreements and employment agreements as a means of seeking to retain key management personnel at the Company and each of the Affiliates, there can be no assurance that key management personnel will remain with their respective firms.

The Company's Affiliates offer a broad range of investment management services and styles to institutional and retail investors. Across all the Affiliates, the Company operates in a number of sectors within the investment management industry, both with respect to products and distribution channels. Consequently, the Company's performance is directly affected by conditions in the financial and securities markets. The financial markets and the investment management industry in general have experienced record performance and record growth in recent years. The financial markets and businesses operating in the securities industry, however, are highly volatile and are directly affected by, among other factors, domestic and foreign economic conditions and general trends in business and finance, all of which are beyond the control of the Company. There can be no assurance that broader market performance will be favorable in the future. Any decline in the financial markets or a lack of sustained growth may result in a corresponding decline in performance by the Affiliates and may adversely affect assets under management and/or fees at the Affiliate level, which would reduce cash flow distributable to the Company.

Substantially all of the Affiliates' revenues are derived from investment management contracts which are typically terminable, without the payment of a penalty, in the case of contracts with mutual fund clients, upon 60 days' notice, and, in the case of institutional contracts, upon 30 days' notice. Because of this, clients of the Affiliates may withdraw funds from accounts under management by the Affiliates generally in their sole discretion. In addition, the Affiliates' contracts generally provide for fees payable for investment management services based on the market value of assets under management, although a portion also provide for the payment of fees based on investment performance. Because most contracts provide for a fee based on market values of securities, fluctuations in securities prices may have an adverse effect on the Company's consolidated results of operations and financial condition. Changes in the investment patterns of clients will also affect the total assets under management. In addition, in the case of contracts which provide for the payment of performance-based fees, the investment performance of the Affiliates will affect the Company's consolidated results of operations and financial condition. Some of the Affiliates' fees are higher than those of other investment managers for similar types of investment services. Each Affiliate's ability to maintain its fee structure in a competitive environment is dependent on the ability of the Affiliate to provide clients with investment returns and service that will cause clients to be willing to pay those fees. There can be no assurance that any given Affiliate will be able to retain its fee structure or, with such fee structure, retain its clients in the future.

While AMG's agreements with the Affiliates contain provisions pursuant to which each Affiliate has agreed to pay to AMG a specified percentage of such Affiliate's gross revenues, there can be no assurance that distributions will always be made by the Affiliates to AMG or as to the amounts of any distributions. In the organizational documents of each Affiliate, the distributions to AMG represent only a portion of the revenues of the Affiliate, with the remainder being retained by the Affiliate for the payment of expenses or distributed to its management team as bonuses or distributions. In addition, the payment of distributions to AMG may be subject to limitations under the laws of the jurisdiction of organization of each of the Affiliates, regulatory requirements, claims of creditors of each such Affiliate and applicable bankruptcy and insolvency laws.

In connection with its investments in each of its Affiliates, AMG has agreed to purchase ownership interests retained by the Affiliate's management team in certain amounts, at certain times and at certain prices. Consequently, AMG may be required to pay cash (which may require the incurrence of additional indebtedness) or issue new shares of Common Stock to its Affiliates' managers. As set forth above, such transactions could result in increased interest expense, dilution of existing equity positions and decreased net income. In addition, these transactions will result in the Company's ownership interests in its Affiliates changing from time to time, which may have an adverse affect on the Company's cash flow and liquidity.

Although AMG retains both the authority to prevent and cause certain types of activities by the Affiliates and has voting and veto rights regarding significant decisions pursuant to its agreements with the Affiliates, the Affiliates are authorized to manage and conduct their own day-to-day operations, including matters relating to employees who are not also owners, investment management policies and fee structures, product development, client relationships, compensation programs and compliance activities. Accordingly, under these agreements, AMG generally does not alter Affiliate day-to-day decisions, policies and strategies. Similarly, an Affiliate's non-compliance with regulatory requirements that AMG might detect if it operated the business of the Affiliates itself may not be detected by AMG as quickly, if at all, which may adversely affect the Company's financial condition and results of operations.

Certain of the Company's existing Affiliates are organized as partnerships that include the Company as a general partner. Consequently, to the extent any such Affiliate incurs liabilities or expenses which exceed its ability to pay or fulfill such liabilities or expenses, the Company would be liable for their payment.

In addition, in the context of certain liabilities, the Company could be held liable, as a control person, for acts of Affiliates or their employees. The Company and its Affiliates maintain errors and omissions and

general liability insurance in amounts which the Company and its Affiliates' management consider appropriate. There can be no assurance, however, that a claim or claims will not exceed the limits of available insurance coverage, that any insurer will remain solvent and will meet its obligations to provide coverage, or that such coverage will continue to be available with sufficient limits or at a reasonable cost. A judgment against any of the Affiliates or the Company in excess of available coverage could have a material adverse effect on the Company.

ITEM 2. PROPERTIES

AMG's executive offices are located at Two International Place, 23rd Floor, Boston, Massachusetts 02110. In Boston, AMG currently occupies 8,047 square feet under a lease that expires in March 2003. Each of the Affiliates also leases office space in the cities in which they conduct business.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company and its Affiliates may be parties to various claims, suits and complaints. Currently, there are no such claims, suits or complaints that, in the opinion of management, would have a material adverse effect on the Company's financial position, liquidity or results of operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

On November 4, 1997, the Company submitted the following matters to the stockholders of the Company in connection with the Company's initial public offering of Common Stock: (i) approval of an Amended and Restated Certificate of Incorporation of the Company (the "Amended Certificate") to be effective on the date the Securities and Exchange Commission declared the Company's registration statement for its initial public offering effective, (ii) approval of a further Amended and Restated Certificate of Incorporation of the Company to be effective immediately upon the closing of the Company's initial public offering of its Common Stock, (iii) approval of Amended and Restated By-laws of the Company to be effective upon the effectiveness of the Amended Certificate, and (iv) approval of the Affiliated Managers Group, Inc. 1997 Stock Option and Incentive Plan, which provides for the issuance of up to 1,750,000 shares of Common Stock.

Each of these matters was approved by the unanimous written consent of the Company's stockholders on November 14, 1997.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock is traded on the New York Stock Exchange (symbol: AMG). The following table sets forth the high and low closing prices as reported on the New York Stock Exchange composite tape since the Company's initial public offering on November 21, 1997 through December 31, 1997.

1997	HIGH	LOW
Fourth Quarter (from November 21, 1997 through December 31, 1997).....	$ 29.875	$ 24.00

The closing price for the shares on the New York Stock Exchange on March 13, 1998 was $37.125.

As of December 31, 1997 there were 57 stockholders of record. As of March 13, there were 63 stockholders of record.

The Company has not declared a dividend with respect to the periods presented. The Company intends to retain earnings to repay debt and to finance the growth and development of its business and does not anticipate paying cash dividends on its Common Stock in the foreseeable future. The New Credit Facility (as defined herein) also prohibits the Company from making dividend payments to its stockholders. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-- Liquidity and Capital Resources."

SALES OF UNREGISTERED SECURITIES DURING 1997

During 1997, the Company issued unregistered securities to a limited number of persons, as described below. No underwriters or underwriting discounts or commissions were involved. There was no public offering in any such transaction, and the Company believes that each transaction was exempt from the registration requirements of the Securities Act, by reason of Section 4(2) thereof, based on the private nature of the transactions and the financial sophistication of the purchasers, all of whom had access to complete information concerning the Company and acquired the securities for investment and not with a view to the distribution thereof.

(1) On January 2, 1997, the Company issued an aggregate of 1,715 shares of Series B-1 Voting Convertible Preferred Stock (convertible into 85,750 shares of Common Stock) with a value of approximately $1.5 million as consideration for shares of capital stock of The Burridge Group Inc. in connection with the Company's investment in Burridge. The shares of Series B-1 Voting Convertible Preferred Stock were converted into Common Stock in connection with the Company's initial public offering in November 1997.

(2) On September 30, 1997, the Company issued an aggregate of 10,667 shares of Class D Convertible Preferred Stock (convertible into 533,350 shares of Common Stock) with a value of approximately $9.6 million to the stockholders of GeoCapital Corporation in connection with the Company's investment in GeoCapital. The shares of Class D Convertible Preferred Stock were converted into Common Stock in connection with the Company's initial public offering in November 1997.

(3) On October 9, 1997, the Company issued (i) an aggregate of 5,333 shares of Series C-2 Non-Voting Convertible Preferred Stock and warrants to purchase 28,000 shares of Series C-2 Non-Voting Convertible Preferred Stock (the "Series C-2 Warrants") (convertible into 266,650 and 1,400,000 shares of Common Stock, respectively) to Chase Equity Associates for an aggregate purchase price of $30 million; (ii) senior subordinated notes (the "Subordinated Notes") to Chase Equity Associates for $60 million; and (iii) warrants to purchase Class B Common Stock (the "Class B Warrants") of the Company into an escrow, to be issued to the holders of the Subordinated Notes if such Subordinated

Notes were not paid on or prior to April 7, 1998. In connection with the Company's initial public offering in November 1997, the shares of Series C-2 Non-Voting Convertible Preferred Stock (including those issued upon conversion of the Series C-2 Warrants) were converted into Common Stock, the Subordinated Notes were repaid and the Class B Warrants were extinguished.

REPORT OF USE OF PROCEEDS OF INITIAL PUBLIC OFFERING

The Company completed the initial public offering of its Common Stock in November 1997. The initial public offering was made pursuant to (i) a Registration Statement on Form S-1, originally filed with the Commission on August 29, 1997, as amended (Commission File No. 333-34679), and (ii) a Registration Statement on Form S-1, filed with the Commission pursuant to Rule 462(b) under the Securities Act on November 20, 1997 (Commission File No. 333-40699), both of which registration statements became effective on November 20, 1997. The initial public offering commenced on November 21, 1997 and terminated shortly thereafter after the sale into the public market of all of the registered shares of Common Stock.

The shares of Common Stock sold in the initial public offering were offered for sale in the United States by a syndicate of U.S. underwriters represented by Goldman, Sachs & Co., BT Alex. Brown Incorporated, Merrill Lynch, Pierce Fenner & Smith Incorporated and Schroder & Co., Inc., and outside the United States by a syndicate of international underwriters represented by Goldman Sachs International, BT Alex. Brown International, a division of Bankers Trust International PLC, Merrill Lynch International and J. Henry Schroder & Co. Limited.

The Company registered an aggregate of 8,625,000 shares of Common Stock (including 1,125,000 shares issued upon the exercise of the underwriters' overallotment options) for sale in the initial public offering at a per share price of $23.50, for an aggregate offering price of approximately $202.7 million. All of such shares were registered for the Company's account. As stated above, all of such shares were sold shortly after the commencement of the offering.

The Company incurred the following expenses in connection with the initial public offering (in millions):

Underwriting discounts and commissions	$ 13.1
Other expenses	2.6
Total expenses	$ 15.7

After deducting the expenses set forth above, the Company received approximately $187.0 million in net proceeds of the initial public offering. The Company used $60.0 million of the proceeds to repay the Subordinated Notes issued to Chase Equity Associates and approximately $125.8 million of the proceeds to repay borrowings under the Company's then existing senior credit facility with a syndicate of banks led by The Chase Manhattan Bank and an additional $1.2 million to pay accrued interest.

Chase Equity Associates is a limited partnership whose sole limited partner is an affiliate of Chase Manhattan Corporation (the parent company of The Chase Manhattan Bank) and whose sole general partner has as its partners certain employees of The Chase Manhattan Bank (including John M.B. O'Connor, a director of the Company) and an affiliate of Chase Manhattan Corporation. Chase Securities Inc., also an affiliate of Chase Equity Associates, was a participant in the underwriting syndicate of the U.S. portion of the initial public offering.

ITEM 6. SELECTED HISTORICAL FINANCIAL DATA

Set forth below are selected financial data for the Company for the four years since inception, December 29, 1993. This data should be read in conjunction with, and is qualified in its entirety by reference to, the financial statements and accompanying notes included elsewhere in this Form 10-K.

	FOR THE YEARS ENDED DECEMBER 31,			
	1994	1995	1996	1997
	(IN THOUSANDS, EXCEPT AS INDICATED AND PER SHARE DATA)			
STATEMENT OF OPERATIONS DATA				
Revenues	$ 5,374	$ 14,182	$ 50,384	$ 95,287
Operating expenses:				
Compensation and related expenses	3,591	6,018	21,113	41,619
Amortization of intangible assets	774	4,174	8,053	6,643
Depreciation and other amortization	19	133	932	1,915
Other operating expenses	1,000	2,567	13,115	22,549
Total operating expenses	5,384	12,892	43,213	72,726
Operating income (loss)	(10)	1,290	7,171	22,561
Non-operating (income) and expenses:				
Investment and other income	(966)	(265)	(337)	(1,174)
Interest expense	158	1,244	2,747	8,479
	(808)	979	2,410	7,305
Income before minority interest, income taxes and extraordinary item	798	311	4,761	15,256
Minority interest(1)	(305)	(2,541)	(5,969)	(12,249)
Income (loss) before income taxes and extraordinary item	493	(2,230)	(1,208)	3,007
Income taxes	699	706	181	1,364
Income (loss) before extraordinary item	(206)	(2,936)	(1,389)	1,643
Extraordinary item	--	--	(983)	(10,011)
Net (loss)	$ (206)	$ (2,936)	$ (2,372)	$ (8,368)
Net (loss) per share(2)--basic	$ (0.07)	$ (2.95)	$ (5.49)	$ (3.69)
Net (loss) per share(2)--diluted	$ (0.07)	$ (2.95)	$ (5.49)	$ (1.02)
Average shares outstanding--basic	3,030,548	996,144	431,908	2,270,684
Average shares outstanding--diluted	3,030,548	996,144	431,908	8,235,529
OTHER FINANCIAL DATA				
Assets under management (at period end, in millions)	$ 755	$ 4,615	$ 19,051	$ 45,673
EBITDA(3)	1,444	3,321	10,524	20,044
EBITDA as adjusted(4)	587	1,371	7,596	10,201
Cash flow from operating activities	818	1,292	6,185	16,205
Cash flow used in investing activities	(6,156)	(37,781)	(29,210)	(327,275)
Cash flow from financing activities	9,509	46,414	15,650	327,112
BALANCE SHEET DATA				
Current assets	$ 4,791	$ 16,847	$ 23,064	$ 52,058
Acquired client relationships, net	3,482	18,192	30,663	142,875
Goodwill, net	5,417	26,293	40,809	249,698
Total assets	13,808	64,699	101,335	456,990
Current liabilities	2,021	4,111	23,591	18,815
Senior debt	--	18,400	33,400	159,500
Total liabilities	3,925	26,620	60,856	180,771
Minority interest(1)	80	1,212	3,490	16,479
Preferred stock	10,004	40,008	42,476	--
Stockholders' equity	9,803	36,867	36,989	259,740

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(1) All but one of the Company's Affiliates are majority-owned subsidiaries (the Company owns less than a 50% interest in Paradigm which is accounted for under the equity method of accounting). The portion of each Affiliate's operating results and net assets that are owned by minority owners of each Affiliate is accounted for as minority interest.

(2) The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS 128"). This standard became effective for financial statements issued for periods ending after December 15, 1997. The Company has adopted FAS 128 for its fiscal year ending December 31, 1997 and has restated prior-period EPS data to conform to the new standard. The calculation for the basic earnings per share is based on the weighted average of common shares outstanding during the period. The calculation for the diluted earnings per share is based on the weighted average of common and common equivalent shares outstanding during the period. Because the computation of diluted EPS shall not assume exercise of securities that would have an anti-dilutive effect on earnings per share, as is the case in a loss year before extraordinary item, the effect of outstanding convertible preferred stock and unvested restricted common stock was excluded from the diluted calculation in 1994, 1995 and 1996.

(3) As defined by Note(2) on page 10.

(4) As defined by Note(3) on page 10.

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

FORWARD-LOOKING STATEMENTS

WHEN USED IN THIS FORM 10-K AND IN FUTURE FILINGS BY THE COMPANY WITH THE SECURITIES AND EXCHANGE COMMISSION, IN THE COMPANY'S PRESS RELEASES AND IN ORAL STATEMENTS MADE WITH THE APPROVAL OF AN AUTHORIZED EXECUTIVE OFFICER, THE WORDS OR PHRASES "WILL LIKELY RESULT", "ARE EXPECTED TO", "WILL CONTINUE", "IS ANTICIPATED", "BELIEVES", "ESTIMATE", "PROJECT" OR SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. SUCH STATEMENTS ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES, INCLUDING THOSE DISCUSSED UNDER THE CAPTION "BUSINESS--CAUTIONARY STATEMENTS", THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM HISTORICAL EARNINGS AND THOSE PRESENTLY ANTICIPATED OR PROJECTED. THE COMPANY WISHES TO CAUTION READERS NOT TO PLACE UNDUE RELIANCE ON ANY SUCH FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE MADE. THE COMPANY WISHES TO ADVISE READERS THAT THE FACTORS DISCUSSED IN "BUSINESS--CAUTIONARY STATEMENTS", AS WELL AS OTHER FACTORS, COULD AFFECT THE COMPANY'S FINANCIAL PERFORMANCE AND COULD CAUSE THE COMPANY'S ACTUAL RESULTS FOR FUTURE PERIODS TO DIFFER MATERIALLY FROM ANY OPINIONS OR STATEMENTS EXPRESSED WITH RESPECT TO FUTURE PERIODS IN ANY CURRENT STATEMENTS.

THE COMPANY WILL NOT UNDERTAKE AND SPECIFICALLY DECLINES ANY OBLIGATION TO RELEASE PUBLICLY THE RESULT OF ANY REVISIONS WHICH MAY BE MADE TO ANY FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE OF SUCH STATEMENTS OR TO REFLECT THE OCCURRENCE OF ANTICIPATED OR UNANTICIPATED EVENTS.

OVERVIEW

The Company acquires equity positions in mid-sized investment management firms, and derives its revenues from such firms. AMG has a revenue sharing arrangement with each Affiliate which is contained in the organizational document of that Affiliate. Each such arrangement allocates a specified percentage of revenues (typically 50-70%) for use by management of that Affiliate in paying operating expenses of the Affiliate, including salaries and bonuses (the "Operating Allocation"). The remaining portion of revenues of the Affiliate, typically 30-50% (the "Owners' Allocation"), is allocated to the owners of that Affiliate (including the Company), generally in proportion to their ownership of the Affiliate.

One of the purposes of the revenue sharing arrangements is to provide ongoing incentives for the managers of the Affiliates. The revenue sharing arrangements are designed to allow each Affiliate's managers to participate in that firm's growth (through their compensation paid out of the Operating Allocation and their ownership of a portion of the Owners' Allocation) and to make operating expenditures freely within the limits of the Operating Allocation. The portion of the Operating Allocation that is not used to pay salaries and other operating expenses (the "Excess Operating Allocation") is generally available to be used at the discretion of management of such Affiliate, including for the payment of

bonuses or distributions to management. The managers of each Affiliate thus have an incentive to increase revenues (thereby increasing the Operating Allocation) and control expenses (thereby increasing the Excess Operating Allocation). The ownership by an Affiliate's management of a portion of the Affiliate, which entitles them to a portion of the Owners' Allocation, provides an important additional incentive to managers of each Affiliate to increase revenues.

The revenue sharing arrangements allow AMG to participate in the growth of revenues of each Affiliate, because as revenues increase, the Owners' Allocation also increases. However, the Company participates in that growth to a lesser extent than the managers of the Affiliate, because AMG does not participate in the growth of the Operating Allocation.

The portion of each Affiliate's revenues which is included in its Operating Allocation and used to pay salaries, bonuses and other operating expenses, as well as the portion of each Affiliate's revenues which is included in its Owners' Allocation and distributed to AMG and the other owners of the Affiliate, are both included as "revenues" on the Company's Consolidated Statements of Operations. The expenses of each Affiliate which are paid out of the Operating Allocation, as well as the holding company expenses of AMG which are paid by the Company out of the Owners' Allocation which AMG receives from the Affiliates, are both included in "operating expenses" on the Company's Consolidated Statements of Operations. The portion of each Affiliate's Owners' Allocation which is allocated to owners of the Affiliates other than the Company is included in "minority interest" on the Company's Consolidated Statements of Operations.

The EBITDA Contribution of an Affiliate represents the Owners' Allocation of that Affiliate allocated to AMG before interest, income taxes, depreciation and amortization of that Affiliate. EBITDA Contribution does not include holding company expenses of AMG.

The Affiliates' revenues are derived from the provision of investment management services for fees. Investment management fees are usually determined as a percentage fee charged on periodic values of a client's assets under management. Certain of the Affiliates bill advisory fees for all or a portion of their clients based upon assets under management valued at the beginning of a billing period ("in advance"). Other Affiliates bill advisory fees for all or a portion of their clients based upon assets under management valued at the end of the billing period ("in arrears"). Advisory fees billed in advance will not reflect subsequent changes in the market value of assets under management for that period. Conversely, advisory fees billed in arrears will reflect changes in the market value of assets under management for that period. In addition, several of the Affiliates charge performance-based fees to certain of their clients which result in payments to the applicable Affiliate if specified levels of investment performance are achieved. All references to "assets under management" include assets directly managed as well as assets underlying overlay strategies which employ futures, options or other derivative securities to achieve a particular investment objective.

The Company's level of profitability will depend on a variety of factors including principally: (i) the level of Affiliate revenues, which is dependent on the ability of the Affiliates and future affiliates to maintain or increase assets under management by maintaining their existing investment advisory relationships and fee structures, marketing their services successfully to new clients, and obtaining favorable investment results; (ii) the receipt of Owners' Allocation, which is dependent on the ability of the Affiliates and future affiliates to maintain certain levels of operating profit margins; (iii) the availability and cost of the capital with which AMG finances its investments; (iv) the Company's success in attracting new investments and the terms upon which such transactions are completed; (v) the level of intangible assets and the associated amortization resulting from the Company's investments; (vi) the level of expenses incurred by AMG for holding company operations, including compensation for its employees; and (vii) the level of taxation to which the Company is subject, all of which are, to some extent, dependent on factors which are not in the Company's control, such as general securities market conditions.

Since its founding in December 1993, the Company has completed 11 investments in Affiliates. The most recent investment, in Essex, was completed in March 1998 and is not included in pro forma operating

results except where indicated. In May, September and October 1997, the Company completed investments in Gofen and Glossberg, GeoCapital and Tweedy, Browne, respectively. The Company also made investments during March and December 1996, in First Quadrant and Burridge, respectively. The Tweedy, Browne investment is the Company's largest to date, representing 54% of the Affiliates' pro forma EBITDA Contribution (which does not include Essex) for the year ended December 31, 1997.

The Company's investments have been accounted for under the purchase method of accounting under which goodwill is recorded for the excess of the purchase price for the acquisition of interests in Affiliates over the fair value of the net assets acquired, including acquired client relationships.

As a result of the series of investments made by the Company, intangible assets (goodwill and acquired client relationships) constitute a substantial percentage of the assets of the Company and the Company's results of operations have included increased charges for amortization of those intangible assets. As of December 31, 1997, the Company's total assets were approximately $457.0 million, of which approximately $142.9 million consisted of "acquired client relationships" and $249.7 million consisted of "goodwill" (collectively, acquired client relationships and goodwill are referred to as "intangible assets"). The amortization period for intangible assets for each investment is assessed individually, with amortization periods for the Company's investments to date ranging from nine to 26 years in the case of acquired client relationships and 15 to 35 years in the case of goodwill. In determining the amortization period for intangible assets acquired, the Company considers a number of factors including: the firm's historical and potential future operating performance; the firm's historical and potential future rates of attrition among clients; the stability and longevity of existing client relationships; the firm'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 firm's management team; and the firm's history and perceived franchise or brand value. The Company continuously evaluates all components of intangible assets to determine whether there has been any impairment in their carrying value or their useful lives. The Company makes such evaluations quarterly on an Affiliate-by-Affiliate basis to assess if facts and circumstances exist which suggest an impairment has occurred in the value of the intangible assets or if the amortization period needs to be shortened. If such a condition exists, the Company will evaluate the recoverability of the intangible asset by preparing a projection of the undiscounted future cash flows of the Affiliate. If impairment is indicated, then the carrying amount of intangible assets, including goodwill, will be reduced to their fair values.

While amortization of intangible assets has been charged to the results of operations and is expected to be a continuing material component of the Company's operating expenses, management believes it is important to distinguish this expense from other operating expenses since such amortization does not require the use of cash. Because of this, and because the Company's distributions from its Affiliates are based on their Owners' Allocation, management has provided additional supplemental information in this annual report for "cash-related" earnings, as an addition to, but not as a substitute for, measures related to net income. Such measures are (i) EBITDA, which the Company believes is useful to investors as an indicator of the Company's ability to service debt, make new investments and meet working capital requirements, and (ii) EBITDA as adjusted, which the Company believes is useful to investors as another indicator of funds available to the Company, which may be used to make new investments, repay debt obligations, repurchase shares of Common Stock or pay dividends on Common Stock.

RESULTS OF OPERATIONS

SUPPLEMENTAL PRO FORMA INFORMATION

Affiliate operations are included in the Company's historical financial statements from their respective dates of acquisition. The Company consolidates Affiliates when it owns a controlling interest and includes in minority interest the portion of capital and Owners' Allocation owned by persons other than the Company. One of the Company's Affiliates, Paradigm, is not controlled by the Company and is accounted for under the equity method of accounting.

Because the Company has made investments during each of the periods for which financial statements are presented, the Company believes that the historical operating results for these periods are not directly comparable. Substantially all of the changes in the Company's income, expense and balance sheet categories result from the inclusion of the acquired businesses from the dates of their investment.

All amounts in the table which follows are pro forma for the inclusion of the 1997 investments in Gofen and Glossberg, GeoCapital and Tweedy, Browne as if such transactions occurred on January 1, 1997. In addition, EBITDA Contribution and other pro forma financial data reflect the Company's Recent Financing (with interest expense adjusted for the terms of the New Credit Facility) (as such terms are defined in "Management's Discussion and Analysis of Financial Condition and Results of Operations-- Liquidity and Capital Resources"), the sale of Common Stock sold in the Company's IPO and the application of the net proceeds therefrom, the conversion of preferred stock into Common Stock, the 50-for-1 split of each share of Common Stock outstanding prior to the IPO, and the issuance of shares of Common Stock to the shareholders of an Affiliate in exchange for an additional ownership interest in that Affiliate, all effected in connection with the initial public offering. Such information is provided to enhance the reader's understanding and evaluation of the effects to the Company of Tweedy, Browne, AMG's largest affiliate by EBITDA contribution.

	DECEMBER 31, 1997 (IN MILLIONS)
UNAUDITED PRO FORMA SUPPLEMENTAL INFORMATION:	
Assets under Management--at period end:	
Tweedy, Browne	$ 5,343
Other Affiliates	40,330
Total	$ 45,673

	YEAR ENDED DECEMBER 31, 1997 (IN THOUSANDS)
Revenues:	
Tweedy, Browne	$ 53,506
Other Affiliates	93,653
Total	$ 147,159
Owners' Allocation(1):	
Tweedy, Browne	$ 36,314
Other Affiliates(2)	36,838
Total	$ 73,152
EBITDA Contribution(3):	
Tweedy, Browne	$ 28,643
Other Affiliates(4)	24,778
Total	$ 53,421
OTHER PRO FORMA FINANCIAL DATA:	
RECONCILIATION OF EBITDA CONTRIBUTION TO EBITDA	
Total EBITDA Contribution (as above)	$ 53,421
Less holding company expenses	(8,411)
EBITDA(5)	$ 45,010
EBITDA as adjusted(6)	$ 26,695
HISTORICAL CASH FLOW AND OTHER DATA:	
Cash flow from operating activities	$ 16,205
Cash flow used in investing activities	(327,275)
Cash flow from financing activities	327,112
EBITDA(5)	$ 20,044
EBITDA as adjusted(6)	$ 10,201

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(1) As defined in "Business--AMG Structure and Relationship with Affiliates--Revenue Sharing Arrangements" on page 6.

(2) No Affiliate other than Tweedy, Browne accounted for more than 16% of Owners' Allocation for the year ended December 31, 1997. No single client relationship accounted for more than 3% of Owner's Allocation for the year ended December 31, 1997.

(3) As defined by Note (2) on page 3.

(4) No Affiliate other than Tweedy, Browne accounted for more than 17% of EBITDA Contribution for the yearended December 31, 1997.

(5) As defined by Note (2) on page 10.

(6) As defined by Note (3) on page 10.

The table below depicts the pro forma change in the Company's assets under management (assuming that all Affiliates in which the Company owned an interest at December 31, 1997 were included for the entire year).

PRO FORMA CHANGE IN ASSETS UNDER MANAGEMENT

	YEAR ENDED DECEMBER 31, 1997
	(IN MILLIONS)
Assets under management--beginning	$ 27,747
Net new sales	11,942
Market appreciation	5,984
Assets under management--ending	$ 45,673

HISTORICAL

YEAR ENDED DECEMBER 31, 1997 AS COMPARED TO YEAR ENDED DECEMBER 31, 1996

The Company had a net loss after extraordinary item of $8.4 million for the year ended December 31, 1997 compared to a net loss after extraordinary item of $2.4 million for the year ended December 31, 1996. The net loss for the year ended December 31, 1997 resulted primarily from the extraordinary item of $10.0 million, net of related tax benefit, from the early extinguishment of debt. Before extraordinary item, net income was $1.6 million for the year ended December 31, 1997 compared to a net loss of $1.4 million for the year ended December 31, 1996.

Assets under management on a historical basis increased by $26.6 billion to $45.7 billion at December 31, 1997 from $19.1 billion at December 31, 1996, in part due to the investments made in Gofen and Glossberg, GeoCapital and Tweedy, Browne during 1997. Excluding the initial assets under management of these Affiliates at the respective dates of the Company's investments, assets under management increased by $15.8 billion as a result of $4.6 billion in market appreciation and $11.2 billion from positive net client cash flows.

Total revenues for the year ended December 31, 1997 were $95.3 million, an increase of $44.9 million or 89% over the year ended December 31, 1996. The Company invested in Burridge in December 1996, Gofen and Glossberg in May 1997, GeoCapital in September 1997 and Tweedy, Browne in October 1997, and included their results from their respective purchase dates. In addition, the Company invested in First Quadrant in March 1996 and its results were included in the results for the year ended December 31, 1996 from its purchase date. Revenues from these investments accounted for $43.1 million of the increase in revenues from 1996 to 1997 while revenues from other existing Affiliates increased by $1.8 million to $26.7 million. Performance-based fees, primarily earned by First Quadrant, increased by $4.0 million to $17.2 million for the year ended December 31, 1997 compared to $13.2 million for the year ended December 31, 1996.

Compensation and related expenses increased by $20.5 million to $41.6 million for the year ended December 31, 1997 from $21.1 million for the year ended December 31, 1996. The inclusion of the First Quadrant, Burridge, Gofen and Glossberg, GeoCapital and Tweedy, Browne investments accounted for $19.3 million of this increase while the remainder of the increase was attributable to the increased compensation costs of AMG personnel, including the cost of new hires.

Amortization of intangible assets decreased by $1.5 million to $6.6 million for the year ended December 31, 1997 from $8.1 million for the year ended December 31, 1996. Amortization of intangible assets increased by $3.1 million as a result of the inclusion of the First Quadrant, Burridge, and Gofen and Glossberg, GeoCapital and Tweedy, Browne investments, which increase was offset by an impairment loss of $4.6 million taken on the Systematic investment during 1996 with no similar item in 1997.

Selling, general and administrative expenses increased by $8.0 million to $18.9 million for the year ended December 31, 1997 from $10.9 million for the year ended December 31, 1996. The First Quadrant, Burridge, Gofen and Glossberg, GeoCapital and Tweedy, Browne investments accounted for $6.0 million of this increase and the remainder was primarily due to increases in AMG's and the other Affiliates' selling, general and administrative expenses.

Other operating expenses increased by approximately $1.3 million to $3.6 million for the year ended December 31, 1997 from $2.3 million for the year ended December 31, 1996, primarily due to the results of operations of the new Affiliates described above.

Minority interest increased by $6.2 million to $12.2 million for the year ended December 31, 1997 from $6.0 million for the year ended December 31, 1996. Of this increase, $5.4 million was as a result of the addition of new Affiliates as described above and the remainder was due to the Owners' Allocation growth at the Company's existing Affiliates.

Interest expense increased $5.8 million to $8.5 million for the year ended December 31, 1997 from $2.7 million for the year ended December 31, 1996 as a result of the increased indebtedness incurred in connection with the investments described above. See "Liquidity and Capital Resources".

Income tax expense was $1.4 million for the year ended December 31, 1997 compared to $181,000 for the year ended December 31, 1996. The effective tax rate for the year ended December 31, 1997 was 46% compared to 15% for the year ended December 31, 1996. The change in effective tax rates from 1996 to 1997 is related primarily to the change in the provision for federal taxes from 1996 to 1997. In 1996, the Company recorded a federal deferred tax benefit of $233,000 on a pretax loss of $1.2 million. In 1997, the Company recorded a deferred tax expense of $776,000 on pretax income of $3.0 million. The deferred taxes account for the effects of temporary differences between the recognition of deductions for book and tax purposes primarily related to the accelerated amortization of certain intangible assets.

EBITDA increased by $9.5 million to $20.0 million for the year ended December 31, 1997 from $10.5 million for the year ended December 31, 1996 as a result of the inclusion of new Affiliates as described above and revenue growth.

EBITDA as adjusted increased by $2.6 million to $10.2 million for the year ended December 31, 1997 from $7.6 million for the year ended December 31, 1996 as a result of the factors affecting net income as described above, before non-cash expenses such as amortization of intangible assets, depreciation and extraordinary items of $18.6 million for the year ended December 31, 1997 and $10.0 million for the year ended December 31, 1996.

YEAR ENDED DECEMBER 31, 1996 AS COMPARED TO YEAR ENDED DECEMBER 31, 1995

Net loss was $2.4 million for the year ended December 31, 1996 compared to $2.9 million for the year ended December 31, 1995. The change was a result of the higher operating income from Affiliates in 1996 which was offset by an extraordinary item of $983,000 and higher depreciation and amortization, interest and minority interest expenses resulting from the inclusion of certain Affiliate results for a full year in 1996 compared to partial periods in 1995 and from the inclusion of First Quadrant's results from its acquisition date in March 1996.

Assets under management on a historical basis increased by $14.5 billion to $19.1 billion at December 31, 1996 from $4.6 billion at December 31, 1995, primarily as a result of the investments made in First Quadrant and Burridge which were completed in March 1996 and December 1996, respectively. Excluding the initial assets under management of these Affiliates at their date of investment, assets under management increased by $2.0 billion as a result of positive client cash flows of $495.0 million and $1.5 billion in market appreciation.

Consolidated revenues increased $36.2 million to $50.4 million for the year ended December 31, 1996 from $14.2 million for the year ended December 31, 1995. Of this increase, $25.5 million was attributable

to the investment in First Quadrant in March 1996. In addition, for the year ended December 31, 1996, the results of Systematic, Paradigm, Skyline and Renaissance were included for the full period. Each of those Affiliates was only included for a portion of the year ended December 31, 1995. Performance-based fees increased by $11.8 million to $13.2 million for the year ended December 31, 1996 primarily due to the inclusion of First Quadrant which earned performance fees of $11.5 million for the period ended December 31, 1996. The Company completed its investment in Burridge on December 31, 1996.

Compensation and related expenses increased $15.1 million to $21.1 million for the year ended December 31, 1996 from $6.0 million for the year ended December 31, 1995. Of this increase, $8.1 million was attributable to the inclusion of First Quadrant. As noted above, for the year ended December 31, 1996, the expenses of each of Systematic, Skyline and Renaissance were included for the full period. In addition, $1.1 million was attributable to the increased compensation costs of AMG personnel, including the cost of new hires.

The amortization of intangible assets increased by $3.9 million to $8.1 million for the year ended December 31, 1996 from $4.2 million for the year ended December 31, 1995. Of this increase, approximately $700,000 was attributable to the First Quadrant investment and $1.2 million was due to the inclusion of the other recently acquired Affiliates for the full period. In the year ended December 31, 1996, the Company also recognized an impairment loss of $4.6 million in connection with its investment in Systematic which is included in amortization of intangible assets. The loss reflects the write down of Systematic's intangible assets to its net realizable value following a period of net client asset withdrawals. In the year ended December 31, 1995, AMG also recognized $2.5 million of impairment loss in connection with its Hartwell investment following a loss of client assets.

Selling, general and administrative expenses increased from $2.2 million for the year ended December 31, 1995 to $10.9 million for the year ended December 31, 1996 for the reasons stated above related to the periods of inclusion in the results of operations of the new Affiliates and due to $1.8 million of higher selling, general and administrative expenses incurred by AMG relating to its investment activities.

Other operating expenses increased from $330,000 for the year ended December 31, 1995 to $2.3 million for the year ended December 31, 1996. This $2.0 million increase was primarily due to the inclusion of operations for the First Quadrant investment for nine months and the Renaissance investment for a full year in 1996.

Minority interest increased by $3.5 million to $6.0 million for the year ended December 31, 1996 from $2.5 million for the year ended December 31, 1995, as a result of the addition of new Affiliates during the year and revenue growth at the Company's Affiliates.

Interest expense increased from $1.2 million for the year ended December 31, 1995 to $2.7 million for the year ended December 31, 1996. The increase in the interest expense was due to the incurrence of $16.1 million of average bank borrowings by the Company in connection with the Systematic, Paradigm, Skyline and Renaissance transactions and $16.0 million of average bank borrowings incurred in connection with the 1996 investment in First Quadrant for the nine months ended December 31, 1996.

Income tax expense was $181,000 for the year ended December 31, 1996 compared to $706,000 for the year ended December 31, 1995. The Company did not accrue a current provision for federal income taxes in 1996 as a result of its utilization of net operating loss carryforwards. The net operating loss carryforwards resulted from prior periods of net losses from operations. The Company has established a valuation allowance against the resulting net deferred tax asset. The effective tax rate for the year ended December 31, 1996 was 15% compared to 32% for the year ended December 31, 1995. The 1995 provision for taxes included $445,000 for state and local income taxes and $261,000 of federal income taxes. The federal income tax provision included $201,000 of deferred taxes for the effects of timing differences between the recognition of deductions for book and tax purposes primarily related to the accelerated amortization of certain intangible assets.

EBITDA increased $7.2 million to $10.5 million for the year ended December 31, 1996 from $3.3 million for the year ended December 31, 1995 as a result of the inclusion of new Affiliates as described above and revenue growth.

EBITDA as adjusted increased by $6.2 million to $7.6 million for the year ended December 31, 1996 from $1.4 million for the year ended December 31, 1995, as a result of factors affecting net income as described above before non-cash charges such as amortization of intangible assets, depreciation and extraordinary items of $10.0 million for the year ended December 31, 1996 and $4.3 million for the year ended December 31, 1995.

LIQUIDITY AND CAPITAL RESOURCES

The Company has met its cash requirements primarily through cash generated by its operating activities, bank borrowings, the issuance by the Company of equity and debt securities in private placement transactions and the net proceeds from the sale of 8,625,000 shares of Common Stock in an initial public offering in November 1997. The Company anticipates that it will use cash flow from its operating activities to repay debt and to finance its working capital needs and will use bank borrowings and issue equity and debt securities to finance future investments in affiliates and working capital. The Company's principal uses of cash have been to make investments in Affiliates, to retire indebtedness, and to support the Company's and its Affiliates' operating activities. The Company expects that its principal use of funds for the foreseeable future will be for investments in additional affiliates, repayments of debt, including interest payments on outstanding debt, distributions of the Owners' Allocation to owners of Affiliates other than AMG, additional investments in existing Affiliates including upon the exercise of Puts (as defined elsewhere herein) and for working capital purposes. The Company does not expect to make commitments for material capital expenditures.

Net cash flow from operating activities was $16.2 million, $6.2 million and $1.3 million for the years ended December 31, 1997, 1996 and 1995, respectively.

Net cash flow used in investing activities was $327.3 million, $29.2 million and $37.8 million for the years ended December 31, 1997, 1996 and 1995, respectively. Of these amounts, $325.9 million, $25.6 million, and $38.0 million, respectively, were used to make investments in Affiliates.

Net cash flow from financing activities was $327.1 million, $15.7 million and $46.4 million for the years ended December 31, 1997, 1996 and 1995, respectively. The principal sources of cash from financing activities has been from borrowings under senior credit facilities and subordinated debt, private placements of the Company's equity securities and the Company's IPO. The uses of cash from financing activities during these periods were for the repayment of bank debt, repayment of subordinated debt, repayment of notes issued as purchase price consideration and for the payment of debt issuance costs.

At December 31, 1997, the Company had cash and cash equivalents of $22.8 million and outstanding borrowings of senior debt under its New Credit Facility, as defined below, of $159.5 million.

During 1997, the Company made investments in three new Affiliates, Gofen and Glossberg, GeoCapital and Tweedy, Browne, and made additional investments in two of its existing Affiliates which required approximately $325.9 million in cash (including transaction costs). The Company obtained the financing for these investments pursuant to (i) borrowings under the Credit Facility, (ii) borrowings of $60 million face amount of Subordinated Bridge Notes (the "Subordinated Debt") and (iii) $30 million from the issuance of Class C Convertible Preferred Stock and warrants to purchase Class C Convertible Preferred Stock (clauses (i)--(iii) collectively, the "Recent Financing"). The Credit Facility included $200 million in revolving credit and $50 million of 7-year Tranche A and $50 million of 8-year Tranche B term loans.

On November 21, 1997, the Company successfully completed its IPO with the sale of 8,625,000 shares of Common Stock. The Company received net proceeds of $187.0 million, after deducting the underwriting

discount and expenses payable by the Company in connection with the offering. The Company used the proceeds of the offering to retire the Subordinated Debt of $60 million, the Tranche A term loan of $50 million, the Tranche B term loan of $50 million, $25.8 million of the revolving credit facility and accrued interest of $1.2 million.

The Company replaced its Credit Facility with a new credit facility ("New Credit Facility") during December 1997. The New Credit Facility allows for borrowings up to $300 million (which may be increased to $400 million upon the approval of the lenders), bears interest at either LIBOR plus a margin ranging from 0.50% to 2.25% or the Prime Rate plus a margin ranging up to 1.25% and matures during December 2002. The Company pays a commitment fee of up to 1/2 of 1% on the daily unused portion of the facility.

The Company's borrowings under the New Credit Facility are collateralized by pledges of all of its interests in Affiliates (including all interests in Affiliates which are directly held by the Company, as well as all interests in Affiliates which are indirectly held by the Company through wholly-owned subsidiaries), representing substantially all of the Company's assets at December 31, 1997. The credit agreement (the "Credit Agreement") evidencing the New Credit Facility contains a number of negative covenants, including those which prevent the Company and its Affiliates from: (i) incurring additional indebtedness (with certain enumerated exceptions, including additional borrowings under the New Credit Facility and borrowings which constitute Subordinated Indebtedness (as that term is defined in the Credit Agreement)), (ii) creating any liens or encumbrances on any of their assets (with certain enumerated exceptions), (iii) selling assets outside the ordinary course of business or making certain fundamental changes with respect to the Company or any of its subsidiaries, including a restriction on the Company's ability to transfer interests in its subsidiaries if, as a result of such transfer, the Company would own less than 51% of such subsidiary, and (iv) declaring or paying dividends on the Common Stock of the Company.

The Credit Agreement also requires the Company to comply with certain financial covenants on an ongoing basis. These include a covenant requiring minimum stockholders' equity of $36.0 million (plus 85% of net proceeds from offerings of equity and Subordinated Indebtedness (as such term is defined in the Credit Agreement) and 50% of quarterly net income (or minus certain quarterly net losses) after the date of the Credit Agreement); a covenant requiring that Consolidated EBITDA (as such term is defined in the Credit Agreement) exceed interest expense by 2.0 to 1.0; and a covenant requiring that senior debt not exceed adjusted EBITDA (as such term is defined in the Credit Agreement) by more than 5.0 to 1.0. The Company remains in compliance with each of the foregoing financial covenants. The Company's ability to borrow under the Credit Agreement is conditioned upon its compliance with the requirements of that agreement, and any non-compliance with those requirements could give rise to a default entitling the lenders to accelerate all outstanding borrowings under that agreement.

In August 1997, the Company issued to Chase Equity Associates 5,333 (pre-split) shares of Series C-2 Non-Voting Convertible Preferred Stock and warrants to purchase at nominal cost 28,000 (pre-split) shares of Series C-2 Non-Voting Convertible Preferred Stock for aggregate cash consideration of $30.0 million. As partial consideration in the GeoCapital investment, the Company issued 10,667 (pre-split) shares of Class D Convertible Preferred Stock valued at $9.6 million.

On March 20, 1998, the Company acquired a majority interest in Essex Investment Management, LLC. The Company paid $69.6 million in cash and the assumption of debt, in addition to 1,750,942 newly-issued shares of Class C Convertible Non-Voting Stock. The stock will automatically convert into AMG Common Stock at a 1-for-1 exchange ratio after one year. The Company funded the cash portion of this investment with borrowings under its New Credit Facility.

In order to provide the funds necessary for the Company to continue to acquire interests in investment management firms, including its Affiliates upon the exercise of Puts, it will be necessary for the Company to incur, from time to time, additional long-term bank debt and/or issue equity or debt securities,

depending on market and other conditions. There can be no assurance that such additional financing will be available or become available on terms acceptable to the Company.

INTEREST RATE SENSITIVITY

The Company's revenues are derived almost exclusively from fees which are based on the value of assets under management. Such values are affected by changes in the broader financial markets which are, in part, affected by changing interest rates. The Company cannot predict the effects that interest rates or changes in interest rates may have on either the broader financial markets or its Affiliates' assets under management and associated fees.

With respect to its debt financings, the Company is exposed to potential fluctuations in the amount of interest expense resulting from changing interest rates. The Company seeks to offset such exposure in part by entering into interest rate hedging contracts. See "Interest Rate Hedging Contracts" below.

The Company's annual interest expense increases or decreases by $199,375 for each 1/8 of 1% change in interest rates assuming LIBOR is between 5% and 6.78% and assuming current interest rate margins on bank debt.

INTEREST RATE HEDGING CONTRACTS

The Company seeks to offset its exposure under its debt financing arrangements to changing interest rates by entering into interest rate hedging contracts. The Company generally borrows at a floating rate equal to LIBOR plus a margin as described above. As of December 31, 1997, the Company is a party, with two major commercial banks as counterparties, to $185 million notional amount of swap contracts which are designed to limit interest rate increases on the Company's borrowings. The swap contracts, upon quarterly reset dates, cap interest rates on the notional amounts when LIBOR exceeds 6.67% or 6.78%. When LIBOR is at or below 5%, the Company's floating LIBOR-based interest rate debt is swapped for fixed rate debt at rates ranging between 6.67% and 6.78%. The hedging contracts limit the effects of the Company's payment of interest at equivalent LIBOR rates of 6.78% or less on up to $185 million of indebtedness. However, there can be no assurance that the Company will continue to maintain such hedging contracts at their existing levels of coverage or that the amount of coverage maintained will cover all of the Company's indebtedness outstanding at any such time. In addition, as noted above, the Company's existing hedging contracts subject the Company to the risk of payments of higher interest rates when prevailing LIBOR rates are at 5% or less. Therefore, there can be no assurance that the hedging contracts will meet their overall objective of reducing the Company's interest expense. In addition, there can be no assurance that the Company will be successful in obtaining hedging contracts in the future on any new indebtedness.

IMPACT OF THE YEAR 2000 ISSUE

The Year 2000 Issue is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's or its Affiliates' computer programs that have date-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

Based on a recent assessment, the Company determined that the Year 2000 Issue will not have a significant impact on its own systems. The Company has communicated with its Affiliates and plans to initiate a formal communication with all of its significant vendors to determine the extent to which the Company is vulnerable to those third parties who fail to remediate their own Year 2000 Issue.

At this time, the Company's assessment of the impact of the Year 2000 Issue is incomplete. The Company's assessment is expected to be completed during 1998, when all of its Affiliates and significant vendors have completed their individual assessments of the issue.

RECENT ACCOUNTING DEVELOPMENTS

In June 1997, the FASB issued SFAS No. 130, "Reporting Comprehensive Income." This standard requires that comprehensive income and its components be reported and displayed in a financial statement with the same prominence as other financial statements. Comprehensive income includes net income, as well as certain items that are recorded directly in stockholders' equity, such as foreign currency translation adjustments. This standard is effective for years beginning after December 15, 1997, and will not have a material impact on the Company's financial position or results of operations.

In June 1997, the FASB issued SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." This standard requires disclosure of financial and descriptive information about an entity's reportable operating segments. Segments are defined by the standard as components of an entity that engage in business activities that generate revenues and expenses, and for which separate financial information should be reported on the basis that is used internally for senior management review. This standard is effective for financial statements for periods beginning after December 15, 1997, with restatement of comparative information for prior periods. The Company is currently evaluating the impact of this standard on its disclosures.

ECONOMIC AND MARKET CONDITIONS

The financial markets and the investment management industry in general have experienced record performance and record growth in recent years. For example, between January 1, 1995 and December 31, 1997, the S&P 500 Index appreciated at a compound annual rate in excess of 31.2% while, according to the Federal Reserve Board and the Investment Company Institute, aggregate assets under management of mutual and pension funds grew at a compound annual rate approaching 20% for the period January 1, 1995 to December 31, 1996. The financial markets and businesses operating in the securities industry, however, are highly volatile and are directly affected by, among other factors, domestic and foreign economic conditions and general trends in business and finance, all of which are beyond the control of the Company. There can be no assurance that broader market performance will be favorable in the future. Any decline in the financial markets or a lack of sustained growth may result in a corresponding decline in performance by the Affiliates and may adversely affect assets under management and/or fees at the Affiliate level, which would reduce cash flow distributions to the Company.

INTERNATIONAL OPERATIONS

First Quadrant Limited is organized and headquartered in London, England. Tweedy, Browne, based in New York, also maintains a research office in London. In the future, the Company may seek to invest in other investment management firms which are located and/or conduct a significant part of their operations outside of the United States. There are certain risks inherent in doing business internationally, such as changes in applicable laws and regulatory requirements, difficulties in staffing and managing foreign operations, longer payment cycles, difficulties in collecting investment advisory fees receivable, political instability, fluctuations in currency exchange rates, expatriation controls and potential adverse tax consequences. There can be no assurance that one or more of such factors will not have a material adverse effect on First Quadrant Limited or other non-U.S. investment management firms in which the Company may invest in the future and, consequently, on the Company's business, financial condition and results of operations.

INFLATION

The Company does not believe that inflation or changing prices have had a material impact on its results of operations.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and Stockholders of

Affiliated Managers Group, Inc.:

We have audited the accompanying consolidated balance sheets of Affiliated Managers Group, Inc. and Affiliates as of December 31, 1997 and 1996, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Affiliated Managers Group, Inc. and Affiliates as of December 31, 1997 and 1996 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Boston, Massachusetts
February 10, 1998
except for Note 16
for which the date is
March 20, 1998.

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	DECEMBER 31,	
	1996	1997
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,767	$ 22,766
Investment advisory fees receivable	15,491	27,061
Other current assets	806	2,231
Total current assets	23,064	52,058
Fixed assets, net	2,999	4,724
Equity investment in Affiliate	1,032	1,237
Acquired client relationships, net of accumulated amortization of $2,979 in 1996 and $6,142 in 1997	30,663	142,875
Goodwill, net of accumulated amortization of $10,022 in 1996 and $13,502 in 1997	40,809	249,698
Other assets	2,768	6,398
Total assets	$ 101,335	$ 456,990
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 16,212	$ 18,815
Notes payable to related parties	7,379	--
Total current liabilities	23,591	18,815
Senior bank debt	33,400	159,500
Accrued affiliate liability	3,200	--
Other long-term liabilities	665	1,656
Subordinated debt	--	800
Total liabilities	60,856	180,771
Minority interest	3,490	16,479
Commitments and contingencies		
Stockholders' equity:		
Preferred stock	42,476	--
Common stock	--	177
Additional paid-in capital on common stock	5	273,475
Foreign translation adjustment	22	(30)
Accumulated deficit	(5,514)	(13,882)
Total stockholders' equity	36,989	259,740
Total liabilities and stockholders' equity	$ 101,335	$ 456,990

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

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	FOR THE YEARS ENDED DECEMBER 31,		
	1995	1996	1997
Revenues	$ 14,182	$ 50,384	$ 95,287
Operating expenses:			
Compensation and related expenses	6,018	21,113	41,619
Amortization of intangible assets	4,174	8,053	6,643
Depreciation and other amortization	133	932	1,915
Selling, general and administrative	2,237	10,854	18,912
Other operating expenses	330	2,261	3,637
	12,892	43,213	72,726
Operating income	1,290	7,171	22,561
Non-operating (income) and expenses:			
Investment and other income	(265)	(337)	(1,174)
Interest expense	1,244	2,747	8,479
	979	2,410	7,305
Income before minority interest, income taxes and extraordinary item	311	4,761	15,256
Minority interest	(2,541)	(5,969)	(12,249)
Income (loss) before income taxes and extraordinary item	(2,230)	(1,208)	3,007
Income taxes	706	181	1,364
Income (loss) before extraordinary item	(2,936)	(1,389)	1,643
Extraordinary item, net	--	(983)	(10,011)
Net (loss)	$ (2,936)	$ (2,372)	$ (8,368)
Income (loss) per share--basic:			
Income (loss) before extraordinary item	$ (2.95)	$ (3.22)	$ 0.72
Extraordinary item, net	--	(2.27)	(4.41)
Net (loss)	$ (2.95)	$ (5.49)	$ (3.69)
Income (loss) per share--diluted:			
Income (loss) before extraordinary item	$ (2.95)	$ (3.22)	$ 0.20
Extraordinary item, net	--	(2.27)	(1.22)
Net (loss)	$ (2.95)	$ (5.49)	$ (1.02)
Average shares outstanding--basic	996,144	431,908	2,270,684
Average shares outstanding--diluted	996,144	431,908	8,235,529

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

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	FOR THE YEARS ENDED DECEMBER 31,		
	1995	1996	1997
Cash flow from operating activities:			
Net (loss)	$ (2,936)	(2,372)	$ (8,368)
Adjustments to reconcile net (loss) to net cash flow from operating activities:			
Amortization of intangible assets	4,174	8,053	6,643
Extraordinary item	--	983	10,011
Minority interest	631	2,309	13,108
Depreciation and other amortization	133	932	1,915
Increase (decrease) in deferred income taxes	141	(215)	--
Changes in assets and liabilities:			
Increase in investment advisory fees receivable	(186)	(8,473)	(3,980)
Increase in other current assets	(397)	(1,881)	(977)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(268)	6,849	(2,147)
Cash flow from operating activities	1,292	6,185	16,205
Cash flow used in investing activities:			
Purchase of fixed assets	(287)	(922)	(1,648)
Costs of investments, net of cash acquired	(38,031)	(25,646)	(325,896)
Sale of investment	--	642	--
Distributions received from Affiliate equity investment	--	275	229
Increase (decrease) in other assets	216	(3,639)	40
Repayment on notes recorded in purchase of business	321	80	--
Cash flow used in investing activities	(37,781)	(29,210)	(327,275)
Cash flow from financing activities:			
Borrowings of senior bank debt	28,400	21,000	303,900
Repayments of senior bank debt	(10,000)	(6,000)	(177,800)
Repayments of notes payable	(962)	(1,212)	(5,878)
Borrowings of subordinated bank debt	--	--	58,800
Repayments of subordinated bank debt	--	--	(60,000)
Issuances of equity securities	20,000	2,485	217,021
Issuance of warrants	--	--	1,200
Payment of subscription receivable	10,000	--	--
Repurchase of preferred stock	--	(13)	--
Debt issuance costs	(1,024)	(610)	(10,131)
Cash flow from financing activities	46,414	15,650	327,112
Effect of foreign exchange rate changes on cash flow	--	46	(43)
Net increase (decrease) in cash and cash equivalents	9,925	(7,329)	15,999
Cash and cash equivalents at beginning of year	4,171	14,096	6,767
Cash and cash equivalents at end of year	$ 14,096	$ 6,767	$ 22,766
Supplemental disclosure of cash flow information:			
Interest paid	$ 1,005	$ 2,905	$ 8,559
Income taxes paid	696	436	256
Supplemental disclosure of non-cash investing activities:			
Increase (decrease) in liabilities related to acquisitions	3,200	--	(3,200)
Supplemental disclosure of non-cash financing activities:			
Preferred stock issued in acquisitions	--	--	11,101
Common stock issued in exchange for Affiliate equity interests	--	--	1,849
Notes issued in acquisitions	--	6,686	--
Conversion of preferred stock to common stock	--	--	83,576
Exchange of common stock for preferred stock	10,004	--	--

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

AFFILIATED MANAGERS GROUP, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(DOLLARS IN THOUSANDS)

	PREFERRED SHARES	COMMON SHARES	PREFERRED STOCK	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	FOREIGN TRANSLATION ADJUSTMENTS	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' EQUITY
December 31, 1994.....	40,000	2,550,000	$ 10,004	$ --	$ 5	$ --	$ (206)	$ 9,803
Issuance of common stock..	--	275,000	--	--	--	--	--	--
Payment of subscription receivable.....	--	--	--	--	10,000	--	--	10,000
Exchange of common stock for preferred stock.....	40,000	(2,000,000)	10,004	--	(10,004)	--	--	--
Issuance of preferred stock.....	29,851	--	20,000	--	--	--	--	20,000
Net loss.....	--	--	--	--	--	--	(2,936)	(2,936)
December 31, 1995.....	109,851	825,000	40,008	--	1	--	(3,142)	36,867
Issuance of common stock..	--	162,500	--	--	4	--	--	4
Issuance of preferred stock.....	3,703	--	2,481	--	--	--	--	2,481
Repurchase of preferred stock.....	(20)	--	(13)	--	--	--	--	(13)
Net loss.....	--	--	--	--	--	--	(2,372)	(2,372)
Foreign translation adjustment.....	--	--	--	--	--	22	--	22
December 31, 1996.....	113,534	987,500	42,476	--	5	22	(5,514)	36,989
Issuance of common stock..	--	8,753,667	--	98	188,773	--	--	188,871
Issuance of preferred stock and warrants.....	45,715	--	41,100	--	1,200	--	--	42,300
Conversion of preferred stock.....	(159,249)	7,962,450	(83,576)	79	83,497	--	--	--
Net loss.....	--	--	--	--	--	--	(8,368)	(8,368)
Foreign translation adjustment.....	--	--	--	--	--	(52)	--	(52)
December 31, 1997.....	--	17,703,617	$ --	$ 177	$ 273,475	$ (30)	$ (13,882)	$ 259,740

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

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF OPERATIONS

The principal business activity of Affiliated Managers Group, Inc. ("AMG" or the "Company") is the acquisition of equity interests in investment management firms ("Affiliates"). AMG's Affiliates operate in one industry segment, that of providing investment management services, primarily in the United States and Europe, to mutual funds, partnerships and institutional and individual clients.

Affiliates are either organized as limited partnerships, general partnerships or limited liability companies. AMG has contractual arrangements with each Affiliate whereby a percentage of revenues is allocable to fund Affiliate operating expenses, including compensation (the Operating Allocation), while the remaining portion of revenues (the Owners' Allocation) is allocable to AMG and the other partners or members, generally with a priority to AMG. Affiliate operations are consolidated in these financial statements. The portion of the Owners' Allocation allocated to owners other than AMG is included in minority interest in the statement of operations. Minority interest on the consolidated balance sheets includes undistributed Owners' Allocation and Operating Allocation and capital owned by owners other than AMG.

CONSOLIDATION

These consolidated financial statements include the accounts of AMG and each Affiliate in which AMG has a controlling interest. In each such instance, AMG is, directly or indirectly, the sole general partner (in the case of Affiliates which are limited partnerships), sole managing general partner (in the case of the Affiliate which is a general partnership) or sole manager member (in the case of Affiliates which are limited liability companies). Investments where AMG does not hold a controlling interest are accounted for under the equity method of accounting and AMG's portion of net income is included in investment and other income. All intercompany balances and transactions have been eliminated.

REVENUE RECOGNITION

The Company's consolidated revenues represent advisory fees billed 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 recognized when earned based upon either the positive difference between the investment returns on a client's portfolio compared to a benchmark index or indices, or an absolute percentage of gain in the client's account, and are accrued in amounts expected to be realized.

CASH AND CASH EQUIVALENTS

The Company considers all highly liquid investments 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.

FIXED ASSETS

Equipment and other fixed assets are recorded at cost and depreciated using the straight-line method over their estimated useful lives ranging from three to five years. Leasehold improvements are amortized over the shorter of their estimated useful lives or the term of the lease.

ACQUIRED CLIENT RELATIONSHIPS AND GOODWILL

The purchase price for the acquisition of interests in Affiliates is allocated based on the fair value of assets acquired, primarily acquired client relationships. In determining the allocation of 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 cost assigned to acquired client relationships is amortized using the straight line method over periods ranging from nine to 26 years. The expected useful lives of acquired client relationships are analyzed separately for each acquired Affiliate 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 excess of purchase price for the acquisition of interests in Affiliates over the fair value of net assets acquired, including acquired client relationships, is classified as goodwill. Goodwill is amortized using the straight-line method over periods ranging from 15 to 35 years. In determining the amortization period for goodwill, the Company considers a number of factors including: the firm's historical and potential future operating performance; the characteristics of the firm's clients, products and investment styles; as well as the firm's history and perceived franchise or brand value. Unamortized intangible assets, including acquired client relationships and goodwill, are periodically re-evaluated and if experience subsequent to the acquisition indicates that there has been an impairment in value, other than temporary fluctuations, an impairment loss is recognized. Management evaluates the recoverability of unamortized intangible assets quarterly for each acquisition using estimates of undiscounted cash flows factoring in known or expected trends, future prospects and other relevant information. If impairment is indicated, the Company measures its loss as the excess of the carrying value of the intangible assets for each Affiliate over its fair value determined using valuation models such as discounted cash flows and market comparables. Included in amortization expense for 1996 and 1995 are impairment losses of $4,628 and $2,500, respectively, relating to two of AMG's Affiliates following periods of significant client asset withdrawals. Fair value in such cases was determined using market comparables based on revenues, cash flow and assets under management. No impairment loss was recorded for the year ended December 31, 1997.

DEBT ISSUANCE COSTS

Debt issuance costs incurred in securing credit facility financing are capitalized and subsequently amortized over the term of the credit facility. Unamortized debt issuance costs of $983 and $10,011, net of taxes, were written off as an extraordinary item in 1996 and 1997, respectively, as part of the Company's replacement of its previous credit facilities with new facilities.

INTEREST-RATE HEDGING AGREEMENTS

The Company periodically enters into interest-rate hedging agreements to hedge against potential increases in interest rates on the Company's outstanding borrowings. The Company's policy is to accrue amounts receivable or payable under such agreements as reductions or increases in interest expense, respectively.

INCOME TAXES

The Company has adopted Statement of Financial Accounting Standards No. 109 ("FAS 109") which requires the use of the asset and liability approach for accounting for income taxes. Under FAS 109, the Company recognizes deferred tax assets and liabilities for the expected consequences of temporary differences between the financial statement amount and tax basis of the Company's assets and liabilities. A deferred tax valuation allowance is established if, in management's opinion, it is more likely than not that all or a portion of the Company's deferred tax assets will not be realized.

FOREIGN CURRENCY TRANSLATION

The assets and liabilities of non-U.S. based Affiliates are translated into U.S. dollars at the exchange rates in effect as of the balance sheet date. Revenues and expenses are translated at the average monthly exchange rates then in effect.

PUTS AND CALLS

As further described in Note 11, the Company periodically purchases additional equity interests in Affiliates from minority interest owners (prior shareholders of acquired Affiliates). Resulting payments made to such owners are considered purchase price for such acquired interests. The estimated cost of purchases from equity holders who have been awarded equity interests in connection with their employment is accrued, net of estimated forfeitures, over the service period as equity-based compensation.

EQUITY-BASED COMPENSATION PLANS

In October 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS 123"). This standard became effective January 1, 1996. The standard encourages, but does not require, adoption of a fair value-based accounting method for stock-based compensation arrangements which includes stock option grants, sales of restricted stock and grants of equity-based interests in Affiliates to certain limited partners or members. 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 based method had been applied in measuring compensation cost. The Company continues to apply APB 25 and related interpretations.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles 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.

2. CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and investment advisory fees receivable. The Company maintains cash and cash equivalents, short-term investments and certain off-balance-sheet financial instruments with various financial institutions. These financial institutions are located in places where AMG and its Affiliates operate. For AMG and certain Affiliates, cash deposits at a financial institution may exceed FDIC insurance limits.

Substantially all of the Company's revenues are derived from the investment management operations of its Affiliates. For the year ended December 31, 1997, one of those Affiliates accounted for approximately 33% of AMG's share of total Owners' Allocation.

3. FIXED ASSETS AND LEASE COMMITMENTS

Fixed assets consist of the following:

	AT DECEMBER 31,	
	1996	1997
Office equipment	$ 2,614	$ 5,870
Furniture and fixtures	1,677	3,530
Leasehold improvements	538	2,007
Computer software	184	760
Total fixed assets	5,013	12,167
Accumulated depreciation	(2,014)	(7,443)
Fixed assets, net	$ 2,999	$ 4,724

The Company and its Affiliates lease computer equipment and office space for their operations. At December 31, 1997, the Company's aggregate future minimal rentals for operating leases having initial or noncancelable lease terms greater than one year are payable as follows:

YEAR ENDING DECEMBER 31,	REQUIRED MINIMUM PAYMENTS
1998	$ 3,091
1999	2,735
2000	2,413
2001	2,094
2002	2,603
Thereafter	4,547

Consolidated rent expense for 1995, 1996 and 1997 was $493, $2,359 and $3,637, respectively.

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following:

	AT DECEMBER 31,	
	1996	1997
Accounts payable	$ 396	$ 940
Accrued compensation	9,264	6,480
Accrued rent	3,509	2,769
Deferred revenue	796	1,481
Accrued professional services	1,350	2,552
Other	897	4,593
	$ 16,212	$ 18,815

5. RETIREMENT PLANS

AMG has a defined contribution retirement plan covering substantially all of its full-time employees and four of its Affiliates. Six of AMG's other Affiliates have separate defined contribution retirement plans. Under each of the plans, AMG and each Affiliate is able to make discretionary contributions to qualified plan participants up to IRS limits. Consolidated expenses related to these plans in 1995, 1996 and 1997 were $222, $656 and $1,020, respectively.

6. SENIOR BANK DEBT AND SUBORDINATED DEBT

In December 1997, the Company replaced its $300 million revolving Credit Facility with a new $300 million revolving credit facility ("New Credit Facility"), with principal repayment due in December 2002. Interest is payable at rates up to 1.25% over the Prime Rate or up to 2.25% over LIBOR on amounts borrowed. The Company pays a commitment fee of up to 1/2 of 1% on the daily unused portion of the facility. The Company had $159.5 million outstanding on the New Credit Facility at December 31, 1997.

The effective interest rates on the outstanding borrowings were 6.5% and 7.2% at December 31, 1996 and 1997, respectively. All borrowings under the New Credit Facility are collateralized by pledges of all capital stock or other equity interests in each AMG Affiliate owned or to be acquired. The credit agreement contains certain financial covenants which require the Company to maintain specified minimum levels of net worth and interest coverage ratios and maximum levels of indebtedness, all as defined in the credit agreement. The credit agreement also limits the Company's ability to pay dividends and incur additional indebtedness.

As of December 31, 1997, the Company is a party, with two major commercial banks as counterparties, to $185 million notional amount of swap contracts which are designed to limit interest rate increases on the Company's LIBOR-based borrowings. The swap contracts, upon quarterly reset dates, cap interest rates on the notional amounts at rates ranging between 6.67% and 6.78%. When LIBOR is at or below 5%, the Company's floating rate LIBOR debt is swapped for fixed rate debt at rates ranging between 6.67% and 6.78%. The hedging contracts limit the effects of the Company's payments of interest at equivalent LIBOR rates of 6.78% or less on up to $185 million of indebtedness. The contracts mature between March 2001 and October 2002.

One of the Company's Affiliates also operates as a broker-dealer and must maintain specified minimum amounts of "net capital" as defined in SEC Rule 15c3-1. In connection with this requirement, the Affiliate has $800 of subordinated indebtedness which qualifies as net capital under the net capital rule. The subordinated indebtedness is subordinated to claims of general creditors and is secured by notes and marketable securities of certain of the Affiliate's management members.

7. INCOME TAXES

A summary of the provision for income taxes, before the 1997 tax benefit of $846 related to the extraordinary item, is as follows:

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
Federal:			
Current	$ 60	$ --	$ --
Deferred	201	(233)	776
State:			
Current	514	397	352
Deferred	(69)	17	236
Provision for income taxes	$ 706	$ 181	$ 1,364

The effective income tax rate differs from the amount computed on "income (loss) before extraordinary item" by applying the U.S. federal income tax rate because of the effect of the following items:

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
Tax at U.S. federal income tax rate	(35)%	(35)%	35%
Nondeductible expenses, primarily amortization of intangibles	54	21	15
State income taxes, net of federal benefit	13	23	13
Valuation allowance	--	6	(17)
	32%	15%	46%

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

	DECEMBER 31,	
	1996	1997
Deferred assets (liabilities):		
Net operating loss carryforwards	$ 3,481	$ 10,436
Intangible amortization	(4,950)	(9,238)
Accrued compensation	2,004	849
Other, net	(58)	(58)
	477	1,989
Valuation allowance	(477)	(1,989)
Net deferred income taxes	$ --	$ --

At December 31, 1997, the Company had tax net operating loss ("NOL") carryforwards of approximately $25 million which expire beginning in the year 2010. Realization is dependent on generating sufficient taxable income prior to expiration of the tax loss carryforwards. At December 31, 1997, management believed it was more likely than not that the Company's deferred tax asset of $1,989, arising primarily from NOL carryforwards, would not be realized and accordingly established a full valuation allowance against the asset. The Company will review the valuation allowance at the end of each reporting period and will make adjustments if it is determined that it is more likely than not that the NOL's will be realized.

8. 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 unfavorably to the Company or its Affiliates. The Company and its Affiliates establish accruals for matters that are 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.

9. ACQUISITIONS AND COMMITMENTS

1997

During 1997, the Company acquired in purchase transactions majority interests in Gofen and Glossberg, GeoCapital and Tweedy, Browne. The Company also acquired additional interests in two of its existing Affiliates.

The Company issued 10,667 shares of Class D Convertible Preferred Stock valued at $9.6 million as partial consideration in the GeoCapital transaction. The preferred stock was exchanged for 533,350 shares of the Company's Common Stock in connection with the Company's initial public offering.

The results of operations of Gofen and Glossberg, GeoCapital and Tweedy, Browne are included in the consolidated results of operations of the Company from their respective dates of acquisition, May 7, 1997, September 30, 1997 and October 9, 1997.

1996

During 1996, the Company acquired in purchase transactions majority interests in First Quadrant and Burridge. In addition, the Company acquired additional partnership interests from limited partners of two of its existing Affiliates.

On December 31, 1996, the Company issued notes in the amount of $6.7 million as partial consideration in the purchase to Burridge selling shareholders who remained as employees. On January 3, 1997, the notes were settled in cash for $5.2 million and the issuance of 1,715 shares of Series B-1 Voting Convertible Preferred Stock. The Convertible Preferred Stock was subsequently exchanged for 85,750 shares of Common Stock in connection with the Company's initial public offering.

The results of operations of First Quadrant and Burridge are included in the consolidated results of operations of the Company from their respective dates of acquisition, March 28, 1996 and December 31, 1996.

1995

During 1995, the Company acquired in purchase transactions majority interests in Systematic, Skyline and Renaissance. The Company also made a minority investment in Paradigm. In connection with an Affiliate acquisition, the Company assumed an unconditional $3.2 million purchase obligation on the equity interests of limited partners which would be settled in either cash or the Company's stock. During 1997, the partners in that affiliate exchanged this unconditional right for new equity interests in this Affiliate.

The results of operations of Systematic, Skyline and Renaissance are included in the consolidated results of operations of the Company from their respective dates of investment, May 16, 1995, August 31, 1995, and November 9, 1995. The net income associated with the Company's minority interest in Paradigm is included in the consolidated results of operations of the Company using the equity method from May 22, 1995, the date of investment.

The total purchase price, including cash, notes, common and preferred stock and capitalized transaction costs, associated with these investments, is allocated as follows:

	DECEMBER 31,		
	1995	1996	1997
Allocation of Purchase Price:			
Net tangible assets	$ 1,720	$ 2,198	$ 5,924
Intangible assets	39,800	35,040	331,421
Minority investment	888	--	--
Total purchase price	$ 42,408	$ 37,238	$ 337,345

Unaudited pro forma data for the years ended December 31, 1996 and 1997 are set forth below, giving consideration to the acquisitions occurring in the respective two-year period, as if such transactions occurred as of the beginning of 1996, assuming revenue sharing arrangements had been in effect for the

entire period and after making certain other pro forma adjustments. This pro forma data has been prepared following Accounting Principles Board Opinion No. 16 ("APB 16").

	YEAR ENDED DECEMBER 31,	
	1996	1997
Revenues	$ 120,999	$ 147,159
Income before extraordinary item	1,366	7,230
Extraordinary item, net	(584)	(6,141)
Net income	782	1,089
Income before extraordinary item per share--basic	$ 0.08	$ 0.41
Income before extraordinary item per share--diluted	0.08	0.41
Net income per share--basic	0.04	0.06
Net income per share--diluted	0.04	0.06

In conjunction with certain acquisitions, the Company has entered into agreements and is contingently liable, upon achievement of specified revenue targets over a five-year period, beginning with the date of AMG's investment, to make additional purchase payments of up to $23 million plus interest as applicable. These contingent payments, if achieved, will be settled for cash with most coming due beginning January 1, 2001 and January 1, 2002 and will be accounted for as an adjustment to the purchase price of the Affiliate. In addition, subject to achievement of performance goals, certain key Affiliate employees have options to receive additional equity interests in their Affiliates.

Related to one of the Company's Affiliates, a former institutional shareholder is entitled to redeem a cash value warrant on April 30, 1999. Using the actual results of operations of this Affiliate to date, the cash value warrant had no value and, therefore, no amounts have been accrued in these financial statements.

10. EQUITY INVESTMENT

In 1995, the Company purchased a 30% equity interest in Paradigm, which is accounted for under the equity method of accounting.

Summarized financial information for Paradigm is as follows:

	AT DECEMBER 31,	
	1996	1997
Balance Sheet Data:		
Current assets	$ 756	$ 965
Non current assets	492	513
Total assets	$ 1,248	$ 1,478
Current liabilities	$ 493	$ 416
Non current liabilities	--	--
Total liabilities	$ 493	$ 416

	FOR THE PERIOD MAY 22, 1995 (DATE OF ACQUISITION) TO DECEMBER 31, 1995	FOR THE YEAR ENDED DECEMBER 31, 1996	FOR THE YEAR ENDED DECEMBER 31, 1997
Statement of Earnings Data:			
Total revenues	$ 894	$ 2,051	$ 3,078
Operating and other expenses	840	1,488	2,630
Net Income	$ 54	$ 563	$ 448

11. PUTS AND CALLS

To ensure the availability of continued ownership participation to future key employees, the Company has options to repurchase ("Calls") certain equity interests in Affiliates owned by partners or members. The options were exercisable beginning in 1997. In addition, Affiliate management owners have options ("Puts"), exercisable beginning in the year 2000, which require the Company to purchase certain portions of their equity interests at staged intervals. The Company is also obligated to purchase ("Purchase") such equity interests in Affiliates upon death, disability or termination of employment. All of the Puts and Purchases would take place based on a multiple of the respective Affiliate's Owners' Allocation but using reduced multiples for terminations for cause or for voluntary terminations occurring prior to agreed upon dates, all as defined in the general partnership, limited partnership or limited liability company agreements of the Affiliates. Resulting payments made to former owners of acquired Affiliates are accounted for as adjustments to the purchase price for such Affiliates. Payments made to equity holders who have been awarded equity interests in connection with their employment are accrued, net of estimated forfeitures, over the service period as equity-based compensation.

The Company's contingent obligations under the Put and Purchase arrangements at December 31, 1997 ranged from $5.3 million on the one hand, assuming all such obligations occur due to early terminations or terminations for cause, and $145.3 million on the other hand, assuming all such obligations occur due to death, disability or terminations without cause. The Put and Purchase amounts above were calculated based upon $20.1 million of average annual historical Owners' Allocation. Assuming the closing of all such Put and Purchase transactions, AMG would own all the prospective Owners' Allocations.

12. STOCKHOLDERS' EQUITY

COMMON STOCK

The Company had 43,000,000 authorized shares of Common Stock (including Class B Common Stock) with a par value of $.01 per share of which 987,500 and 17,703,617 shares were issued and outstanding at December 31, 1996 and 1997, respectively.

INITIAL PUBLIC OFFERING

On November 21, 1997, the Company completed an initial public offering ("IPO"), issuing 8,625,000 shares of Common Stock. In November 1997, the Company also issued 78,667 shares of Common Stock to limited partners of an Affiliate in return for equity interests in that Affiliate.

The Company's Board of Directors authorized a 50-for-1 stock split effected in the form of a stock dividend on the Company's authorized and outstanding Common Stock. The stock dividend was effective immediately prior to the Company's IPO. Where applicable, these Consolidated Financial Statements and Notes thereto reflect the Common Stock split on a retroactive basis.

PREFERRED STOCK

At December 31, 1997, the Company had 5,000,000 authorized shares of preferred stock ("Preferred Stock"), par value $.01, with no shares issued.

At December 31, 1996, the Company had two classes of convertible preferred stock ("Convertible Preferred Stock"), par value $.01. There were 80,000 authorized and issued shares of Class A Convertible Preferred Stock. The Company also had two series of Class B Preferred Stock. There were 34,328 authorized and 14,131 issued shares of Series B-1 Voting Convertible Preferred Stock and 19,403 shares authorized and issued of Series B-2 Non-Voting Convertible Preferred Stock. During 1997, the Company issued 1,715 shares of Series B-1 Convertible Preferred Stock as partial consideration in the Burridge investment and 10,667 shares of Class D Convertible Preferred Stock in the GeoCapital investment. Also during 1997, Chase Equity Associates purchased 5,333 shares of Class C Convertible Preferred Stock and warrants to purchase 28,000 shares of Class C Convertible Preferred Stock, which were subsequently exercised. On November 21, 1997, the date of the Company's initial public offering, all issued shares of Convertible Preferred Stock, a total of 159,249 shares, were converted 1-for-50 into the Company's Common Stock, for a total of 7,962,450 common shares. At December 31, 1997 there were no shares of Convertible Preferred Stock authorized or issued.

STOCK INCENTIVE PLANS

The Company has established three incentive stock plans ("Stock Plans"), primarily to incent key employees, under which it is authorized to grant incentive and non-qualified stock options and to grant or sell shares of stock which are subject to certain restrictions ("Restricted Stock"). At December 31, 1997, a total of 2,300,000 shares of Common Stock have been reserved for issuance under these plans, with a total of 337,500 shares of Restricted Stock sold and 682,500 stock options granted. The plans are administered by a committee of the Board of Directors. Restricted Stock sales were made at their then fair market value, as approved by the Board of Directors of the Company, and generally vest over three years and are subject to significant forfeiture provisions and other restrictions. The exercise price of the stock options is determined by the Company's Board of Directors on the date of grant.

The 1994 Incentive Stock Plan (the "1994 Plan") provides for the issuance of 125,000 shares of Common Stock. As of December 31, 1997, the Company had sold an aggregate of 125,000 shares of Restricted Stock under the 1994 Plan. These shares vest over periods ranging up to four years. At December 31, 1997, 112,500 of these shares were vested.

The 1995 Incentive Stock Plan (the "1995 Plan") provides for the issuance of 425,000 shares of Common Stock. As of December 31, 1997, the Company had sold an aggregate 212,500 shares of Restricted Stock under the 1995 Plan. In 1997, the Company granted options to purchase 92,500 shares to officers of the Company with an exercise price of $9.10 per share. These options vest over a three year period ending December 31, 1999. As of December 31, 1997, none of the options granted under the 1995 Plan had been exercised. The Company does not intend to make any further grants under the 1995 Plan.

The 1997 Stock Option and Incentive Plan (the "1997 Plan") provides for the issuance of 1,750,000 shares of Common Stock. In connection with the Company's initial public offering on November 21, 1997, the Company granted options to purchase 590,000 shares of Common Stock to officers and employees of the Company with an exercise price of $23.50 per share. These options are exercisable over seven years, with 15% exercisable on each of the first six anniversaries of the date of grant and 10% exercisable on the seventh anniversary of the date of grant. The vesting period of these options will be accelerated upon a change in control of the Company or upon the achievement of certain financial goals. On December 11, 1997, the Company granted an option to purchase 10,000 shares of Common Stock, with an exercise price of $24.94 per share, to a newly elected director of the Company. This option becomes exercisable in equal installments of 625 shares on the first day of each calendar quarter commencing April 1, 1998. The vesting period of this option will be accelerated upon a change in control of the Company. As of December 31, 1997, none of the options granted under the 1997 Plan had been exercised.

The following is a summary of outstanding and exercisable options under the Stock Plans at December 31, 1997:

	SHARES	EXERCISE PRICE ($/SHARE)	WEIGHTED AVERAGE EXERCISE PRICE ($/SHARE)	OPTIONS EXERCISABLE	EXPIRATION DATE
Options outstanding at December 31, 1996	--		--	--	
Options granted	92,500	$ 9.10		30,833	5/31/07
Options granted	590,000	$ 23.50		--	11/26/07
Options granted	10,000	$ 24.94		--	12/10/07
Options exercised	--			--	
Options canceled	--			--	
Options outstanding at December 31, 1997	692,500		$ 21.60	30,833	

SUPPLEMENTAL DISCLOSURE FOR EQUITY-BASED COMPENSATION

The Company continues to apply APB 25 and related interpretations in accounting for its sales of Restricted Stock, grants of stock options and equity-based interests in Affiliates. FAS 123 defines a fair value method of accounting for the above arrangements whose impact requires disclosure. Under the fair value method, compensation cost is measured at the grant date based on the fair value of the award and is recognized over the expected service period. The required disclosures under FAS 123 as if the Company had applied the new method of accounting are made below.

Had compensation cost for the Company's equity-based compensation arrangements been determined based on the fair value at grant date for awards subsequent to January 1, 1995, consistent with the requirements of FAS 123, the Company's net (loss) and net (loss) per share would have been as follows:

	YEAR ENDED DECEMBER 31,		
	1995	1996	1997
Net (loss)--as reported	$ (2,936)	$ (2,372)	$ (8,368)
Net (loss)--FAS 123 pro forma	(3,091)	(2,141)	(8,837)
Net (loss) per share--basic--as reported	(2.95)	(5.49)	(3.69)
Net (loss) per share--basic--FAS 123 pro forma	(3.10)	(4.96)	(3.89)
Net (loss) per share--diluted--as reported	(2.95)	(5.49)	(1.02)
Net (loss) per share--diluted--FAS 123 pro forma	(3.10)	(4.96)	(1.07)

Solely for purposes of providing the pro forma disclosures required by FAS 123, the fair value of each option grant was estimated on the date of grant using the minimum value method prior to the initial public offering and the Black-Scholes option-pricing model after the offering, with the following weighted average assumptions used for grants of options.

	YEAR ENDED DECEMBER 31,	
	1995	1997
Dividend yield	0%	0%
Volatility	0%	26%
Risk-free interest rates	6.5%	5.96%
Expected option lives in years	11.3	6.7
Assumed forfeiture rate	0%	29.3%

The estimated fair value of grants of stock options and equity-based interests in Affiliates was $2.9 million and $4.6 million for 1995 and 1997, respectively. There were no grants in 1996.

13. EARNINGS (LOSS) PER SHARE

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("FAS 128"). This standard became effective for financial statements issued for periods ending after December 15, 1997. The Company has adopted FAS 128 for its fiscal year ended December 31, 1997 and has restated prior-period EPS data to conform to the new standard.

The calculation for the basic earnings per share is based on the weighted average of common shares outstanding during the period. The calculation for the diluted earnings per share is based on the weighted average of common and common equivalent shares outstanding during the period except where the inclusion of common equivalent shares has an anti-dilutive effect. Following is a reconciliation of the numerators and denominators of the basic and diluted EPS computations for "income (loss) before extraordinary item" for the three years ended December 31, 1997.

	1995	1996	1997
Numerator:			
Income (loss) before extraordinary item	$ (2,936,000)	$ (1,389,000)	$ 1,643,000
Denominator:			
Average shares outstanding--basic	996,144	431,908	2,270,684
Convertible preferred stock	--	--	5,496,330
Stock options and unvested restricted stock	--	--	468,515
Average shares outstanding--diluted	996,144	431,908	8,235,529
Income (loss) before extraordinary item per share:			
Basic	$ (2.95)	$ (3.22)	$ 0.72
Diluted	$ (2.95)	$ (3.22)	$ 0.20

Because the computation of diluted EPS shall not assume exercise of securities that would have an anti-dilutive effect on earnings per share, as is the case in a loss year before extraordinary items, the effect of 3,512,576 and 5,585,382 outstanding shares of convertible preferred stock and 443,034 and 510,421 of unvested shares of restricted common stock were excluded from the diluted calculation in 1995 and 1996, respectively.

14. DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

FASB Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments" ("FAS 107"), 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 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 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 following tables present a comparison of the carrying value and estimated fair value of the Company's financial instruments at December 31, 1996 and 1997:

	DECEMBER 31, 1996	
	CARRYING VALUE	ESTIMATED FAIR VALUE
Financial assets:		
Cash and cash equivalents	$ 6,767	$ 6,767
Financial liabilities:		
Notes payable to related parties	(7,379)	(7,374)
Senior bank debt	(33,400)	(33,400)
Off-balance sheet financial instruments:		
Interest-rate hedging agreements	--	(763)

	DECEMBER 31, 1997	
	CARRYING VALUE	ESTIMATED FAIR VALUE
Financial assets:		
Cash and cash equivalents	$ 23,046	$ 23,046
Financial liabilities:		
Senior bank debt	(159,500)	(159,500)
Off-balance sheet financial instruments:		
Interest-rate hedging agreements	--	(2,528)

The carrying amount of cash and cash equivalents approximates fair value because of the short-term nature of these instruments. The fair value of notes payable to related parties was calculated with a discounted cash flow model using existing payment terms and the prime rate. The carrying value of senior bank debt approximates fair value because the debt is a revolving credit facility with variable interest based on three-month LIBOR. The fair value of interest rate hedging agreements are quoted market prices based on the estimated amount necessary to terminate the agreements.

15. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

The following is a summary of the unaudited quarterly results of operations of the Company for 1996 and 1997. The amounts are in thousands except for the per share amounts.

	1996			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	$ 6,756	$ 12,739	$ 12,675	$ 18,214
Operating income	1,686	2,227	2,087	1,171
Income (loss) before income taxes and extraordinary item	1,024	(320)	291	(2,203)
Income (loss) before extraordinary item	$ 1,196	$ (469)	$ (25)	$ (2,091)
Income (loss) before extraordinary item per share-- basic	$ 3.50	$ (1.07)	$ (0.05)	$ (4.33)
Income (loss) before extraordinary item per share-- diluted	$ 0.19	$ (1.07)	$ (0.05)	$ (4.33)

	1997			
	FIRST QUARTER	SECOND QUARTER	THIRD QUARTER	FOURTH QUARTER
Revenues	$ 16,568	$ 16,302	$ 20,410	$ 42,007
Operating income	3,561	2,141	3,270	13,589
Income (loss) before income taxes and extraordinary item	1,220	(419)	253	1,953
Income before extraordinary item	$ 674	$ 32	$ 127	$ 810
Income before extraordinary item per share--basic	$ 1.31	$ 0.06	$ 0.21	$ 0.11
Income before extraordinary item per share--diluted	$ 0.10	$ --	$ 0.02	$ 0.07

During the fourth quarter of 1997, the Company completed its investment in Tweedy, Browne. The Company also completed an initial public offering of its shares of Common Stock. The Company used the net proceeds of the initial public offering to repay outstanding indebtedness and recognized an extraordinary write-off of $10,011, net of taxes (representing $(1.37) and $(0.81) per share on a basic and diluted basis, respectively) from the early retirement of such indebtedness.

16. EVENTS SUBSEQUENT TO DECEMBER 31, 1997

On March 20, 1998, the Company completed its investment in Essex Investment Management Company, LLC ("Essex"). The Company paid $69.6 million in cash and the assumption of debt and 1,750,942 shares of its Class C Convertible Non-Voting Stock, $.01 par value per share (the "Class C Stock"). Each share of Class C Stock converts into one share of Common Stock upon the earlier of March 20, 1999, or certain extraordinary events.

The total purchase price including cash, stock and capitalized transaction costs associated with this investment is allocated as follows:

Allocation of Purchase Price:	
Net tangible assets	$ 7,408
Intangible assets	93,386
Total purchase price	$ 100,794

The amortization periods used for intangible assets related to this investment are 28 years for acquired client relationships and 30 years for goodwill. Unaudited pro forma data for the years ended December 31, 1996 and 1997 are set forth below, giving consideration to the Essex investment and

investments occurring in the two years ended December 31, 1997, as if such transactions had occurred as of the beginning of 1996, assuming revenue sharing arrangements had been in effect for the entire period and after making certain other pro forma adjustments. This pro forma data has been prepared following APB 16.

	YEAR ENDED DECEMBER 31,	
	1996	1997
Revenues	$ 153,771	$ 186,258
Income before extraordinary item	3,155	10,181
Extraordinary item, net	(584)	(6,141)
Net income	2,571	4,040
Income before extraordinary item per share--basic	$ 0.16	$ 0.53
Income before extraordinary item per share--diluted	0.16	0.52
Net income per share--basic	0.13	0.21
Net income per share--diluted	0.13	0.21

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

None.

PART III

The information in Part III (Items 10, 11, 12 and 13) is incorporated by reference to the Company's definitive Proxy Statement, which will be filed not later than 120 days after the end of the Company's fiscal year.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULE AND REPORTS ON FORM 8-K

(a)(1) Financial Statements: See Item 8

(2) Financial Statement Schedule: See Page 56

(3) Exhibits

2.1 Purchase Agreement dated August 15, 1997 by and among the Registrant, Tweedy, Browne Company L.P. and the partners of Tweedy, Browne Company L.P. (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (2)

2.2 Agreement and Plan of Reorganization dated August 15, 1997 by and among the Registrant, AMG Merger Sub, Inc., GeoCapital Corporation, GeoCapital, LLC and the stockholders of GeoCapital Corporation (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (2)

2.3 Stock Purchase Agreement dated as of January 17, 1996 by and among the Registrant, First Quadrant Holdings, Inc., Talegen Holdings, Inc., certain employees of First Quadrant Corp. and the other parties identified therein (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (2)

2.4 Amendment to Stock Purchase Agreement by and among the Registrant, First Quadrant Holdings, Inc., Talegen Holdings, Inc., certain managers of First Quadrant Corp. and the Management Corporations identified therein, effective as of March 28, 1996 (2)

2.5 Partnership Interest Purchase Agreement dated as of June 6, 1995 by and among the Registrant, Mesirow Asset Management, Inc., Mesirow Financial Holdings, Inc., Skyline Asset Management, L.P., certain managers of Mesirow Asset Management, Inc. and the Management Corporations identified therein (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (2)

2.6 Amendment, made by and among Mesirow Financial Holdings, Inc. and the Registrant, to Partnership Interest Purchase Agreement by and among the Registrant, Mesirow Asset Management, Inc., Mesirow Financial Holdings, Inc., Skyline Asset Management, L.P., certain managers of Mesirow Asset Management, Inc. and the Management Corporations identified therein, effective as of August 30, 1995 (2)

2.7 Agreement and Plan of Reorganization dated January 15, 1998 by and among the Registrant, Constitution Merger Sub, Inc., Essex Investment Management Company, Inc. and certain of the stockholders of Essex Investment Management Company, Inc. (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request)(1)

2.8 Amendment to Agreement and Plan of Reorganization dated March 19, 1998 by and among the Registrant, Constitution Merger Sub, Inc., Essex Investment Management Company, Inc. and certain of the stockholders of Essex Investment Management Company, Inc. (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request)(1)

3.1 Amended and Restated Certificate of Incorporation (2)

3.2 Amended and Restated By-laws (2)

4.1 Specimen certificate for shares of Common Stock of the registrant (2)

4.2 Credit Agreement dated as of December 22, 1997 by and among Chase Manhattan Bank, NationsBank, N.A. and the other lenders identified therein and the Registrant (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (1)

4.3 Stock Purchase Agreement dated November 7, 1995 by and among the Registrant, TA Associates, NationsBank, The Hartford, and the additional parties listed on the signature pages thereto (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (2)

4.4 Preferred Stock and Warrant Purchase Agreement dated August 15, 1997 between the Registrant and Chase Equity Associates (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (2)

4.5 Amendment No. 1 to Preferred Stock and Warrant Purchase Agreement dated as of October 9, 1997 between the Registrant and Chase Equity Associates (2)

4.6 Securities Purchase Agreement dated August 15, 1997 between the registrant and Chase Equity Associates (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (2)

4.7 Securities Purchase Agreement Amendment No. 1 dated as of October 9, 1997 between the Registrant and Chase Equity Associates (2)

10.1 Amended and Restated Stockholders' Agreement dated October 9, 1997 by and among the Registrant and TA Associates, NationsBank, The Hartford, Chase Capital and the additional parties listed on the signature pages thereto (2)

10.2 Tweedy, Browne Company LLC Limited Liability Company Agreement dated October 9, 1997 by and among the Registrant and the other members identified therein (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (2)

10.3 GeoCapital, LLC Amended and Restated Limited Liability Company Agreement dated September 30, 1997 by and among the Registrant and the members identified therein (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (2)

10.4 First Quadrant, L.P. Amended and Restated Limited Partnership Agreement dated March 28, 1996 by and among the Registrant and the partners identified therein (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (2)

10.5 Amendment to First Quadrant, L.P. Amended and Restated Limited Partnership Agreement by and among the Registrant and the partners identified therein, effective as of October 1, 1996 (2)

10.6 Second Amendment to First Quadrant, L.P. Amended and Restated Limited Partnership Agreement by and among the Registrant and the partners identified therein, effective as of December 31, 1996 (2)

10.7 First Quadrant U.K., L.P. Limited Partnership Agreement dated March 28, 1996 by and among the Registrant and the partners identified therein (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (2)

10.8 Skyline Asset Management, L.P. Amended and Restated Limited Partnership Agreement dated August 31, 1995 by and among the Registrant and the partners identified therein (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (2)

10.9 Amendment to Skyline Asset Management, L.P. Amended and Restated Limited Partnership Agreement by and among the Registrant and the partners identified therein, effective as of August 1, 1996 (2)

10.10 Second Amendment to Skyline Asset Management, L.P. Amended and Restated Limited Partnership Agreement by and among the Registrant and the partners identified therein, effective as of December 31, 1996 (2)

10.11 Affiliated Managers Group, Inc. 1997 Stock Option and Incentive Plan (2)

10.13 Affiliated Managers Group, Inc. 1995 Incentive Stock Plan (2)

10.14 Form of Tweedy, Browne Employment Agreement (2)

10.15 Essex Investment Management Company, LLC Amended and Restated Limited Liability Company Agreement dated March 20, 1998 by and among the Registrant and the members identified therein (excluding schedules and exhibits, which the Registrant agrees to furnish supplementally to the Commission upon request) (1)

10.16 Form of Essex Employment Agreement (1)

21.1 Schedule of Subsidiaries (1)

27.1 Financial Data Schedule (1)

- ------------------------

(1) Filed herewith

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

REPORT OF INDEPENDENT ACCOUNTANTS

Our report on the consolidated financial statements of Affiliated Managers Group, Inc. is included in Item 8 of this Form 10-K. In connection with our audits of such financial statements, we have also audited the related financial statement schedule listed in the index in Item 14 of this Form 10-K.

In our opinion, the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, present fairly, in all material respects, the information required to be included therein.

Coopers & Lybrand L.L.P.

Boston, Massachussetts

February 10, 1998

Schedule II
Valuation and Qualifying Accounts

INCOME TAX VALUATION ALLOWANCE

YEAR ENDING DECEMBER 31,	BALANCE BEGINNING OF PERIOD	ADDITIONS CHARGED TO COSTS AND EXPENSES	DEDUCTIONS AND WRITE-OFFS	BALANCE END OF PERIOD
		(IN THOUSANDS)		
1995.....	$ --	$ --	$ --	$ --
1996.....	--	477	--	477
1997.....	477	1,512	--	1,989

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 31, 1998

By: /s/ WILLIAM J. NUTT
William J. Nutt
PRESIDENT, CHIEF EXECUTIVE OFFICER AND
CHAIRMAN OF THE BOARD OF DIRECTORS

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)	President, Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	March 31, 1998
/s/ BRIAN J. GIRVAN (Brian J. Girvan)	Senior Vice President, Chief Financial Officer and Treasurer (Principal Financial and Principal Accounting Officer)	March 31, 1998
/s/ RICHARD E. FLOOR (Richard E. Floor)	Director	March 31, 1998
/s/ ROGER B. KAFKER (Roger B. Kafker)	Director	March 31, 1998
/s/ P. ANDREWS MCLANE (P. Andrews Mclane)	Director	March 31, 1998
/s/ JOHN M.B. O'CONNOR (John M.B. O'Connor)	Director	March 31, 1998
/s/ W.W. WALKER, JR. (W.W. Walker, Jr.)	Director	March 31, 1998
/s/ WILLIAM F. WELD (William F. Weld)	Director	March 31, 1998

EXHIBIT 2.7

AGREEMENT AND PLAN OF REORGANIZATION

by and among

AFFILIATED MANAGERS GROUP, INC.

as "AMG"

CONSTITUTION MERGER SUB, INC.

as "Merger Sub"

ESSEX INVESTMENT MANAGEMENT COMPANY, INC.

as the "Company"

and

The Majority Stockholders of the Company Named Herein

Dated as of January 15, 1998

AGREEMENT AND PLAN OF REORGANIZATION

INDEX

EXHIBITS

Exhibit 1.2	-	Form of Articles of Merger
Exhibit 1.7A	-	Certificate of Designations
Exhibit 1.7B	-	Escrow Agreement
Exhibit 1.12	-	Form of Supplemental Purchase Agreement (including exhibits)
Exhibit 1.13	-	Form of Redemption Agreement (including exhibits)
Exhibit 2.1A	-	Form of Initial LLC Contribution Agreement
Exhibit 2.1B	-	Form of Final LLC Contribution Agreement
Exhibit 2.2	-	Form of Restated LLC Agreement
Exhibits 5.2A, 5.2B, 5.2C and 5.2D	-	Forms of Client Consent Letters
Exhibit 6.9	-	Financials of AMG
Exhibit 8.9	-	Form of Employment Agreement
Exhibit 8.10	-	Form of Non Solicitation Agreement
Exhibit 8.12(i)	-	Form of Opinion of Counsel to the Company, the LLC and the Stockholders
Exhibit 8.12(j)	-	Form of Release of Company and LLC from certain liabilities
Exhibit 8.12(k)	-	Form of Representation Certificate
Exhibit 8.12(l)	-	Form of Consent Certificate
Exhibit 8.12(m)	-	Form of Capitalization, Net Worth and Working Capital Certificate
Exhibit 8.12(o)	-	Form of Supplemental Indemnification Agreement
Exhibit 8.12(p)	-	Form of Bermuda counsel opinion
Exhibit 8.13	-	Form of Material Adverse Effect Certificate
Exhibit 9.4(f)	-	Form of Opinion of Counsel to AMG

SCHEDULES

Schedule 1.7	-	Stockholders and Shares; Consideration
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AGREEMENT AND PLAN OF REORGANIZATION

AGREEMENT entered into as of January 15, 1998, by and among Affiliated Managers Group, Inc., a Delaware corporation ("AMG"), Constitution Merger Sub, Inc., a Massachusetts corporation and a wholly owned subsidiary of AMG ("Merger Sub"), Essex Investment Management Company, Inc., a Massachusetts corporation (the "Company"), and the holders of the Company's capital stock party hereto collectively referred to as the "Majority Stockholders" and, each individually as a "Majority Stockholder").

W I T N E S S E T H

WHEREAS, the Company is engaged in the business of providing investment management and advisory services to private accounts of certain institutional and individual investors;

WHEREAS, the Stockholders (as this and other capitalized terms are defined in Section 13.1) own of record and beneficially all of the issued and outstanding capital stock of the Company, consisting of thirty-one thousand five hundred fifty (31,550) shares of the Company's Common Stock, par value $1 per share (the "Common Stock") and fourteen thousand nine hundred fifty (14,950) shares of the Company's Class A Non-Voting Common Stock, par value $1 per share (the "Class A Stock") (said shares of Common Stock and Class A Stock being referred to herein collectively as the "Company Shares");

WHEREAS, the Company and the Majority Stockholders and certain other Persons have formed Essex Investment Management Company, LLC;

WHEREAS, the parties hereto desire, and the Boards of Directors of AMG and the Company have each determined that it is in the best interests of their respective stockholders, and the Majority Stockholders of the Company have determined, to enter into this agreement and the Supplemental Purchase Agreement providing for the acquisition by AMG, of the Company, by means of a merger of Merger Sub with and into the Company, and further desire that, in connection therewith, the LLC's Existing Limited Liability Company Agreement be amended and restated into the Restated LLC Agreement;

WHEREAS, the parties hereto desire and intend that, immediately following the Closing (as such term is defined in Section 1.8), the Company will contribute all or substantially all of its assets to Essex Investment Management Company, LLC, a Delaware limited liability company (the "LLC"); and

WHEREAS, to induce the parties hereto to enter into this Agreement, and to receive the benefits that will accrue to them if Merger Sub merges with and into the Company as contemplated hereby, the Company and the parties hereto have agreed to make certain representations, warranties and covenants as set forth herein.

NOW, THEREFORE, in order to consummate said merger and in consideration of the mutual agreements set forth herein and other valuable consideration, the receipt and adequacy whereof are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. THE MERGER

1.1 The Merger. Subject to the terms, provisions and conditions contained in this Agreement, and on the basis of the representations, warranties and covenants herein set forth, at the Effective Time (as such term is defined in Section 1.2), in accordance with this Agreement and the provisions of the Business Corporation Law of the Commonwealth of Massachusetts, Merger Sub hereby agrees to and AMG hereby agrees to cause the Merger Sub to merge with and into the Company (the "Merger"). The Company shall be the surviving corporation (sometimes referred to herein as the "Surviving Corporation") of the Merger and shall continue its corporate existence under the laws of the Commonwealth of Massachusetts as a subsidiary of AMG. Upon consummation of the Merger, the separate corporate existence of Merger Sub shall terminate.

1.2 Effective Time. The Merger shall become effective at the time the Secretary of State of the Commonwealth of Massachusetts endorses his approval on the articles of merger in the form attached hereto as Exhibit 1.2 (the "Articles of Merger"), which shall be filed (accompanied by the applicable fee) with the Secretary of State of the Commonwealth of Massachusetts on the date of the Closing. The "Effective Time" shall be the date and time when the Merger becomes effective. The parties hereto agree to execute, act on, make and amend (as AMG or the Company deems necessary or appropriate) all filings or other recordings required in connection with the Merger.

1.3 Effects of the Merger. At and after the Effective Time, the Merger shall have the effects provided herein and set forth in the applicable provisions of the Business Corporation Law of the Commonwealth of Massachusetts. Without limiting the generality of the foregoing and subject thereto, at the Effective Time, all the property, rights, privileges, powers and franchises of the Company and Merger Sub shall vest in the Surviving Corporation, and all debts, liabilities, obligations, restrictions, disabilities and duties of the Company and Merger Sub shall become the debts, liabilities, obligations, restrictions, disabilities and duties of the Surviving Corporation (it being understood that (i) the Majority Stockholders shall be liable for certain liabilities set forth in Section 12 of this Agreement and (ii) all liabilities of the Company will be transferred to the LLC pursuant to the LLC Contribution).

1.4 Articles of Organization. The Articles of Organization of the Surviving Corporation shall be the Articles of Organization of Merger Sub immediately prior to the Effective Time, until thereafter amended in accordance with applicable law and such Articles of Organization.

1.5 By-Laws. Unless otherwise determined by AMG prior to the Effective Time, the By-laws of the Surviving Corporation shall be the By-laws of Merger Sub immediately prior to the Effective Time, until thereafter amended in accordance with applicable law, the Articles of Organization of the Surviving Corporation and such By-laws.

1.6 Directors and Officers. Unless otherwise determined by AMG prior to the Effective Time, the initial directors and officers of the Surviving Corporation shall be the directors and officers of Merger Sub immediately prior to the Effective Time, each to hold office in accordance with the Articles of Organization and By-laws of the Surviving Corporation until their respective successors are duly elected or appointed and qualified.

1.7 Conversion of Securities of the Company.

(a) At the Effective Time, all of the shares of Company Common Stock and all of the shares of Company Class A Stock issued and outstanding immediately prior to the Effective Time and all rights attached thereto, shall, by virtue of this Agreement and without any action on the part of the holder thereof, be converted into the right to receive, subject to adjustment as provided in this Section 1.7: (i) cash in the aggregate amount of sixty-nine million six hundred thousand dollars ($69,600,000) and (ii) one million seven hundred fifty thousand nine hundred forty two (1,750,942) shares of AMG's Series C Non-Voting Convertible Stock, $.01 par value per share (the "AMG Shares" and, together with such cash, the "Merger Consideration"), established and designated under the Certificate of Designations of AMG attached hereto as Exhibit 1.7A (the "Certificate of Designations"). At the Effective Time, the Merger Consideration shall be allocated among the Stockholders and to the escrow agent under the Escrow Agreement and shall be paid to the Stockholders and, in the case of the cash portion of the Merger Consideration, to the escrow agent on behalf of the holders of Company Shares named in, and pursuant to the terms and conditions of, the Escrow Agreement in substance materially consistent with that attached hereto as Exhibit 1.7B (the "Escrow Agreement") as set forth in Schedule 1.7. In addition, pursuant to the terms of the Escrow Agreement, AMG will, from time to time and as additional Merger Consideration, deliver to such escrow agent the number of additional AMG Shares set forth in Schedule 1.7.

(b) If, as of the Closing, the Company shall have received Consents from clients whose investment advisory agreements provide for the payment (based on the Contract Value of each such investment advisory agreement) of fees constituting less than ninety-five percent (95%) of the Base Fees, then the Merger Consideration delivered to each Stockholder pursuant to Section 1.7(a) shall be subject to further adjustment, as set forth in Schedule 1.7.

(c) All of the shares of Common Stock converted into the right to receive the Merger Consideration pursuant to this Section 1.7 shall no longer be outstanding and shall automatically be canceled and shall cease to exist, and each certificate previously representing any such shares of Common Stock shall thereafter represent only the right to receive the portion of the Merger Consideration into which the shares of Common Stock represented by such certificate have been converted pursuant to this Section 1.7. Certificates previously

representing shares of Common Stock and Class A Stock shall be surrendered at the Closing and shall be exchanged for Merger Consideration paid in consideration therefor, without any interest thereon.

1.8 Additional Consideration.

(a) In the event that any Client which (a) has a contract that neither prohibits assignment by its terms nor terminates by its terms upon consummation of the transactions contemplated hereby does not Consent at or prior to the Closing (and AMG in its sole discretion does not elect to treat such client as having Consented at the Closing), then (a) such Client shall be treated, for purposes of calculating the Merger Consideration hereunder, as having withdrawn its assets, but the Company or the LLC may continue to provide services to such Client and (b) in the event that, as of the date that is sixty (60) days after the date of the Closing, the Company or the LLC is able to obtain the Consent of such Client, then the Company shall make an additional payment to the escrow agent under the Escrow Agreement, in accordance with Schedule 1.7, unless AMG and the Majority Stockholders agree otherwise.

(b) In the event that any Client which has a contract that prohibits assignment by its terms or terminates by its terms upon consummation of the transactions contemplated hereby does not Consent at or prior to the Closing (and AMG in its sole discretion does not elect to treat such client as having Consented at Closing), then (a) such Client shall be treated, for purposes of calculating the Merger Consideration hereunder, as having withdrawn its assets, but the Company or the LLC may continue to provide services to such Client and (b) in the event that, as of or prior to the date that is sixty (60) days after the date of the Closing, the LLC is able to enter into a contract with such Client with substantially identical terms, then the Company shall make an additional payment to the escrow agent under the Escrow Agreement, in accordance with Schedule 1.7, unless AMG and the Majority Stockholders otherwise agree.

1.9 Time and Place of Closing. The closing of the Merger and the related transactions provided for in this Agreement (herein called the "Closing") shall be held at the offices of Goodwin, Procter & Hoar LLP at Exchange Place, Boston, Massachusetts at 10:00 a.m. local time on the date of the Closing, which shall be five (5) business days after the fulfillment or waiver of each of the conditions set forth in Sections 8 (other than Section 8.12) and 9 (other than Section 9.4) hereof (or following the extension period as contemplated by Section 8.1 and Section 9.1) or at such other place, or an earlier or later date or time as may be mutually agreed upon by AMG and the Company.

1.10 Further Assurances. The Majority Stockholders shall (in their respective capacities as individuals and as officers of the Company), from time to time after the Closing, at the request of AMG and without further consideration, execute and deliver further instruments of transfer and assignment and take such other action as AMG may reasonably require to fully implement the provisions of this Agreement.

1.11 Transfer Taxes. All transfer taxes, fees and duties under applicable law incurred in connection with the Merger will be borne and paid fifty percent (50%) by the Stockholders (pro rata in accordance with the Merger Consideration received by them hereunder) and fifty percent (50%) by AMG, and the parties shall promptly reimburse each other in accordance with such allocation for any such tax, fee or duty which any of them is required to pay under applicable law.

1.12 Supplemental Purchase Agreement. Each Stockholder (including each Majority Stockholder but excluding those Stockholders listed on Schedule 1.13) who is not a Majority Stockholder has executed and delivered a Supplemental Purchase Agreement.

1.13 Redemption Agreement. Each Stockholder listed on Schedule 1.13 has executed and delivered a Redemption Agreement in the form attached as Exhibit 1.13 hereto (the "Redemption Agreement"), including the exhibits and attachments thereto.

SECTION 2. CONTRIBUTION OF ASSETS AND RESTATEMENT OF LLC AGREEMENT.

2.1 LLC Contribution. Prior to the Closing, the Company shall transfer certain liabilities and obligations to the escrow agent under the Escrow Agreement in accordance with the terms thereof. Promptly following the close of business on the day of the Closing (and in any event prior to the end of such day), the Surviving Corporation and the LLC shall, and the Surviving Corporation shall cause the LLC to: (i) enter into the LLC Contribution Agreement in the form attached hereto as Exhibit 2.1A (the "Initial LLC Contribution Agreement"), as well as each of the other agreements, documents and instruments contemplated thereby, and (ii) perform each of the transactions contemplated by the LLC Contribution Agreement as well as each of the other agreements, documents and instruments contemplated thereby. On the business day first following the day of the Closing (but in any event prior to the commencement of business on such first following day), the Surviving Corporation and the LLC shall, and the Surviving Corporation shall cause the LLC to: (i) enter into the LLC Contribution Agreement in the form attached hereto as Exhibit 2.1B (the "Final LLC Contribution Agreement" and together with the Initial LLC Contribution Agreement, the "LLC Contribution Agreement"), as well as each of the other agreements, documents and instruments contemplated thereby, and (ii) perform each of the transactions contemplated by the Final LLC Contribution Agreement as well as each of the other agreements, documents and instruments contemplated thereby. (Together, such transactions are referred to herein as the "LLC Contribution.")

2.2 LLC Agreement. Immediately following the Closing, the Surviving Corporation and each of the Stockholders as indicated on Schedule 3.4(b)(ii) shall amend and restate the Existing LLC Agreement into the Limited Liability Company Agreement in the form attached hereto as Exhibit 2.2 (the "Restated LLC Agreement").

SECTION 3. REPRESENTATIONS AND WARRANTIES OF THE COMPANY AND MAJORITY STOCKHOLDERS.

3.1 Making of Representations and Warranties. As a material inducement to AMG and Merger Sub to enter into this Agreement and consummate the transactions contemplated hereby, the Company and each of the Majority Stockholders jointly and severally hereby makes to AMG and Merger Sub the representations and warranties contained in this Section 3; provided, however, that each of the Stockholders severally and not jointly, makes the representations set forth in Section 3.3(b) hereof on his own behalf. After the Closing, no Stockholder shall have any right of indemnity or contribution from Merger Sub or the LLC (or any other right against Merger Sub or the LLC) with respect to any breach of a representation or warranty of the Majority Stockholders or the Company hereunder.

3.2 Organization and Qualification of the Company and the LLC.

(a) The Company is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Massachusetts, with full corporate power and authority to own or lease its properties and to conduct its business in the manner and in the places where such properties are owned or leased or such business is currently conducted. The copies of the Company's Articles of Organization, as amended to date (the "Articles of Organization"), certified by the Secretary of State of the Commonwealth of Massachusetts, and of the Company's By-laws, as amended to date, certified by the Company's Clerk, and heretofore delivered to AMG, are complete and correct, and no amendments thereto are pending. The Company is not in violation of any term of its Articles of Organization or By-laws. The Company is duly qualified to do business as a foreign corporation under the laws of each jurisdiction in which the nature of its business or the ownership or leasing of its properties requires such qualification.

(b) The LLC is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware with full power and authority under the Delaware Limited Liability Company Act, 6 Del. C. ss.18-101, et seq., as amended from time to time (the "Delaware Act") and the Existing LLC Agreement (and, after the effectiveness of the Restated LLC Agreement, the Restated LLC Agreement) to own or lease its properties and to conduct its business in the manner and in the places where such properties are owned or leased or such business is currently conducted or proposed to be conducted (and, after giving effect to the Closing and the LLC Contribution, the business currently conducted by the Company). The copies of the LLC's Existing LLC Agreement (as such term is defined in Section 13.1), certified by the Clerk of the Company in its capacity as Manager Member of the LLC, and of the LLC's Certificate of Formation, as amended to date (the "Existing Certificate of Formation"), certified by the Secretary of State of the State of Delaware, each as heretofore delivered to AMG, are complete and correct, and no amendments thereto are pending. The LLC is not in violation of any term of the Existing LLC Agreement. The LLC is duly qualified to do business as a foreign limited liability company under the laws of each jurisdiction in which the nature of its business or the ownership or leasing of its properties

requires such qualification. As of the Closing, the LLC shall be duly qualified to do business as a foreign limited liability company under the laws of each jurisdiction in which the nature of the business it will conduct after giving effect to the LLC Contribution, or the ownership or leasing of the properties it will receive in the LLC Contribution, requires such qualification, and such jurisdictions are listed on Schedule 3.2(b).

3.3 Capital Stock of the Company; Beneficial Ownership.

(a) The authorized capital stock of the Company consists only of (i) two hundred fifty thousand (250,000) shares of Common Stock, $1.00 par value per share, of which thirty-one thousand five hundred fifty (31,550) shares are duly and validly authorized, issued, outstanding, fully paid and non-assessable and of which two hundred eighteen thousand four hundred fifty (218,450) shares are authorized but unissued, and (ii) twenty five thousand (25,000) shares of Class A Non-Voting Common Stock, $1.00 par value per share, of which fourteen thousand nine hundred fifty (14,950) shares are duly and validly authorized, issued, outstanding, fully paid and non-assessable and of which ten thousand fifty (10,050) shares are authorized but unissued. Except as set forth in Schedule 3.3, there are no outstanding options, warrants, rights, commitments, preemptive rights or agreements of any kind for the issuance or sale of, or outstanding securities convertible into, any additional shares of capital stock of any class of the Company. None of the Company's capital stock has been issued or redeemed in violation of any federal or state law. Except as set forth in Schedule 3.3, there are no voting trusts, voting agreements, proxies or other agreements, instruments or undertakings with respect to the voting of the Company Shares to which the Company or any of the Stockholders is a party. No Stockholder has any dissenter's rights or rights of appraisal in the Merger with respect to the Company's capital stock.

(b) Each Stockholder who is not a Majority Stockholder owns of record, and to the knowledge of the Company and the Majority Stockholders, beneficially, the Company Shares set forth opposite such Stockholder's name on Schedule 1.7. Such Company Shares are, to the knowledge of the Company and the Majority Stockholders, free and clear of any Claims, except as reflected on Schedule 3.3. The shares of capital stock shown on Schedule 1.7 opposite each such Stockholder's name are, to the knowledge of the Company and the Majority Stockholders, the only shares of capital stock of the Company held by such Stockholder or with respect to which such Stockholder has any rights, to the knowledge of the Company and the Majority Stockholders, except as referenced on Schedule 3.3.

3.4 Subsidiaries.

(a) Other than the Company's interest in the LLC, and as otherwise set forth on Schedule 3.4(a), the Company has no, nor has it ever had any, subsidiaries or investments in any other Person. The LLC has no subsidiaries or investments in any other Person.

(b) The Company, the Stockholders and the other Persons listed on Schedule 3.4(b)(i) hereto are all of the members of the LLC, and the capitalization of the LLC (with

respect to capital accounts and interests in profits) is as set forth in Schedule 3.4(b)(i), with all such interests owned of record and, to the knowledge of the Company and the Majority Stockholders, beneficially by the entities and in the amounts indicated on said Schedule 3.4(b)(i), in each case, free and clear of any Claims other than the restrictions imposed pursuant to this Agreement. After giving effect to the Closing and the effectiveness of the Restated LLC Agreement, the capitalization of the LLC shall be as set forth in Schedule 3.4(b)(ii), with all such interests owned of record and, to the knowledge of the Company and the Majority Stockholders, beneficially by the entities and in the amounts indicated in Schedule 3.4(b)(ii), in each case, free and clear of any Claims other than restrictions imposed pursuant to the Restated LLC Agreement. All outstanding interests in the LLC have been duly authorized and issued under the Existing LLC Agreement and, after giving effect to the effectiveness of the Restated LLC Agreement, the Restated LLC Agreement. After giving effect to the Closing and the restatement of the Existing LLC Agreement into the Restated LLC Agreement, the Company will be the sole Manager Member (as such term is defined in the Restated LLC Agreement) and manager (as such term is defined in the Delaware Act) of the LLC, and the Company will have good title to its interest in the LLC, as shown in Schedule 3.4(b)(ii). Except as set forth in this Agreement or in the Restated LLC Agreement, there are no rights, commitments, agreements or understandings obligating or which might obligate the LLC or any of its members (including, without limitation, the Company) to issue, transfer, sell or redeem any securities or interests in the LLC.

3.5 Authority of the Company.

(a) The Company has full right, authority and power to enter into this Agreement, the Restated LLC Agreement and each agreement, document and instrument to be executed and delivered by the Company pursuant to, or as contemplated by, this Agreement or the Restated LLC Agreement and to carry out the transactions contemplated hereby and thereby. The execution, delivery and performance by the Company of this Agreement and each such other agreement, document and instrument have been duly authorized by all necessary corporate action of the Company and all necessary action of the Stockholders and no other action on the part of the Company or the Stockholders is required in connection therewith.

This Agreement, the Restated LLC Agreement and each agreement, document and instrument executed and delivered by the Company pursuant to, or as contemplated by, this Agreement or the Restated LLC Agreement constitutes, or when executed and delivered will constitute, valid and binding obligation of the Company enforceable in accordance with its terms, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally. The execution, delivery and performance by the Company of this Agreement, the Restated LLC Agreement and each such other agreement, document and instrument:

(i) does not and will not violate any provision of the Articles of Organization or by-laws of the Company, each as amended to date;

(ii) does not and will not violate any laws of the United States, or any state or other jurisdiction applicable to the Company or require the Company to obtain any approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made, except as specifically identified in Schedule 3.5, which approvals, consents and waivers identified in such Schedule (as indicated with an asterisk therein) shall have been received or made prior to the Closing or, at any earlier time required hereunder or under applicable laws, rules and regulations or the provisions of any agreement, contract or instrument; and

(iii) except as reflected in Schedule 3.5, does not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of, any agreement, contract, instrument, mortgage, lien, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which the Company is a party or by which the property of the Company is bound or affected, or result in the creation or imposition of any Claim on any of the Company's assets (or the assets of the LLC) or any Person's interest in the Company (including, without limitation, the Company Shares);

provided, however, that the representations in clauses (ii) and (iii) shall not apply to investment advisory agreements to the extent that receipt of consents from a party to such agreement is contemplated by Section 5.2.

(b) The LLC has all requisite power and authority under the Existing LLC Agreement and the Delaware Act (and, after the effectiveness of the Restated LLC Agreement, under the Restated LLC Agreement and the Delaware Act) to enter into each agreement, document and instrument to be executed and delivered by the LLC pursuant to, or as contemplated by, this Agreement and to carry out the transactions contemplated hereby and thereby. The execution, delivery and performance by the LLC of each such agreement, document and instrument have been duly authorized by all necessary action of the LLC and the Company (in its capacity as Manager Member of the LLC) and no other action on the part of the LLC, the Company, any of the Stockholders or any other member is required in connection therewith.

Each agreement, document and instrument executed and delivered by the LLC pursuant to, or as contemplated by, this Agreement constitutes, or when executed and delivered will constitute, valid and binding obligations of the LLC enforceable in accordance with their terms. The execution, delivery and performance by the LLC of each such agreement, document and instrument:

(i) does not and will not violate any provision of the Existing LLC Agreement or the Restated LLC Agreement;

(ii) does not and will not violate any laws of the United States, or any state or other jurisdiction applicable to the LLC or require the LLC to obtain any

approval, consent or waiver of, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made, except as specifically identified in Schedule 3.5; and

(iii) does not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of, any agreement, contract, instrument, mortgage, lien, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which the LLC is a party or by which the property of the LLC is bound or affected, or result in the creation or imposition of any mortgage, pledge, lien, security interest or other charge or encumbrance on any of the LLC's assets or of any Person's interests in the LLC.

3.6 Real and Personal Property.

(a) Neither the Company nor the LLC owns any real property. All of the real property leased by the Company or the LLC is identified in Schedule 3.6(a) (herein referred to as the "Leased Real Property"). All leases of Leased Real Property by the Company or the LLC are identified in Schedule 3.6(a), and true and complete copies thereof have been delivered to AMG. Each of said leases has been duly authorized by the Company and the LLC, as applicable, and is in full force and effect. Neither the Company nor the LLC is in material default under any of said leases, nor has any event occurred which, with the giving of notice or the passage of time, or both, would give rise to such a material default. To the Company's knowledge, the other party to each of said leases is not in material default under any of said leases and there is no event which, with the giving of notice or the passage of time, or both, would give rise to such a material default. After giving effect to the Closing and the LLC Contribution, each lease identified in Schedule 3.6(a) will be valid and effective in accordance with its terms, with the LLC having succeeded to all the rights and obligations of the Company thereunder.

(b) Attached hereto as Schedule 3.6(b) is a list of the categories of assets of the Company and the tax basis of each such asset (or category of assets). Except as set forth in Schedule 3.6(b) hereto, as of the date hereof, the Company owns all its assets free and clear of any Claims. All the assets listed in Schedules to the LLC Contribution Agreement included in Exhibit 2.1 hereto are being transferred to the LLC and, after giving effect to such transfers, the LLC will own all such assets free and clear of any Claims except those set forth in Schedule 3.6(b). The assets listed in Schedule 3.6(b) hereto include all the material assets used in, and all the assets necessary for the conduct of the business of the Company as currently conducted and all the material assets which the LLC can reasonably be expected to require for the conduct of such business immediately following the Closing and the LLC Contribution, and are suitable and in an appropriate condition for such purpose.

3.7 Assets Under Management.

(a) The aggregate assets under management by the Company as of June 30, 1997 and September 30, 1997 and December 31, 1997, are accurately set forth in Schedule 3.7. In addition, set forth in Schedule 3.7 is a list as of June 30, 1997 and September 30, 1997 and December 31, 1997, of all investment management, advisory or sub-advisory contracts setting forth the name of the client under each such contract, the amount of assets under management with respect to each such contract, the fee schedule in effect with respect to each such contract, the Contract Value, and any material fee adjustments or material withdrawals from or additions to the assets under management (it being understood and agreed that withdrawals from or additions to assets under management greater than $500,000 are material) implemented since October 31, 1997 or, to the knowledge of the Company or the Majority Stockholders, presently proposed to be instituted, the consent required for the assignment by the Company of each such contract other than those that by their terms terminate upon assignment (which are so identified), and the country, if other than the United States of America, of which the client is a resident. Except as set forth in Schedule 3.7 and expressly described thereon, there are no contracts, arrangements or understandings pursuant to which the Company has undertaken or agreed to cap, waive or reimburse any or all fees or charges payable by any of the clients set forth in Schedule 3.7 or pursuant to any of the contracts set forth in Schedule 3.7. Except as is set forth in Schedule 3.7, no client of the Company has expressed, to the knowledge of the Company and the Majority Stockholders, an intention to terminate or reduce its investment relationship with the Company, or adjust the fee schedule with respect to any contract in a manner which would reduce the fee to the Company (or, after giving effect to the LLC Contribution, the fee to the LLC).

(b) Set forth in Schedule 3.7 is a list of each client with which as of December 31, 1997 the Company has a fee based on performance or otherwise provides for compensation on the basis of a share of capital gains upon or capital appreciation of the funds (or any portion thereof) of any client, together with a description of such fee or compensation.

(c) Each account to which the Company provides Investment Management Services that is (i) an employee benefit plan, as defined in Section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a person acting on behalf of such a plan; or (iii) an entity whose assets include "plan assets" of such a plan, within the meaning of ERISA and applicable regulations (hereinafter referred to as an "ERISA Client"), have been managed by the Company such that the Company in the exercise of such management is in compliance in all material respects with the applicable requirements of ERISA. Schedule 3.7 identifies each Client that is an ERISA Client with an appropriate footnote.

3.8 Financial Statements.

(a) The Company has delivered to AMG the following financial statements, copies of which are attached hereto as Schedule 3.8: audited balance sheets of the Company at November 30, 1994, November 30, 1995 and November 30, 1996, and audited statements of

income, stockholders' equity and cash flows for each of the three (3) years then ended. The audited balance sheet of the Company at November 30, 1996 (including the notes thereto) is referred to hereinafter as the "Base Balance Sheet."

Said financial statements have been prepared in accordance with GAAP, applied consistently during the periods covered thereby, and present fairly in all material respects the financial condition of the Company at the dates of said statements and the results of its operations for the periods covered thereby.

(b) As of the date of the Base Balance Sheet, the Company did not have any liabilities of any nature, whether accrued, absolute, contingent or otherwise, asserted or unasserted, known or unknown (including, without limitation, liabilities as guarantor or otherwise with respect to obligations of others, liabilities for taxes due or then accrued or to become due, or contingent or potential liabilities relating to activities of the Company or the conduct of its businesses prior to the date of the Base Balance Sheet regardless of whether claims in respect thereof had been asserted as of such date), except liabilities stated or adequately reserved against on the Base Balance Sheet, or reflected in Schedules furnished to AMG hereunder as of the date hereof.

(c) As of the date hereof (including, with respect to the giving of this representation pursuant to Section 8.2 hereof, after giving effect to the LLC Contribution), neither the Company nor the LLC has any liabilities of any nature, whether accrued, absolute, contingent or otherwise, asserted or unasserted, known or unknown (including, without limitation, liabilities as guarantor or otherwise with respect to obligations of others, or liabilities for taxes due or then accrued or to become due or contingent or potential liabilities relating to activities of the Company or the LLC or the conduct of their businesses prior to the date hereof or the Closing, as the case may be, regardless of whether claims in respect thereof had been asserted as of such date), except: (i) liabilities stated or adequately reserved against on the Base Balance Sheet or the notes thereto, (ii) liabilities reflected in Schedules furnished to AMG hereunder on the date hereof (including, without limitation, on the audited balance sheet of the Company at November 30, 1996, included as part of Schedule 3.8), or (iii) immaterial liabilities incurred after the date of the audited balance sheet of the Company at November 30, 1996 (a copy of which is attached hereto as part of Schedule 3.8) in the ordinary course of business of the Company or the LLC which are, in the case of liabilities incurred after the date of this Agreement, consistent with the terms of this Agreement).

3.9 Taxes.

(a) The Company and the LLC have each paid or caused to be paid all federal, state, local, foreign, and other taxes, government fees or the like, including, without limitation, income taxes, estimated taxes, alternative minimum taxes, franchise taxes, capital stock taxes, sales taxes, use taxes, ad valorem or value added taxes, employment and payroll-related taxes, withholding taxes, and transfer taxes, whether or not measured in whole or in part by net income, and all deficiencies, or other additions to tax, interest, fines and penalties

owed by it (collectively, "Taxes" and, each individually, a "Tax"), required to be paid by it through the date hereof, whether disputed or not. The unpaid taxes of the Company and the LLC (i) did not, as of November 30, 1996, exceed the reserve for tax liability (rather than the reserve for deferred Taxes established to reflect timing differences between book and tax income) set forth in the audited balance sheet of the Company at November 30, 1996 (a copy of which is attached hereto as part of Schedule 3.8) (rather than in any notes thereto) and (ii) do not exceed that reserve as adjusted (including to reflect any additional current Tax accrued in accordance with the normal operation of the Company's business, consistent with past practices) for the passage of time through the date hereof and the date of the Closing in accordance with the past custom and practice of the Company and the LLC in filing their respective Tax Returns. All Taxes required to be withheld by the Company and the LLC including, but not limited to, Taxes arising as a result of payments to foreign persons or to employees of the Company or the LLC, have been collected and withheld, and have either been paid to the respective governmental agencies, set aside in accounts for such purpose, or accrued, reserved against, and entered on the books and records of the Company or the LLC, as applicable.

(b) Each of the Company and the LLC has, in accordance with applicable law, filed all federal, state, local and foreign tax returns required to be filed by it, and all such returns are accurate and complete in all material respects. A list of all federal, state, local and foreign income tax returns filed with respect to the Company for taxable periods ended on or after December 31, 1991, is set forth in Schedule 3.9, and said Schedule indicates those returns that have been audited or currently are the subject of an audit. For each taxable period of the Company ended on or after December 31, 1991, the Company has delivered to AMG correct and complete copies of all federal, state, local and foreign income tax returns, examination reports and statements of deficiencies assessed against or agreed to by the Company.

(c) Neither the IRS nor any other governmental authority responsible for the imposition or collection of any Tax (a "Taxing Authority") is now asserting or, to the knowledge of the Company or any Stockholder, threatening to assert against the Company or the LLC any deficiency or claim for additional Taxes. No claim has ever been made by a Taxing Authority in a jurisdiction where the Company or the LLC does not file reports and returns that the Company or the LLC is or may be subject to taxation by that jurisdiction. There are no security interests on any of the assets of the Company or the LLC that arose in connection with any failure (or alleged failure) to pay any Taxes. Neither the Company nor the LLC has ever entered into a closing agreement pursuant to Section 7121 of the Code.

(d) Except as set forth on Schedule 3.9, there has not been any audit of any tax return filed by the Company, no such audit is in progress, and the Company has not been notified by any Taxing Authority that any such audit is contemplated or pending. No extension of time with respect to any date on which a tax return was or is to be filed by the Company or the LLC is in force, and no waiver or agreement by the Company or the LLC is in force for the extension of time for the assessment or payment of any Taxes.

(e) Neither the Company nor the LLC has ever been (or has ever had any liability for unpaid Taxes because it once was) a member of an "affiliated group" (as defined in Section 1504(a) of the Code). Neither the Company nor the LLC has ever filed, or has ever been required to file, a consolidated, combined or unitary tax return with any other entity. Neither the Company nor the LLC is a party to any tax sharing agreement.

(f) The Company (and any predecessor of the Company) has been a validly electing S corporation within the meaning of Sections 1361 and 1362 of the Code at all times since December 1, 1984, and the Company will be an S corporation up to and including the date of the Closing.

(g) None of the Company's or the LLC's payroll, property, or receipts, or other factors used in a particular state's apportionment or allocation formula results in an apportionment or allocation of business income to any state, commonwealth or other jurisdiction other than the Commonwealth of Massachusetts, and neither the Company nor the LLC has any non-business income that is allocated, apportioned or otherwise sourced to any state, commonwealth or other jurisdiction than the Commonwealth of Massachusetts.

(h) The Company will not be liable for any Tax under Section 1374 of the Code in connection with the deemed sale of the Company's assets caused by the Section 338(h)(10) Election. The Company has not since January 1, 1988 (i) acquired assets from another corporation in a transaction in which the Company's tax basis for the acquired assets was determined, in whole or in part, by reference to the tax basis of the acquired assets (or any other property) in the hands of the transferor or (ii) acquired the stock of any corporation which is a qualified subchapter S subsidiary.

3.10 Collectibility of Accounts Receivable. All of the accounts receivable of the Company shown or reflected on the Company's balance sheet as of November 30, 1996, or existing at the date hereof (less the reserve for bad debts set forth on such balance sheet, as adjusted since such date as set forth in Schedule 3.10) are valid and enforceable claims, fully collectible and subject to no setoff or counterclaim. Neither the Company nor the LLC has any accounts or loans receivable from any person, firm or corporation or other entity which is affiliated with the Company or from any director, officer or employee of the Company except as disclosed in Schedule 3.10.

3.11 Absence of Certain Changes. Except as disclosed in Schedule 3.11, since the date of the Base Balance Sheet there has not been any:

(a) event that by itself or in conjunction with all other such events, could reasonably be expected to have a Material Adverse Effect on the Company, the LLC or AMG;

(b) (i) amendment which has had a Material Adverse Effect or (ii) termination or, (iii) to the knowledge of the Company and each of the Majority Stockholders,

proposed or threatened amendment or termination, whether written or oral, of any agreement listed in Schedule 3.7 hereto;

(c) material obligation or liability of any nature, whether accrued, absolute, contingent or otherwise, asserted or unasserted, known or unknown (including, without limitation, (i) liabilities for Taxes due or to become due, (ii) contingent or potential liabilities relating to services provided by the Company or the conduct of the business of the Company regardless of whether Claims in respect thereof have been asserted, or (iii) contingent liabilities incurred by the Company or the LLC as guarantor or otherwise with respect to the obligations of the Company or the LLC or others), incurred by the Company or the LLC other than obligations and liabilities incurred in the ordinary course of business consistent with the terms of this Agreement (it being understood that liability claims in respect of services provided shall not be deemed to be incurred in the ordinary course of business);

(d) material Claim placed on any of the properties or assets of the Company or the LLC;

(e) cancellation of any material debt or Claim owing to, or waiver of any material right of, the Company or the LLC;

(f) purchase, sale or other disposition, or any agreement or other arrangement for the purchase, sale or other disposition, of any of the material properties or assets of the Company or the LLC other than pursuant to the LLC Contribution or in the ordinary course of business consistent with past practices;

(g) damage, destruction or loss, whether or not covered by insurance, materially and adversely affecting the properties, assets or business of the Company or the LLC;

(h) declaration, setting aside or payment of any dividend or distribution by the Company or the LLC, or the making of any other distribution in respect of the capital stock of the Company or interests in the LLC, or any direct or indirect redemption, purchase or other acquisition by the Company or the LLC of its own capital stock or interests, respectively, other than distributions and dividends made in the ordinary course and consistent with past practices and subject to satisfaction of the conditions set forth in Section 8.10;

(i) change in the compensation payable or to become payable by the Company or the LLC to any of its officers, employees, agents or independent contractors except (x) normal merit increases in accordance with its usual practices, or (y) any non-recurring bonus payment or arrangement made to or with any of such officers, employees, agents or independent contractors;

(j) change in the identities, offices or duties of the officers or management of the Company or the LLC or any obligation or liability incurred by the Company or the LLC

to any of its officers, directors, stockholders, members or employees, or any loans or advances made by the Company or the LLC to any of its officers, directors, stockholders, members or employees, except normal compensation and expense allowances payable to officers or employees in the ordinary course of business consistent with past practices;

(k) payment or discharge of a material lien or liability of the Company or the LLC other than in the ordinary course of business consistent with the past practices of the Company;

(l) change in accounting methods or practices, or billing or collection policies used by the Company or the LLC;

(m) other transaction entered into by the Company or the LLC other than transactions in the ordinary course of business consistent with past practices; or

(n) agreement or understanding, whether in writing or otherwise, for the Company or the LLC to take any of the actions specified in paragraphs (a) through (m) above.

3.12 Ordinary Course. Except as otherwise specifically contemplated by this Agreement, since the date of the Base Balance Sheet, the Company has conducted its business only in the ordinary course and consistently with its prior practices. Since its formation, the LLC has only conducted those operations necessary for the performance of its obligations hereunder and activities necessary in connection herewith and therewith.

3.13 Banking Relations. All of the arrangements which the Company or the LLC has with any banking institution are, in all material respects, accurately described in Schedule 3.13, indicating with respect to each of such arrangements the type of arrangement maintained (such as checking account, borrowing arrangements, etc.) and the person or persons authorized in respect thereof.

3.14 Intellectual Property.

(a) Except as described in Schedule 3.14, the Company and, after giving effect to the Closing and the LLC Contribution, the LLC, has exclusive ownership of, or exclusive license to use, all patent, copyright, trade secret, trademark, trade name, service mark, formulas, designs, inventions or other proprietary rights (including, without limitation, all rights in and to the name "Essex Investment Management Company") (collectively, "Intellectual Property") used in the business of the Company as presently conducted. Except as set forth in Schedule 3.14, all of the rights of the Company in such Intellectual Property are freely transferable. There are no claims or demands of any other person or entity pertaining to any of such Intellectual Property and no proceedings have been instituted, or are pending or, to the knowledge of the Company and the Majority Stockholders, threatened, which challenge the rights of the Company or the LLC in respect thereof. The Company and, after giving effect to the Closing and the LLC Contribution, the LLC, has the right to use, free and clear of

any claims or rights of other persons, all customer lists (subject to applicable confidentiality restrictions), investment or other processes, computer software (other than rights of other Persons in computer software that is generally available to the public in the retail marketplace), systems, data compilations, research results and other information required for or incident to its services or its business as presently conducted.

(b) The Company has no, nor does it license or use any patents, patent applications, trademarks, trademark applications and registrations and registered copyrights. All other items of Intellectual Property which are material to the business or operations of the Company and, after giving effect to the Closing and the LLC Contribution, the LLC, are listed in Schedule 3.14.

(c) All licenses or other agreements under which the Company is granted rights in items of Intellectual Property which are material to the business or operations of the Company and, after giving effect to the Closing and the LLC Contribution, the LLC, are listed in Schedule 3.14. All said licenses or other agreements are in full force and effect, there is no material default by any party thereto, and, except as set forth in Schedule 3.14, all of the rights of the Company thereunder are freely assignable. To the knowledge of the Company and the Majority Stockholders, the licensors under said licenses and other agreements have and had all requisite power and authority to grant the rights purported to be conferred thereby. True and complete copies of all such licenses or other agreements, and any amendments thereto, have been provided to AMG.

(d) The Company has not granted rights to others in Intellectual Property owned or licensed by the Company.

(e) The Company has not made any valuable proprietary or non-public information of the Company available to any person other than employees of the Company except pursuant to written agreements requiring the recipients to maintain the confidentiality of such information and appropriately restricting the use thereof. The Company has no knowledge of any infringement by others of any Intellectual Property rights of the Company.

(f) The present business, activities and products of the Company, and, after giving effect to the LLC Contribution and the Closing, the LLC do not infringe any rights of any other person in Intellectual Property. No proceeding charging the Company with infringement of any Intellectual Property of any other person or entity has been filed or, to the knowledge of the Company and the Majority Stockholders, is threatened to be filed. The Company is not making unauthorized use of any confidential information or trade secrets of any person, including without limitation, any former employer of any past or present employee of the Company. Except as set forth in Schedule 3.14, neither the Company nor, to the knowledge of the Company and the Majority Stockholders, any of the Company's employees have any agreements or arrangements with any persons other than the Company related to confidential information or trade secrets of such persons or restricting any such employee's ability to engage in business activities of any nature. The activities of the Company's

employees on behalf of the Company do not violate any such agreements or arrangements known to the Company.

3.15 Contracts. Except for contracts, commitments, plans, agreements and licenses described in Schedule 3.3, Schedule 3.6(a), Schedule 3.7, Schedule 3.14, Schedule 3.15 or Schedule 3.24 (true and complete copies of which have been made available or delivered to AMG), neither the Company nor the LLC is a party to or subject to any:

(a) investment management or investment advisory or sub-advisory contract or agreement or any other contract or agreement for the provision of investment management or other similar services;

(b) plan, contract or agreement providing for bonuses, pensions, options, stock (or other beneficial interest) purchases (or other securities or phantom equity purchases), deferred compensation, retirement payments, profit sharing or the like;

(c) employment contract or agreement or contract or agreement for services which is not terminable at will by the Company (and, after giving effect to the Closing and the LLC Contribution, the LLC) without liability for any penalty or severance payment;

(d) contract or agreement for the purchase of any assets, material or equipment except purchase orders in the ordinary course for less than $50,000 each, such contract, agreements and orders not exceeding $250,000 in the aggregate;

(e) other contract or agreement creating any obligations of the Company or the LLC of more than $100,000 (in the aggregate) not specifically disclosed elsewhere under this Agreement;

(f) contract or agreement not made in the ordinary course of business (including, without limitation, any contract for the sale of all or any material portion of the assets of the Company or any contract for the purchase of all or any material portion of the assets of any other entity) other than the LLC Contribution Agreement and the agreements contemplated thereby;

(g) contract or agreement with any investment or research consultant, solicitor or sales agent;

(h) contract or agreement containing covenants limiting the freedom of the Company or the LLC (or their respective Affiliates) to compete in any line of business or with any person or entity;

(i) license contract or agreement (as licensor or licensee);

(j) contract or agreement providing for the borrowing or lending of money, and neither the Company nor the LLC has any obligations: (i) for borrowed money, (ii) evidenced by bonds, debentures, notes or similar instruments, (iii) to pay the deferred purchase price of property or services, (iv) under leases that would, in accordance with GAAP, appear on the balance sheet of the lessee as a liability, (v) secured by a Claim, (vi) in respect of letters of credit, or bankers acceptances, contingent or otherwise, or (vii) in respect of any guaranty or endorsement or other obligations to be liable for the debts of another person or entity; or

(k) other material contract or agreement to which the Company or the LLC is a party or by which either of them is bound.

Each of the contracts or agreements described in Schedule 3.3, Schedule 3.6(a), Schedule 3.7, Schedule 3.14, Schedule 3.15 or Schedule 3.24 is valid and effective in accordance with its respective terms, and there is not, under any such contract or agreement, an existing material breach or event which, with the giving of notice or the lapse of time or both, would become such a breach. The Company has complied and is in compliance with the client's guidelines and restrictions set forth in any contract described in Schedule 3.7, including, without limitation, any limitation set forth in the applicable prospectus, offering memorandum or marketing material for a fund or other collective investment vehicle or governing documents for any client. In the event the consents set forth in Schedule 3.5, Schedule 3.6(a), and Schedule 3.7 are obtained, and after giving effect to the LLC Contribution and the Closing, each such contract will remain valid and effective in accordance with its respective terms, and the LLC will be entitled to all rights and remedies thereunder to which the Company is entitled on the date hereof, or such contract or agreement will have been replaced by a new contract or agreement with the same party or parties on terms at least as favorable to the LLC as the terms of the present contract or agreement are to the Company. Neither the Company nor the LLC is bound by any agreement, contract or arrangement which could reasonably be expected to have a Material Adverse Effect on the Company, the LLC or AMG.

3.16 Litigation. There is no litigation or legal (or other) action, suit, proceeding or investigation at law or in equity, or before any federal, state, municipal or other governmental department, commission, bureau, board, agency or instrumentality, domestic or foreign (including, without limitation, any voluntary or involuntary proceedings under the Bankruptcy Code pending or, to the knowledge of the Majority Stockholders, threatened, against the Company or any action, suit, proceeding or investigation under any federal or state securities law, rule or regulation), in which the Company or the LLC or any Stockholder or officer, director, stockholder, member or employee thereof is engaged, or with which any of them is threatened, in connection with the business, affairs, properties or assets of the Company or the LLC, or which might call into question the validity or hinder the enforceability or performance of this Agreement, or of the other agreements, documents and instruments contemplated hereby and the transactions contemplated hereby and thereby or would reasonably be expected to have a Material Adverse Effect on the Company. There are no proceedings pending, or to the knowledge of the Company or any of the Majority Stockholders, threatened, relating to the

termination of, or limitation of, the rights of the Company (and, after giving effect to the Closing and the LLC Contribution, the LLC) under its registration under the Advisers Act, as an investment adviser, or any similar or related rights under any registrations or qualifications with various states or other jurisdictions, or under any other Investment Laws and Regulations.

3.17 Compliance with Laws. Each of the Company and the LLC is, and at all times has been, in material compliance with all laws and governmental rules and regulations, domestic or foreign, including, without limitation, the Advisers Act, the Commodity Exchange Act, ERISA, the Exchange Act, the Investment Company Act, and the Securities Act and the regulations promulgated under each of them; the rules and regulations of self-regulatory organizations including, without limitation, the NASD and each applicable exchange (as defined under the Exchange Act); and all other foreign, federal or state securities laws and regulations applicable to the business or affairs or properties or assets of the Company and the LLC (collectively "Investment Laws and Regulations"). None of the Company, the LLC or any Majority Stockholder or any officer, director, member, employee or stockholder of the Company or the LLC, is in default with respect to any judgment, order, writ, injunction, decree, demand or assessment issued by any court or any foreign, federal, state, municipal or other governmental agency, board, commission, bureau, instrumentality or department, domestic or foreign, or by any self-regulatory authority relating to the business or affairs of the Company, the LLC or the transactions contemplated hereby or which could give rise to an affirmative answer to any of the questions in Item 11, Part I of the Form ADV of the Company or the LLC. None of the Company or the LLC, nor any officer, director, member, employee or stockholder of the Company or the LLC, has been or is charged with or, to the knowledge of the Company or any of the Majority Stockholders, threatened with, or under investigation with respect to, any violation of any provision of foreign, federal, state, municipal or other law or any administrative rule or regulation, domestic or foreign including, without limitation, any Investment Laws and Regulations, relating to the business or affairs of the Company, the LLC or the transactions contemplated hereby or which could give rise to an affirmative answer to any of the questions in Item 11, Part I of the Form ADV of the Company or the LLC.

3.18 Business; Registrations.

(a) The Company is and has, since its inception, been engaged solely in the business of providing Investment Management Services. The Company does not provide Investment Management Services to (i) any issuer that is an investment company (within the meaning of the Investment Company Act) other than the Mutual Funds and the Foreign Funds and the clients listed in Schedule 3.18(a), (ii) any issuer that would be an investment company (within the meaning of the Investment Company Act) but for the exemptions contained in Section 3(c)(1), Section 3(c)(7), the final clause of Section 3(c)(3) or the third or fourth clauses of Section 3(c)(11) of the Investment Company Act, other than the Private Funds (as such term is defined in Section 13.1 hereof), or (iii) any issuer other than the Mutual Funds and the Foreign Funds and the clients listed in Schedule 3.18(a) that is or is required to be registered under the laws of the appropriate securities regulatory authority in the jurisdiction in which the

issuer is domiciled (other than the United States or the states thereof), which is or holds itself out as engaged primarily in the business of investing, reinvesting or trading in securities.

(b) The Company is and has, since its inception, been duly registered as an investment adviser under the Advisers Act. The Company is duly registered, licensed and qualified as an investment adviser in all jurisdictions where such registration, licensing or qualification is required in order to conduct its business and where the failure to be so registered, licensed or qualified could reasonably be expected to have a Material Adverse Effect on the Company or the LLC. The Company is in compliance with all foreign, federal and state laws requiring registration, licensing or qualification as an investment adviser and has currently effective notice filings in each of the jurisdictions listed in Schedule 3.18(b). The Company has delivered to AMG, true and complete copies of its most recent Form ADV, as amended to date, and has made available copies of all foreign and state registration forms, likewise as amended to date. The information contained in such forms was true and complete at the time of filing and the Company has made all amendments to such forms as it is required to make under any applicable laws. Neither the Company nor, to the knowledge of the Company and the Majority Stockholders, any person "associated" (as defined under the Advisers Act) with the Company, has been convicted of any crime or is or has engaged in any conduct that would be a basis for denial, suspension or revocation of registration of an investment adviser under Section 203(e) of the Advisers Act or would need to be disclosed pursuant to Rule 206(4)-4(b) thereunder, and to the knowledge of the Company and the Majority Stockholders, there is no proceeding or investigation that is reasonably likely to become the basis for any such disqualification, denial, suspension or revocation. The Company and each of its investment adviser representatives (as such term is defined in Rule 203A-3(a) under the Advisers Act) has, and after giving effect to the Closing and the LLC Contribution, the LLC and each of such representatives will have, all permits, registrations, licenses, franchises, certifications and other approvals (collectively, the "Licenses") required from foreign, federal, state or local authorities in order for it to conduct the businesses presently conducted by the Company in the manner presently conducted by the Company. Neither the Company nor the LLC is subject to any limitation imposed in connection with one or more of the Licenses which could reasonably be expected to have a Material Adverse Effect on the Company, the LLC or AMG. The Company is not a "broker" or "dealer" within the meaning of the Exchange Act, or a "commodity pool operator" or "commodity trading adviser" within the meaning of the Commodity Exchange Act. None of the Company or its officers and employees is required to be registered as a broker or dealer, a commodity trading adviser, a commodity pool operator, a futures commission merchant, an introducing broker, a registered representative or associated person, a counseling officer, an insurance agent, a sales person or in any similar capacity with the SEC, the Commodity Futures Trading Commission, the National Futures Association, the NASD or the securities commission of any state or any self-regulatory body. Except as described on Schedule 3.18(b), no person other than a full-time employee of the Company renders Investment Management Services to or on behalf of, or solicits clients with respect to, the provision of Investment Management Services by, the Company.

(c) The Company has no investment adviser representatives (as such term is defined in Rule 203A-3(a) under the Advisers Act).

(d) The only place of business (within the meaning of Rule 203A-3(b) under the Advisers Act) of the Company is its principal office in Boston, Massachusetts.

3.19 Insurance. The Company has in full force and effect such insurance as is customarily maintained by companies of similar size in the same or a similar business, with respect to its businesses, properties and assets (including, without limitation, errors and omissions liability insurance), and all bonds required by ERISA and by any contract to which the Company is a party, all as listed in Schedule 3.19. The Company is not in material default under any such insurance policy. After giving effect to the Closing and the LLC Contribution, each such insurance policy or equivalent policies will be in full force and effect, with the LLC as the sole owner and beneficiary of each such policy.

3.20 Powers of Attorney. Except as set forth on Schedule 3.3, none of the Company, the LLC or any Majority Stockholder or, to the knowledge of the Company and the Majority Stockholders, any other Stockholder has any outstanding power of attorney relating to the business or affairs or capital stock of the Company.

3.21 Finder's Fee. Except for fees to McDaniels & Co. (which fees have been disclosed to AMG and will be paid by from the escrow established under the Escrow Agreement), none of the Company, the LLC or any Stockholder has incurred or become liable for any broker's commission or finder's fee relating to or in connection with the transactions contemplated by this Agreement.

3.22 Corporate Records; Copies of Documents. The record books of the Company accurately record all corporate action taken by its respective stockholders and board of directors and committees and true and complete copies of the originals of such documents have been made available to AMG for review. The Company has made available for inspection and copying by AMG and its counsel true and correct copies of all documents referred to in this Agreement or in the Schedules delivered to AMG in connection herewith.

3.23 Transactions with Interested Persons. Neither the Company, the LLC, nor any Stockholder, member, officer, supervisory employee or director of the Company or the LLC or, to the knowledge of the Company or any of the Stockholders, any of their respective spouses or family members, is a party to any material transaction or material contract or arrangement with the Company or the LLC, or owns directly or indirectly on an individual or joint basis any interest (excluding passive investments in the shares of any enterprise which are publicly traded provided his or her holdings therein, together with any holdings of his or her Affiliates and family members, are less than five percent (5%) of the outstanding shares of comparable interest in such entity) in, or serves as an officer or director or in another similar capacity of, any competitor or client of the Company, or any organization which has a material

contract or arrangement with the Company or the LLC (in each case, other than as expressly contemplated hereby).

3.24 Employee Benefit Programs. [Assumes no Defined Benefit Plans]

(a) Schedule 3.24 hereto lists every Employee Program (as defined below) that has been maintained (as defined below) by the Company at any time during the three-year period ending on the date of the Closing.

(b) Each Employee Program which has ever been maintained by the Company and which has at any time been intended to qualify under Section 401(a) or 501(c)(9) of the Code has received a favorable determination or approval letter from the IRS regarding its qualification under such section and has in fact, been qualified under the applicable section of the Code from the effective date of such Employee Program through and including the Closing (or, if earlier, the date that all of such Employee Program's assets were distributed). No event or omission has occurred which would cause any such Employee Program to lose its qualification under the applicable Code section.

(c) The Company does not know and has no reason to know, of any failure of any party to comply in any material respect with any laws applicable to the Employee Programs that have been maintained by the Company. With respect to any Employee Program ever maintained by the Company, there has occurred no "prohibited transaction," as defined in Section 406 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or Section 4975 of the Code, or breach of any duty under ERISA or other applicable law (including, without limitation, any health care continuation requirements or any other tax law requirements, or conditions to favorable tax treatment, applicable to such plan), which could result, directly or indirectly, in any taxes, penalties or other liability to Merger Sub, the Company, the LLC or AMG. No litigation, arbitration, or governmental administrative proceeding (or investigation) or other proceeding (other than those relating to routine claims for benefits) is pending or threatened with respect to any such Employee Program.

(d) Except as set forth on Schedule 3.24, neither the Company nor any ERISA Affiliate (as defined below) (i) has ever maintained any Employee Program which has been subject to title IV of ERISA (including, but not limited to, any Multiemployer Plan (as defined below)) or (ii) has ever provided health care or any other non-pension benefits to any employees after their employment is terminated (other than as required by part 6 of subtitle B of title I of ERISA) or has ever promised to provide such post-termination benefits.

(e) With respect to each Employee Program maintained by the Company within the three (3) years preceding the Closing, complete and correct copies of the following documents (if applicable to such Employee Program) have previously been delivered to AMG: (i) all documents embodying or governing such Employee Program, and any funding medium for the Employee Program (including, without limitation, trust agreements) as they may have been amended; (ii) the most recent IRS determination or approval letter with respect to such

Employee Program under Code Sections 401 or 501(c)(9), and any applications for determination or approval subsequently filed with the IRS; (iii) the three (3) most recently filed IRS Forms 5500, with all applicable schedules and accountants' opinions attached thereto; (iv) the summary plan description for such Employee Program (or other descriptions of such Employee Program provided to employees) and all modifications thereto; (v) any insurance policy (including any fiduciary liability insurance policy) related to such Employee Program; (vi) any documents evidencing any loan to an Employee Program that is a leveraged employee stock ownership plan; and (vii) all other materials reasonably necessary for AMG to perform any of its responsibilities with respect to any Employee Program subsequent to the Closing (including, without limitation, health care continuation requirements).

(f) Each Employee Program listed on Schedule 3.24 may be amended, terminated, modified or otherwise revised by the Company, including the elimination of any and all future benefit accruals under any Employee Program.

(g) For purposes of this section:

(i) "Employee Program" means (A) all employee benefit plans within the meaning of ERISA Section 3(3), including, but not limited to, multiple employer welfare arrangements (within the meaning of ERISA Section 3(4)), plans to which more than one unaffiliated employer contributes and employee benefit plans (such as foreign or excess benefit plans) which are not subject to ERISA; and (B) all stock option plans, bonus or incentive award plans, severance pay policies or agreements, deferred compensation agreements, supplemental income arrangements, vacation plans, and all other employee benefit plans, agreements, and arrangements not described in (A) above. In the case of an Employee Program funded through an organization described in Code Section 501(c)(9), each reference to such Employee Program shall include a reference to such organization.

(ii) An entity "maintains" an Employee Program if such entity sponsors, contributes to, or provides (or has promised to provide) benefits under such Employee Program, or has any obligation (by agreement or under applicable law) to contribute to or provide benefits under such Employee Program, or if such Employee Program provides benefits to or otherwise covers employees of such entity, or their spouses, dependents, or beneficiaries.

(iii) An entity is an "ERISA Affiliate" of the Company if it would have ever been considered a single employer with the Company under ERISA Section 4001(b) or part of the same "controlled group" as the Company for purposes of ERISA Section 302(d)(8)(C).

(iv) "Multiemployer Plan" means a (pension or non-pension) employee benefit plan to which more than one employer contributes and which is maintained pursuant to one or more collective bargaining agreements.

3.25 Directors, Officers and Employees.

(a) Schedule 3.25(a) contains a true and complete list of all current directors and officers of the Company. In addition, Schedule 3.25(a) contains a list of all managers and employees of, and consultants to, the Company who, individually, have received or are scheduled to receive compensation from the Company and/or the LLC for the fiscal year ending November 30, 1997, in excess of $75,000. In each case such Schedule includes the current job title and AMG has been separately provided with the aggregate annual compensation of each such individual. To the knowledge of the Company and the Majority Stockholders, each employee listed in Schedule 3.25(a) hereto is in good health.

(b) The Company and, after giving effect to the LLC Contribution, the LLC, employs less than sixty (60) full-time employees and five (5) part-time employees and generally enjoys good employer-employee relationships. Except as set forth in Schedule 3.25(b) (or Schedule 3.24), neither the Company nor the LLC has any obligation, contingent or otherwise, under (a) any employment, collective bargaining or other similar labor agreement, (b) any written or oral agreement containing severance or termination pay arrangements, (c) any deferred compensation agreement, retainer or consulting arrangements, (d) any pension or retirement plan, any bonus or profit-sharing plan, any stock option or stock purchase plan, or (e) any other employee contract or non-terminable (whether with or without penalty) employment arrangement (each an "Employment Arrangement"). The Company is not in default with respect to any material term or condition of any Employment Arrangement, nor will the Closing or the LLC Contribution (or the transactions contemplated hereby or thereby) result in any such default, including, without limitation, after the giving of notice, lapse of time or both. Neither the Company nor the LLC is delinquent in payments to any of its employees for any wages, salaries, commissions, bonuses or other direct compensation for any services performed for it to the date hereof or amounts required to be reimbursed to such employees. Upon termination of the employment of any of said employees, none of the Company, Merger Sub, the LLC or AMG could, by reason of the transactions contemplated by this Agreement or anything done prior to the Closing, be liable to any of said employees for so-called "severance pay" or any other payments except as set forth in the Restated LLC Agreement. Neither the Company nor the LLC has made any payments, is obligated to make any payments, or is a party to any agreement that under certain circumstances could obligate the Company, Merger Sub, the LLC or AMG to make any payments that would be "parachute payments" within the meaning of the Code or would not be deductible under Section 280G of the Code. Except as described in Schedule 3.25(b), the Company does not have any policy, practice, plan or program of paying severance pay or any form of severance compensation in connection with the termination of employment. Each of the Company and the LLC is in compliance in all material respects with all applicable laws and regulations respecting labor, employment, fair employment practices, work place safety and health, terms and conditions of employment, and wages and hours. There are no charges of employment discrimination or unfair labor practices against or involving the Company. There are no grievances, complaints or charges that could have an adverse effect on the Company, Merger Sub, the LLC or AMG

or the conduct of their respective businesses and that have actually been filed against the Company under any dispute resolution procedure, and there is no arbitration or similar proceeding pending and no claim therefor has been asserted. The Company has in place all employee policies required by applicable laws, rules and regulations (except to the extent failure to have such policy would not reasonably be expected to have a Material Adverse Effect on the Company), and there have been no material violations or alleged violations of any of such policies. The Company has not received any notice indicating that any of its employment policies or practices is currently being audited or investigated by any foreign, federal, state or local government agency. Each of the Company and the LLC is, and at all times since November 6, 1986 has been, in compliance with the requirements of the Immigration Reform Control Act of 1986, as amended.

3.26 Non-Foreign Status. No Stockholder is a "foreign person" within the meaning of Section 1445 of the Code and Treasury Regulations Section 1.1445-2.

3.27 Transfer of Shares. Except as described in Schedule 3.27, no holder of stock of the Company has at any time transferred any of such stock to any employee of the Company, which transfer constituted or could be viewed as compensation for services rendered to the Company by said employee.

3.28 Stock Repurchase. Except as described in Schedule 3.28, neither the Company nor the LLC has redeemed or repurchased any of its capital stock or interests since the date of the Base Balance Sheet.

3.29 Code of Ethics. The Company has adopted a written policy regarding insider trading, a Code of Ethics which complies with all applicable provisions of Section 204A of the Advisers Act and a personal trading policy which complies with all applicable provisions of Rule 17j-1 under the Investment Company Act, copies of which have been delivered to AMG prior to the date hereof. All employees of the Company have executed acknowledgments that they are bound by the provisions of such Code of Ethics, insider trading policy and personal trading policy. The policies of the Company with respect to avoiding conflicts of interest are as set forth in the Company's most recent Form ADV or incorporated by reference therein. There have been no material violations or allegations of material violations of such Code of Ethics, insider trading policy, conflicts policy or personal trading policy.

3.30 Certain Representations and Warranties as to Collective Investment Vehicles.

(a) True, correct and complete copies of all of the current investment advisory agreements and distribution or underwriting contracts, administrative services and other services agreements, if any, and organizational and offering documents, pertaining to each of the Private Funds and the Foreign Funds: (i) have been provided to AMG prior to the date hereof and (ii) are in full force and effect. Such offering materials as of the dates as of which they were prepared and distributed did not contain an untrue statement of a material fact

or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Each of the Private Funds and the Foreign Funds is duly organized, validly existing and in good standing in the jurisdiction in which it is organized and has all requisite power and authority to conduct its business in the manner and in the places where such business is currently conducted. Each Private Fund and each Foreign Fund is and has, since its inception, been engaged solely in the business of an investment company. Each Private Fund and each Foreign Fund is and has, since its inception, been in compliance with all foreign, federal and state laws requiring registration, licensing or qualification as an investment company and all Investment Laws and Regulations.

(c) AMG has been furnished true, correct and complete copies of the audited financial statements, prepared in accordance with GAAP applied consistently during the periods covered thereby, of each Private Fund and each Foreign Fund for the past three fiscal years (or such shorter period as such Private Fund or Foreign Fund shall have been in existence), and unaudited financial statements, prepared in accordance with GAAP applied consistently during the periods covered thereby, of each Private Fund and each Foreign Fund for the first nine months of its most recent fiscal year. Each Private Fund's and Foreign Fund's fiscal year end and/or nine-month period financial statements is hereinafter referred to as a "Fund Financial Statement." Each of the Fund Financial Statements is consistent with the books and records of the applicable Private Fund or Foreign Fund, and presents fairly in all material respects the consolidated financial condition of such Private Fund or Foreign Fund in accordance with GAAP applied consistently during the periods covered thereby (except that the financial statements for the period need not include footnote disclosure or related statements of cash flows and stockholders' equity) at the respective date of such Fund Financial Statement and the results of operations and cash flows for the respective periods indicated, except in the case of the interim financial statements which are subject to normal year-end adjustments which in the aggregate are not material. The Fund Financial Statements reflect and disclose all material changes in accounting principles and practices adopted by each of the Private Funds and the Foreign Funds during the periods covered by each Fund Financial Statement. The books of account of each of the Private Funds and the Foreign Funds fairly reflect their respective transactions. None of the Private Funds has any direct or indirect liabilities other than: (i) liabilities fully and adequately reflected on the balance sheets contained in the Fund Financial Statements, and (ii) liabilities incurred since the date of the Fund Financial Statements and incurred in the ordinary course of business consistent with past practices.

(d) There are no restrictions imposed pursuant to any Investment Laws and Regulations, consent judgments or orders of the SEC or any other regulatory body on or with regard to any of the Private Funds or the Foreign Funds. Since inception, each of the Private Funds has been excluded from the definition of an investment company under the Investment Company Act by virtue of Section 3(c)(1) thereof or Section 3(c)(7) thereof and none of the Foreign Funds has been in violation of Section 7(d) under the Investment Company Act. Since its inception, each Private Fund and Foreign Fund has been duly registered or licensed and in

good standing under the laws of each jurisdiction in which such qualification is necessary, except where the failure to be duly registered and in compliance could not reasonably be expected to have a Material Adverse Effect on the respective Private Fund (or Foreign Fund, as applicable) or the Company.

(e) All interests of each of the Private Funds and the Foreign Funds were sold pursuant to a valid and effective exemption from registration under the Securities Act and have been duly authorized and are validly issued. Each of the investments of the Private Funds and the Foreign Funds has been made in accordance with the respective investment policies and restrictions in effect at the time the investments were made and at all times when the investments were held.

(f) All consent solicitation materials to be prepared for use by the Private Funds in connection with the transactions contemplated by this Agreement at the time such information is provided or used, as then amended or supplemented, and any information disseminated in respect of the transactions contemplated hereby at the time such information is disseminated, in each case, will be accurate and complete and will not contain any untrue statement of a material fact, or omit to state any material fact (i) required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or (ii) necessary to correct any statement in any earlier communication that has become false or misleading.

(g) There is no litigation or legal (or other) action, suit, proceeding or investigation at law or in equity pending or, to the knowledge of the Company and the Majority Stockholders, threatened in any court or before or by any governmental agency or instrumentality, department, commission, board, bureau or agency, or before any arbitrator, by or against any of the Private Funds or the Foreign Funds, or any officer or director thereof. There are no judgements, injunctions, orders or other judicial or administrative mandates outstanding against or affecting any of the Private Funds or the Foreign Funds or any officer or director thereof.

(h) Each of the Private Funds and the Foreign Funds has timely filed all Tax returns and reports (including information returns, declarations and reports) (collectively, "returns") required to be filed by it with any Taxing Authorities for taxable periods ending after December 31, 1990 and has paid, or withheld and paid over, all Taxes which were shown to be due on the such returns. The information contained in such returns is true, correct and complete. Each of the Private Funds has, since its inception, been classified as a partnership for state and federal income tax purposes. None of the Foreign Funds is engaged in the conduct of a trade or business (within the meaning of the Code). Each Foreign Fund is a passive foreign investment company (within the meaning of the Code) and is not a controlled foreign corporation (within the meaning of the Code). Each of the Foreign Funds has in effect a QEF election.

SECTION 4. SEVERAL REPRESENTATIONS AND WARRANTIES OF MAJORITY STOCKHOLDERS.

As a material inducement to AMG and Merger Sub to enter into this Agreement and consummate the transactions contemplated hereby, each Majority Stockholder hereby severally makes to AMG each of the representations and warranties set forth in this Section 4 with respect to such Stockholder. After the Closing, no Stockholder shall have any right of indemnity or contribution from Merger Sub, the Company or the LLC (or any other right against the Company or the LLC) with respect to the breach of any representation or warranty by the Company or the Majority Stockholders hereunder.

4.1 Company Shares. Such Majority Stockholder owns of record and beneficially the number of the Company Shares set forth opposite such Majority Stockholder's name in Schedule 1.7. Such Company Shares are duly authorized, validly issued, fully paid, non-assessable and free and clear of any and all Claims (including, without limitation, claims under Article 8 of the Massachusetts Uniform Commercial Code). The Company Shares set forth opposite such Majority Stockholder's name in Schedule 1.7 are, except as reflected in Schedule 3.3, the only shares of capital stock held by such Majority Stockholder or with respect to which such Majority Stockholder has any rights in the Company.

4.2 Authority. Such Majority Stockholder has full right, authority, power and capacity to enter into this Agreement and each agreement, document and instrument to be executed and delivered by or on behalf of such Majority Stockholder pursuant to, or as contemplated by, this Agreement and to carry out the transactions contemplated hereby and thereby. This Agreement and each agreement, document and instrument executed and delivered by such Majority Stockholder pursuant to this Agreement constitutes, or when executed and delivered will constitute, a valid and binding obligation of such Majority Stockholder, enforceable in accordance with its respective terms, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally. Such Majority Stockholder has full power and authority to transfer, sell and deliver the Company Shares to AMG pursuant to this Agreement. The execution, delivery and performance of this Agreement and each such agreement, document and instrument:

(i) does not and will not violate any laws of the United States or any state or other jurisdiction applicable to such Majority Stockholder, or require such Majority Stockholder to obtain any approval, consent or waiver from, or make any filing with, any person or entity (governmental or otherwise) that has not been obtained or made; and

(ii) does not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of, any agreement, contract, instrument, mortgage, lien, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which such Majority Stockholder is a party or by which the property of such Majority Stockholder

is bound or affected, or result in the creation or imposition of any Claim on any assets of the Company or the LLC or on Company Shares owned by such Majority Stockholder.

4.3 Ownership of LLC Interests. The LLC Interests shown as owned by each Majority Stockholder in the records set forth in Schedule 3.4(b)(i) and, as of the Closing, Schedule 3.4(b)(ii), constitute all the interests in the LLC or rights to purchase interests in LLC which are held by such Person, directly or indirectly.

4.4 Finder's Fee. Except as set forth in Section 3.21, such Majority Stockholder has not incurred or become liable for any broker's commission or finder's fee relating to or in connection with the transactions contemplated by this Agreement.

4.5 Investment Advisory Representation. Except for his own account and advice given in a director or trustee capacity to a charitable organization (which positions and organizations are set forth on Schedule 4.5) or given to such Majority Stockholder's spouse, children, grandchildren, parents and siblings and which such Stockholder is managing without a fee or any other remuneration, such Stockholder does not provide investment advisory or investment management services to any person or entity, other than on behalf of the Company (and, after giving effect to the Closing and the LLC Contribution, the LLC), pursuant to an investment advisory agreement between the Company (and, after giving effect to the Closing and the LLC Contribution, the LLC) and a client thereof.

4.6 Agreements.

(a) Such Majority Stockholder is not a party to any employment, non-competition, trade secret or confidentiality agreement, arrangement or understanding with any party other than the Company or the LLC. There are no agreements or arrangements not contained herein or disclosed in a Schedule hereto, to which such Majority Stockholder is a party relating to the business of the Company or the LLC or to such Majority Stockholder's rights and obligations as a stockholder, member, director, officer or employee of the Company or the LLC.

(b) Such Majority Stockholder does not own, directly or indirectly, on an individual or joint basis, any interest (excluding passive investments in the shares of any enterprise which are publicly traded, provided his or her holdings therein, together with any holdings of his or her Affiliates and family members, are less than five percent (5%) of the outstanding shares of comparable interest in such entity) in, or serve as an officer or director of, any organization which has a contract or arrangement with the Company or the LLC or which could be considered a competitor of the Company or the LLC. The execution, delivery and performance of this Agreement will not violate or result in a default or acceleration of any obligation under any contract, agreement, indenture or other instrument involving the Company or the LLC to which such Majority Stockholder is a party.

4.7 Employment Data. Such Majority Stockholder's (i) date of birth, and (ii) date of commencement of employment with the Company are both accurately reflected in Schedule 4.7.

4.8 Good Health. Each of the Majority Stockholders represents that he is in good health and has provided AMG with a letter from his doctor to such effect. Each of the Stockholders listed on Schedule 4.8 has provided representatives of AMG's insurance broker with true and complete responses to all questions or inquiries of such representatives.

SECTION 5. COVENANTS OF THE COMPANY AND THE MAJORITY STOCKHOLDERS.

5.1 Making of Covenants and Agreements. The Company and the Majority Stockholders jointly and severally hereby make the covenants and agreements set forth in this Section 5 and the Majority Stockholders agree to cause the Company and the LLC to comply with such agreements and covenants. After the Closing, no Stockholder shall have any right of indemnity or contribution from Merger Sub, the Company or the LLC (or any other right against Merger Sub, the Company or the LLC) with respect to the breach of any covenant or agreement of the Company or the Majority Stockholders hereunder.

5.2 Client Consents.

(a) As soon as reasonably practicable after the date hereof, but in any event on or prior to January 22, 1998, the Company shall notify each of its clients of the transactions contemplated hereby and by the other agreements, documents and instruments contemplated hereby. Such notice shall be in the form of Exhibit 5.2A with respect to those clients whose contracts require affirmative written consent (by their terms or under applicable law) for their assignment, in the form of Exhibit 5.2B with respect to those clients whose contracts do not require affirmative written consent (by their terms or under applicable law) for their assignment, but in the form of Exhibit 5.2C with respect to those clients whose contracts terminate (by their terms or under applicable law) upon their assignment (in each case, with such changes thereto as may be agreed to by AMG in writing.

(b) On or prior to February 22, 1998, the Company shall send to each client who was sent, but who has not by such date returned, a notice in the form of Exhibit 5.2B, countersigned indicating approval of the transactions contemplated hereby, a second notice in the form of Exhibit 5.2D.

(c) With respect to the Private Funds, the Company and the Majority Stockholders shall use all commercially reasonable efforts to obtain such consents as may be necessary or appropriate and satisfactory to AMG to permit consummation of the transactions contemplated hereby.

(d) With respect to the Foreign Fund, the Company and the Majority Stockholders shall use all commercially reasonable efforts to obtain such Consents from regulatory authorities or investors as may be necessary or appropriate and satisfactory to AMG to permit consummation of the transactions contemplated hereby.

(e) With respect to the Mutual Fund, the Company and the Majority Stockholders shall use all commercially reasonable efforts to cause the Board of Trustees of each of the Mutual Funds to approve the investment advisory agreement with the LLC to be in effect at and after the Closing and to provide such information in connection therewith to the Shareholders of the Mutual Funds as may be required under any applicable order or regulation of the SEC or any federal or state securities laws.

(f) The Company and the Stockholders shall use commercially reasonable efforts to, and the Stockholders shall use commercially reasonable efforts to cause the Company to, obtain Consents from their clients (or, in the case of clients whose contracts terminate upon their assignment, new contracts on substantially equivalent terms) in the manner contemplated by this Section 5.2 and Exhibit 5.2A, Exhibit 5.2B, Exhibit 5.2C and Exhibit 5.2D.

5.3 Authorizations.

(a) The LLC shall, and the Company and each of the Stockholders shall cause the LLC to, (i) file, as soon as practicable after the Closing, and in any event within three (3) business days of the Closing, with the SEC, a Uniform Application for Investment Adviser Registration on Form ADV to register the LLC as an investment adviser under the Advisers Act, and (ii) make appropriate additional filings with respect to its investment advisory status as soon as practicable after the Closing with the Commonwealth of Massachusetts and in each other jurisdiction listed on Schedule 3.18(b).

(b) The LLC will, and the Company and each of the Stockholders will use commercially reasonable efforts to cause the LLC and each of its employees to, obtain all authorizations, consents, orders, approvals and Licenses of federal, state and local regulatory bodies and officials that may be or become necessary for their respective execution and delivery of, and the performance of their respective obligations pursuant to, this Agreement and the other agreements, documents and instruments contemplated hereby, and for the LLC to conduct the business presently being conducted by the Company.

5.4 Authorization from Others. The Majority Stockholders, the Company and the LLC will use commercially reasonable efforts to obtain all authorizations, consents, approvals, permits and Licenses of others required to permit the consummation by the Majority Stockholders, the Company and the LLC of the transactions contemplated by this Agreement.

5.5 Status. The Company shall acquire all Company Shares held by the Persons listed on Schedule 1.13 prior to the Effective Time.

5.6 Conduct of Business. Between the date of this Agreement and the Closing, except as contemplated by Schedule 3.11, without the prior written consent of AMG:

(a) the Company will conduct its business only in the ordinary course of business, and consistent with past practices, and the LLC will only conduct those operations necessary for the performance of its obligations hereunder and activities necessary in connection therewith, except that the Company may make dividend distributions and bonus payments prior to the Closing subject to the Company's ability to comply with the conditions to Closing set forth in Section 8.10;

(b) neither the Company nor the LLC will (i) make (or incur any obligation to make) any purchase, sale or disposition of any asset or property other than as specifically provided for in the LLC Contribution Agreement, or in the ordinary course of business consistent with past practices, or (ii) subject to any Claim any of its properties or assets (including, without limitation, with respect to the Company, its interest in the LLC), nor permit any of the foregoing to exist;

(c) neither the Company nor the LLC will change its banking arrangements or incur any contingent or fixed obligations or liabilities including, without limitation, any liability (contingent or fixed) as a guarantor or otherwise with respect to the obligations of others except, with respect to the Company, in the ordinary course of business consistent with past practices, except that the Company may incur indebtedness on terms and conditions (as to both form and substance) reasonably acceptable to AMG in an amount not to exceed $5,300,000 to pay certain tax liabilities and expenses arising in connection with the transactions contemplated hereby subject to the Company's ability to comply with the conditions to Closing set forth in Section 8.12;

(d) the Company will not make or incur any obligation to make a change in its Articles of Organization, By-laws or authorized or issued capital stock (except as contemplated by Section 3.3 hereof), and the LLC will not make or incur any obligation to make any change in the Existing LLC Agreement (other than the restatement into the Restated LLC Agreement as contemplated by Section 2.2 hereof);

(e) neither the Company nor the LLC will declare, set aside or pay any dividend or distribution, make (or incur an obligation to make) any other distribution in respect of its capital stock or interests or make (or incur an obligation to make) any direct or indirect redemption, purchase or other acquisition of its stock or interests, except that the Company may make dividend distributions and bonus payments prior to the Closing subject to the Company's ability to comply with the conditions to Closing set forth in Section 8.12;

(f) neither the Company not the LLC will make any change in the compensation payable or to become payable to any of the Company's officers, employees, agents or independent contractors, or enter into any collective bargaining agreement, bonus,

equity, option, profit sharing, compensation, welfare, retirement, or other similar arrangement, or any employment contract;

(g) the Company will not prepay any loans (if any) from its stockholders, officers or directors;

(h) the Company will use commercially reasonable efforts to prevent any change with respect to its management and supervisory personnel;

(i) the Company will have in effect and maintain at all times all insurance of the kind (including, without limitation, covering liabilities of directors and officers), in the amount and with the insurers set forth in Schedule 3.19 or equivalent insurance with any substitute insurers approved in writing by AMG, and prior to the Closing, the LLC will obtain and have in effect and thereafter maintain at all times all insurance of the kind (including, without limitation covering liabilities of directors and officers), in the amount and with the insurers set forth in Schedule 3.19 or equivalent insurance with any substitute insurers approved in writing by AMG; and

(j) neither the Company nor the LLC will settle any material litigation.

5.7 Financial Statements. Until the Closing, the Company will furnish AMG with unaudited monthly balance sheets and statements of income of the Company within fifteen (15) business days after each month end for each month ending more than fifteen (15) business days prior to the Closing, which financial statements shall be prepared in accordance with GAAP applied consistently (except that they need not include footnotes and related statements of cash flows and stockholders' equity and except that the statements with respect to the month of January, 1998, need not be prepared on an accrual basis), shall present fairly in all material respects the financial condition of the Company and the LLC at the dates of said statements and the results of their operations for the periods covered thereby and, beginning with the first full month following the date hereof shall be prepared using the accrual method of accounting. Notwithstanding the foregoing, by February 15, 1998, the Company will furnish AMG with an audited balance sheet of the Company at November 30, 1997 and audited statements of income, cash flows and stockholders' equity for the year ended November 30, 1997 and an unaudited balance sheet of the Company at December 31, 1997 and unaudited statements of income cash flows and stockholders' equity for the month ended December 31, 1997, which financial statements shall be prepared in accordance with GAAP applied consistently using the accrual method of accounting (except that they need not include footnotes) and shall present fairly in all material respects the financial condition of the Company at the dates of said statements an the results of operations for the periods covered thereby. The Company will furnish AMG with financial statements of each Private Fund and Foreign Fund for the year ended December 31, 1997 as soon as reasonably practicable after such financial statements are available.

5.8 Preservation of Business and Assets. Until the Closing, each of the Company, the LLC and each of the Majority Stockholders shall use commercially reasonable efforts to: (a) preserve the current business of the Company, (b) maintain the present clients of the Company, in each case, on terms that are at least as favorable as the terms of the agreement between the Company and the relevant client as in effect on the date hereof, (c) preserve the goodwill of the Company, and (d) preserve any Licenses required for, or useful in connection with, the business of the Company (including without limitation all investment adviser, and investment adviser representative, registrations). In addition, except as expressly contemplated by this Agreement, none of the Majority Stockholders shall take or permit to be taken any material action not in the ordinary course of business relating to the Company or which could reasonably be expected to have a material effect on the transactions contemplated hereby, without the prior consent of AMG.

5.9 Observer Rights and Access. Until the Closing: (a) within three (3) business days after any meetings of the Company's stockholders or directors (or a committee thereof) and in any event at or prior to the Closing, the Company shall provide AMG with copies of detailed minutes of such meetings, including all action taken thereof, (b) AMG shall be entitled to receive all notices and information furnished by the Company to its stockholders and directors (or a committee thereof), as well as copies of the minutes of any meetings of the Company's stockholders and directors (or a committee thereof), and (c) the Company's stockholders or directors (or a committee thereof) shall not take any action by written consent in lieu of a meeting unless AMG shall have been given prior written notice which includes a copy of such written consent by which such action is proposed to be taken. The Company and the LLC shall afford to AMG and its representatives and agents reasonable access, during normal business hours and with reasonable notice, to the properties and records of the Company and the LLC in order that AMG may have full opportunity to make such investigation as it shall desire for purposes consistent with this Agreement.

5.10 Notice of Default. Promptly upon the occurrence of, or promptly upon the Company or a Majority Stockholder becoming aware of the threatened occurrence of, any event which would cause or constitute a breach or default, or would have caused or constituted a breach or default had such event occurred or been known to the Company or such Majority Stockholder prior to the date hereof, of any of the representations, warranties or covenants of the Company or the Majority Stockholders contained in or referred to in this Agreement or in any Schedule or Exhibit referred to in this Agreement, the Company and such Majority Stockholder shall give a written description consisting of notice thereof to AMG, and the Company and the Stockholders shall use commercially reasonable efforts to prevent or promptly remedy the same.

5.11 Consummation of Agreement. The Company and each of the Majority Stockholders shall use commercially reasonable efforts to perform and fulfill all conditions and obligations to be performed and fulfilled by each of them under this Agreement, to the end that the transactions contemplated by this Agreement shall be fully carried out.

5.12 Cooperation of the Company and Stockholders.

(a) The Company and each of the Majority Stockholders shall cooperate with all reasonable requests of AMG in connection with the consummation of the transactions contemplated hereby and the making of any filings required in connection therewith, including, without limitation, filings under the HSR Act. In addition, the Majority Stockholders shall, and shall cause the Company and the LLC to, cooperate fully, as and to the extent requested by AMG, in connection with the filing of tax returns and any audit, litigation or other proceedings, whether with respect to taxes or otherwise.

(b) The Company and each of the Majority Stockholders shall for all purposes treat the value of the AMG Shares on a basis consistent with the Valuation and shall pay when due fifty percent (50%) of any expenses incurred in connection with the preparation of the Valuation Report.

(c) The Company and the Majority Stockholders shall send to each Person who is a former holder of capital stock of the Company and is entitled to receive Merger Consideration as reflected on Schedule 1.7 (a "Former Shareholder"), and, in the case of Former Shareholder, an Investment Representations Letter and a Release in the form attached to the Escrow Agreement and shall use commercially reasonable efforts to obtain executed copies of such documents.

(d) The Company and the Majority Stockholders shall send to each Person who is a Stockholder a Release in the form attached to the Supplemental Purchase Agreement and shall use commercially reasonable efforts to obtain executed copies of such document.

5.13 No Solicitation of Other Offers. Until a date which is three (3) months after a termination of this Agreement pursuant to Section 10.1 hereof for any reason other than a material breach by AMG of its representations, warranties or covenants set forth herein, neither the Company, the LLC, the Majority Stockholders, nor any of their representatives will, directly or indirectly, solicit, encourage, assist, initiate discussions or engage in negotiations with, provide any information to, or enter into any agreement or transaction with, any person, other than AMG, relating to the possible acquisition of the Company Shares, the Company, the LLC or any of their respective assets, except for the sale of assets by the Company in the ordinary course of business consistent with past practices and the terms of this Agreement or transfers of the Company Shares among the Stockholders, redemptions of Company Shares and issuances of Company Shares to new employees, in each case, consistent with past practices.

5.14 Confidentiality. The Company and the Majority Stockholders agree that, unless and until the Closing has been consummated, each of the Company, the LLC, the Majority Stockholders and their officers, directors, members, agents and representatives will hold in strict confidence, and will not use, any confidential or proprietary data or information obtained from AMG with respect to its business or financial condition except for the purpose of

evaluating, negotiating and completing the transaction contemplated hereby. Information generally known in AMG's industry or which has been disclosed to the Company, the LLC or the Majority Stockholders by third parties which have a right to do so shall not be deemed confidential or proprietary information for purposes of this Agreement. If the transactions contemplated by this Agreement are not consummated, the Company, the LLC and the Majority Stockholders will return, and cause their respective stockholders, officers, directors, members, agents and representatives to return, to AMG (or certify that they have destroyed) all copies of such data and information, including but not limited to financial information, customer lists, business and corporate records, worksheets, test reports, tax returns, lists, memoranda, and other documents prepared by or made available by AMG to the Company, the LLC or the Majority Stockholders (and their stockholders, officers, directors, members, agents and representatives) in connection with the transaction.

5.15 Tax Returns. The Company and the Stockholders shall cooperate with AMG to permit the Company, in accordance with applicable law, to promptly prepare and file on or before the due date or any extension thereof all federal, state and local tax returns required to be filed by the Company with respect to taxable periods ending on or before the Closing.

5.16 Policies and Procedures. The Company, the LLC and the Majority Stockholders shall, and shall cause the employees of the Company to, cooperate with and assist in such compliance audits and regulatory reviews as may reasonably be requested by and at the expense of AMG.

5.17 No Violation of LLC Agreement. Except as otherwise expressly permitted or contemplated by this Agreement, between the date of this Agreement and the Closing, none of the Majority Stockholders, the Company nor the LLC will take any action that is in violation of any term or provision of the Existing LLC Agreement or would be in violation of any term or provision of the Restated LLC Agreement if such Restated LLC Agreement were then in effect.

5.18 Subsidiaries; Investments in Other Persons. Between the date of this Agreement and the Closing, none of the Majority Stockholders, the Company nor the LLC will take any action to acquire, form or otherwise establish any subsidiary of the Company or the LLC or cause the Company or the LLC to make any investment in any other Person, except that the Company may form and invest in new Private Funds consistent with past practices and on substantially the same terms and conditions as currently in effect for the Private Funds existing as of the date of this Agreement.

5.19 LLC Interests. Between the date of this Agreement and the Closing, (a) the Company and the Stockholders will not permit the LLC to take any action to issue any rights or interests in addition to or different from the interests in the LLC shown in the records set forth on Schedule 3.4(b)(i), (b) the Company and the Stockholder will not permit the LLC to take any action that will cause the interests in the LLC set forth on Schedule 3.4(b)(i) to be revoked, repurchased, rescinded, terminated, liquidated, transferred, amended or modified in

any manner and (c) neither the Company nor any Stockholder will sell, assign, pledge, subject to a Claim or otherwise transfer or restrict such Person's interests in the LLC without the prior written consent of AMG. At the Closing, the LLC shall issue the interests and rights therein set forth in the Restated LLC Agreement to the Members (as defined in the Restated LLC Agreement).

5.20 Employee Programs. Between the date of this Agreement and the Closing, the LLC will not maintain any Employee Program other than the Employee Programs listed on Schedule 3.24.

5.21 Foreign Qualifications. The LLC shall qualify to do business as a foreign limited liability company under the laws of each jurisdiction listed on Schedule 3.2(a). Such states constitute all of the jurisdictions in which the nature of the business it will conduct after giving effect to the LLC Contribution, or the ownership or leasing of the properties it will receive in the LLC Contribution, requires such qualification, except for those jurisdictions where the failure to so qualify, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect on the LLC.

5.22 Liens. Between the date of this Agreement and the Closing, the LLC shall not cause or permit any of the assets listed in Schedule 3.6(b) to be or become subject to any Claim.

SECTION 5A. COVENANTS OF THE COMPANY, THE MAJORITY STOCKHOLDERS AND AMG WITH RESPECT TO CERTAIN TAX MATTERS.

5A.1 Section 338(h)(10) Election.

(a) The Company and each of the Majority Stockholders will join with AMG in making an election under Section 338(h)(10) of the Code (and any corresponding election under state, local and foreign tax law) with respect to the purchase and sale of the stock of the Company hereunder through the Merger (the "Elections"). Each Majority Stockholder will include his or her proportionate share of any income, gain, loss, deduction or other tax item resulting from the Elections on his or her tax returns to the extent permitted by applicable law. Each Majority Stockholder shall also pay his or her share of any Tax imposed on the Company or the LLC or other successors in interest of the Company attributable to the making of the Elections, including, but not limited to, (i) any Tax imposed under section 1374 of the Code, (ii) any Tax imposed under Treasury Regulations Section ss.1.338(h)(10)-1(e)5, or (iii) any state, local or foreign Tax imposed on the Company's gain.

(b) The Majority Stockholders, jointly and severally, shall indemnify and hold harmless the AMG Indemnified Parties from and against (i) liabilities and obligations for any Taxes (other than income taxes) in excess of twenty five thousand dollars ($25,000) incurred by the Company with respect to any period ending on or before the date of the

Closing (ii) the failure of any Stockholder to pay his or her share of any Tax attributable to the making of the Elections (iii) the breach by any Stockholder of any provision of the Supplemental Purchase Agreement relating to or involving Tax matters and (iv) the Company against any adverse consequences or losses arising out of or relating to any failure to pay any such Taxes or resulting from any such breach. Such indemnification shall be governed by the procedures set forth in Section 12.5.

(c) The Majority Stockholders and AMG agree that MADSP (as such term is used in Treasury Regulations Section 1.338(h)(10)-1(f)) for AMG's purchase of the Company shall be allocated among the assets of the Company in accordance with the provisions of that Section. A preliminary estimate of such allocation shall be agreed by AMG and the Majority Stockholders as soon as practicable after the date hereof. The final allocation as of the Closing Date (the "Asset Allocation") shall be agreed to by the Majority Stockholders and AMG as soon as practicable after the Closing Date. If the Majority Stockholders and AMG are unable to agree on the Asset Allocation, such allocation shall be determined on the basis of an appraisal prepared by the Accounting Firm (as defined below). AMG shall prepare IRS Form 8023 (and any required attachments) and any similar state, local or foreign tax forms (and any required attachments) required to make the Elections (collectively, the "Election Forms" and each singularly, the "Election Form") and shall submit the Election Forms to the Majority Stockholders no later than seventy-five (75) days following the Closing Date. In the event of any dispute with regard to the content of any Election Form (including any dispute concerning the Asset Allocation), the parties shall diligently attempt to resolve such dispute. If they have not done so by the thirtieth (30th) day prior to the date the Election Form in question is required to be filed, the dispute shall be resolved by Coopers & Lybrand LLP or, a nationally recognized form of independent auditors acceptable to both the Majority Stockholders and AMG (the "Accounting Firm"), at least ten (10) days prior to the time the Election Form is required to be filed. Each Majority Stockholder shall promptly execute the applicable Election Forms and shall return such Election Forms to AMG promptly and in any event not less than five (5) days after the date on which the Election Form is submitted to such Majority Stockholder (following the final resolution of any issues pursuant to the foregoing sentence). AMG shall file the Election Forms in accordance with applicable tax laws.

5A.2. Tax Periods Ending on or Before the Closing Date. The Majority Stockholders shall prepare or cause to be prepared and file or cause to be filed all income Tax returns for the Company and the LLC for all periods ending on or prior to the Closing Date which are filed after the Closing Date. The Majority Stockholders shall permit AMG to review and comment on each such Tax Return described in the preceding sentence prior to filing. To the extent permitted by applicable law, the Majority Stockholders shall include any income, gain, loss, deduction or other tax items for such periods on their Tax returns in a manner consistent with the Schedule K-1s furnished by the Company to the Majority Stockholders for such periods.

5A.3. Cooperation on Tax Matters.

(d) The Stockholders and AMG shall report all transactions pursuant to this Agreement in a manner that is consistent with the Elections and shall take no position contrary thereto unless required to do so pursuant to a "determination" within the meaning of Section 1313 of the Code or an analogous provision under state, local or foreign tax law.

(e) AMG, the Company and the Majority Stockholders shall cooperate fully, as and to the extent reasonably requested by the other party, in connection with the filing of Tax Returns pursuant to this section and any audit, litigation or other proceeding with respect to Taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. The Company and its Majority Stockholders agree (A) to retain all books and records with respect to Tax matters pertinent to the Company and the LLC relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by AMG or the Majority Stockholders, any extensions thereof) of the respective taxable periods, and to abide by all record retention agreements entered into with any Taxing Authority, and (B) to give the other party reasonable written notice prior to transferring, destroying or discarding any such books and records and, if the other party so requests, the Company or the Majority Stockholders, as the case may be, shall allow the other party to take possession of such books and records. AMG and the Majority Stockholders further agree, upon request, to use their best efforts to obtain any certificate or other document from any governmental authority or any other person as may be necessary to mitigate, reduce or eliminate any Tax that could be imposed (including, but not limited to, with respect to the transactions contemplated hereby).

5A.4 Tax Status. Between the date of this Agreement and the Closing, the Company and the Majority Stockholders shall keep in effect and not revoke the Company's election to be taxed as an S corporation within the meaning of Sections 1361 and 1362 of the Code. Neither the Company nor any of the Majority Stockholders shall take or permit any action (other than the Merger) that would result in the termination of the Company's status as a validly existing S corporation within the meaning of Sections 1361 and 1362 of the Code.

SECTION 6. REPRESENTATIONS AND WARRANTIES OF AMG.

6.1 Making of Representations and Warranties. As a material inducement to the Company and the Majority Stockholders to enter into this Agreement and consummate the transactions contemplated hereby, AMG hereby makes the representations and warranties contained in this Section 6, to the Company and the Majority Stockholders.

6.2 Organization of AMG. AMG is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware with full corporate power and authority to own or lease its assets and other properties and to conduct its business in the manner and in the places where such assets and other properties are owned or leased or such business is conducted by it. AMG is not in violation of any term of its Certificate of Incorporation or By-laws, each as amended and restated to the date of this Agreement.

6.3 Authority of AMG. AMG has full right, authority and power to enter into this Agreement and each agreement, document and instrument to be executed and delivered by AMG pursuant to or as contemplated by, this Agreement, the Restated LLC Agreement and to carry out the transactions contemplated hereby and thereby. The execution, delivery and performance by AMG of this Agreement, the Restated LLC Agreement and each such other agreement, document and instrument have been duly authorized by all necessary corporate action of AMG and no other action on the part of AMG is required in connection therewith, except that as of the date of this Agreement AMG has not yet filed with the Secretary of State of the State of Delaware the Certificate of Designations. This Agreement, the Restated LLC Agreement and each other agreement, document and instrument executed and delivered by AMG pursuant to this Agreement constitute, or when executed and delivered will constitute, valid and binding obligations of AMG enforceable in accordance with their terms, except as enforceability may be restricted, limited or delayed by applicable bankruptcy or other laws affecting creditors' rights generally. The execution, delivery and performance by AMG of this Agreement, the Restated LLC Agreement and each such agreement, document and instrument:

(i) does not and will not violate any provision of the Certificate of Incorporation or By-laws of AMG, each as amended and restated to the date hereof;

(ii) does not and will not violate any laws of the United States or of any state or any other jurisdiction applicable to AMG or require AMG to obtain any approval, consent or waiver of, or make any filing with, any Person that has not been obtained or made, except as specifically identified in Schedule 6.3; and

(iii) assuming that the consents or approvals set forth on Schedule 6.3 have been obtained, does not and will not result in a breach of, constitute a default under, accelerate any obligation under, or give rise to a right of termination of any agreement, contract, instrument, mortgage, lien, lease, permit, authorization, order, writ, judgment, injunction, decree, determination or arbitration award to which AMG is a party or by which any of its property is bound or affected, or result in the creation or imposition of any Claim on any of AMG's assets which would reasonably be expected to have a Material Adverse Effect on AMG and its Affiliates on a consolidated basis.

6.4 Capitalization. As of the date of this Agreement, the duly authorized capital stock of AMG consists of those classes, series and numbers of shares as are set forth in Schedule 6.4. In addition, set forth in Schedule 6.4 are the numbers of shares of each such

class and series which are issued and outstanding or with respect to which options have been granted as of the date of this Agreement or which have been reserved for issuance in connection with the conversion of the Series C Non-Voting Convertible Stock of AMG. All the outstanding shares of capital stock of AMG have been duly authorized and validly issued and are fully paid and nonassessable. All of the AMG Shares issuable pursuant to this Agreement in exchange for Company Shares at the Effective Time and all shares of Common Stock, par value $.01 per share, of AMG issuable upon conversion of the Series C Non-Voting Convertible Stock of AMG in accordance with the Certificate of Designations and the Amended and Restated Certificate of Incorporation of AMG, will be, when so issued and paid for, duly authorized, validly issued, fully paid and nonassessable. Based upon and subject to the accuracy of the representations in the Subscription Agreement, and assuming each Person who receives such AMG Shares pursuant to this Agreement has duly executed and delivered and is bound by a Subscription Agreement, and subject to receipt of consideration therefor, upon issuance pursuant to this Agreement of the AMG Shares, such AMG Shares shall be issued in compliance with the federal securities laws and the state securities laws of the Commonwealth of Massachusetts.

6.5 Litigation. There is no litigation or legal or other action, suit or proceeding pending or, to its knowledge, threatened against AMG or, to AMG's knowledge, investigations, at law or in equity, or before any federal, state, municipal or other governmental department, commission, bureau, board, agency or instrumentality, domestic or foreign (including, without limitation, any voluntary or involuntary proceedings under the Bankruptcy Code or any action, suit, proceeding or investigation under any Federal or state securities law, rule or regulation), in which AMG or any officer, director, stockholder or employee thereof is engaged or with which any of them is threatened, which would prevent or hinder the consummation of the transactions contemplated by this Agreement or would reasonably be expected to have a Material Adverse Effect on AMG and its Affiliates on a consolidated basis.

6.6 Acquisition of Shares for Investment. AMG has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its purchase of the shares of Company Shares. AMG confirms that the Stockholders and the Company have made available to AMG the opportunity to ask questions of the officers and management employees of the Company and to acquire additional information about the business and financial condition of the Company and the LLC. AMG is acquiring the Company Shares for investment and not with a view toward or for sale in connection with any distribution thereof in violation of any federal or state securities or "blue sky" law, or with any present intention of distributing or selling such shares in violation or any federal or state securities or "blue sky" law. AMG understands and agrees that the Company Shares may not be sold, transferred, offered for sale, pledged, hypothecated or otherwise disposed of without registration under the Securities Act, except pursuant to an exemption from such registration available under such Act, and without compliance with state, local and foreign securities laws, in each case, to the extent applicable.

6.7 Finder's Fee. AMG has not incurred or become liable for any broker's commission or finder's fee relating to or in connection with the transactions contemplated by this Agreement.

6.8 Merger Sub. Merger Sub is a newly formed wholly-owned subsidiary of AMG that contains no assets or liabilities other than those incident to its formation and the consummation of the transactions contemplated hereby.

6.9 Financial Statements.

(a) Attached hereto as Exhibit 6.9 are audited balance sheets of AMG at December 31, 1995 and December 31, 1996, and audited statements of income, cash flows and stockholders' equity for the years then ended, as well as an unaudited balance sheet of AMG at September 30, 1997 and unaudited statements of income, cash flow and stockholders equity for the nine months then ended.

(b) Said financial statements have been prepared in accordance with generally accepted accounting principles using the accrual method of accounting, present fairly the financial condition of AMG at the date of said statements and the results of its operations for the period covered thereby (except that AMG's unaudited financial statements do not include footnote disclosure or year-end adjustments).

6.10 Absence of Changes. Except as disclosed in Schedule 6.10, since September 30, 1997 there has not been any (a) event which either individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect on AMG and its Affiliates on a consolidated basis, or (b) declaration, setting aside or payment of any dividend or other distribution in respect of the capital stock of AMG. Notwithstanding the foregoing clause (a), no representation is given herein with respect to (i) the terms or conditions on which AMG is negotiating, or may have negotiated, debt and/or equity financings, or (ii) the terms or conditions on which AMG is negotiating or may have negotiated investments in investment management companies, which investments have not closed, or (iii) any impact on the condition (financial or otherwise) properties, assets, liabilities, operations, business or prospects relating to any investment of AMG, which investment may not have closed.

6.11 Compliance with Laws. AMG (with respect to AMG only, and not its Affiliates) is, and at all times has been, in material compliance with all Investment Laws and Regulations applicable to it, except to the extent that noncompliance would not reasonably be expected to have a Material Adverse Effect on AMG and its Affiliates on a consolidated basis. Neither AMG nor any officer, director or employee thereof is in default with respect to any judgment, order, writ, injunction, decree, demand or assessment relating to any aspect of the business or affairs or properties or assets of AMG and issued by any court or any federal, state, municipal or other governmental agency, board, commission, bureau, instrumentality or department, domestic or foreign, or by any self-regulatory authority. Neither AMG nor any officer, director or employee of AMG, is charged or, to the knowledge of AMG, under

investigation with respect to, any violation of any provision of foreign, federal, state, municipal or other law or any administrative rule or regulation, domestic or foreign, including, without limitation, any Investment Laws and Regulations, relating to any aspect of the business or affairs or properties or assets of AMG or the transactions contemplated hereby.

SECTION 7. COVENANTS OF AMG.

7.1 Making of Covenants and Agreement. AMG hereby makes the covenants and agreements set forth in this Section 7.

7.2 Confidentiality. AMG agrees that, unless and until the Closing has been consummated, each of AMG, Merger Sub and their respective officers, directors, agents and representatives will hold in strict confidence, and will not use, any confidential or proprietary data or information obtained from the Company or the Stockholders with respect to its business or financial condition except for the purpose of evaluating, negotiating and completing the transaction contemplated hereby. Information generally known in the Company's industry or which has been disclosed to AMG by third parties which have a right to do so shall not be deemed confidential or proprietary information for purposes of this Agreement. If the transactions contemplated by this Agreement are not consummated, AMG will return, and will cause its officers, directors, agents and representatives to return, to the Company (or certify that they have destroyed) all copies of such data and information, including but not limited to financial information, customer lists, business and corporate records, worksheets, test reports, tax returns, lists, memoranda, and other documents prepared by or made available to AMG (and its officers, directors, agents and representatives) in connection with the transaction.

7.3 Cooperation of AMG.

(a) AMG shall cooperate (and shall cause Merger Sub to cooperate) with all reasonable requests of the Company in connection with the Company's compliance with its covenants in Sections 5.2, 5.3 and 5.4 hereof.

(b) AMG shall for all purposes report (and shall cause Merger Sub to report) the value of the AMG Shares on a basis consistent with the Valuation and shall pay when due fifty percent (50%) of any expenses incurred in connection with the preparation of the Valuation Report.

7.4 HSR Act. AMG will use commercially reasonable efforts to obtain the termination of the applicable waiting period under the HSR Act (including any extensions thereof).

7.5 Notice of Default. Promptly upon the occurrence of, or promptly upon AMG becoming aware of the impending or threatened occurrence of, any event which would cause or constitute a breach or default, or would have caused or constituted a breach or default had such

event occurred or been known to AMG prior to the date hereof, of any of the representations, warranties or covenants of AMG contained in or referred to in this Agreement or in any Schedule or Exhibit referred to in this Agreement, AMG shall give written notice thereof to the Company.

7.6 Consummation of Agreement. AMG shall use commercially reasonable efforts to perform and fulfill all conditions and obligations to be fulfilled by it under this Agreement, to the end that the transactions contemplated by this Agreement shall be fully carried out.

7.7 Contribution to LLC. On or promptly following the Closing, AMG shall cause Merger Sub to make an additional contribution to the capital of the LLC as contemplated in Section 4.1 of the Restated LLC Agreement to fund contributions by the LLC to the Private Funds as contemplated thereby, provided that such amount shall not exceed $150,000.

7.8 Transactions in AMG Shares. In the event that AMG issues any additional shares of its Series C Non-Voting Convertible Stock to any Stockholder as a result of a dividend, distribution, subdivision, combination or reclassification of shares of capital stock, it will not, from the effective time of such issuance through the date on which such shares of Series C Non-Voting Convertible Stock automatically convert into shares of Common Stock, par value $.01 per share of AMG in accordance with the Certificate of Designations, issue any additional shares of Series C Non-Voting Convertible Stock as a result of an additional dividend, distribution, subdivision, combination or reclassification of its shares of capital stock.

SECTION 8. CONDITIONS TO THE OBLIGATIONS OF AMG.

The obligation of AMG and Merger Sub to consummate this Agreement and the transactions contemplated hereby are subject to the fulfillment (or waiver by AMG), prior to or at the Closing, of the following conditions precedent:

8.1 Litigation; No Opposition. No judgment, injunction, order or decree enjoining or prohibiting any of AMG, the Company, Merger Sub, the LLC or any of the Stockholders or other parties to this Agreement or any of the agreements, documents and instruments contemplated hereby, from consummating the transactions contemplated hereby or thereby, shall have been entered and no suit, action or proceeding shall be pending or threatened at any time prior to or on the date of the Closing before or by any court or governmental body seeking to restrain or prohibit, or seeking damages or other relief in connection with, the execution and delivery of this Agreement or any of the agreements, documents and instruments contemplated hereby or, the consummation of the transactions contemplated hereby or thereby or which could reasonably be expected to have a Material Adverse Effect on the Company, the LLC (with such materiality determined as if the LLC Contribution had previously occurred) or AMG; provided however that any threatened suit, action or proceeding for damages or injunctive relief or any suit, action or proceeding only for damages by Former Shareholders

that may arise under or relate to the Amended and Restated Shareholders Agreement dated as of August 10, 1994, a true and complete copy of which has been provided to AMG (the "Shareholders Agreement") but not any pending suit, action or proceeding which includes, in addition to any other relief sought, a prayer for preliminary injunctive relief or a temporary restraining order (collectively a "Preliminary Injunction Motion") against the Company, the Majority Stockholders, Merger Sub, the LLC or AMG) shall be disregarded solely for purposes of determining satisfaction of the conditions contained in this Section 8.1 and not for determining liability under Section 12 hereof. In the event that a Preliminary Injunction Motion is pending at any time prior to the Closing, the parties shall cooperate and use their commercially reasonable efforts to cause such Preliminary Injunction Motion to be denied or dismissed. In the event that such Preliminary Injunction Motion remains pending at the time when the Closing would otherwise occur, the Closing shall be delayed fifteen (15) days and in the event that such Preliminary Injunction Motion remains pending at such date that is fifteen (15) days after the originally scheduled Closing date, the Closing shall be delayed an additional fifteen (15) days, provided, that the Closing shall occur on the second business day following denial or dismissal of any Preliminary Injunction Motion (or such other date as may be agreed by the parties) and, in any event, the date set forth in Section 10.1 shall be extended through the end of any extension period contemplated hereby.

8.2 Representations, Warranties and Covenants.

(a) Each of the representations and warranties of the Company and each of the Stockholders contained in this Agreement and in any Schedule or Exhibit attached hereto and in each other agreement, document, instrument or certificate contemplated hereby or otherwise made in writing by any of them or made by any person authorized by them to make representations on their behalf, shall be true and correct in all material respects (except that solely for the purposes of determining satisfaction of the condition contained in this Section 8.2(a) and not for determining liability under Section 12 hereof, representations and warranties that are qualified by their terms as to materiality, shall be true in all respects as so qualified and except to the extent contemplated in Section 8.11 with respect to damages or claims arising out of the Shareholders Agreement) as of the date of this Agreement and at and as of the Closing as though newly made at such time; except that the representations in Section 3.7 shall also be made with respect to assets under management and advisory contracts as of a date which is no more than ten (10) days prior to the Closing.

(b) Each and all of the agreements to be performed by the Company and each of the Stockholders hereunder and under the other agreements, documents and instruments contemplated hereby at or prior to the Closing shall have been duly performed in all material respects. Each and all of the conditions to be performed or satisfied by the Company and each of the Stockholders pursuant to this Agreement and the other agreements, documents and instruments contemplated hereby shall have been duly performed or satisfied.

(c) The Company, the LLC and each of the Majority Stockholders shall have furnished AMG with a certificate or certificates dated as of the date of the Closing with respect to each of the foregoing.

8.3 Client Consents. Clients of the Company whose advisory agreements provide for the payment (based on the Contract Value of each such advisory agreement) of annual fees constituting at least eighty-five percent (85%) of the Base Fees shall have Consented to the transactions contemplated hereby, and advisory agreements which (based on their Contract Values) represent eighty-five percent (85%) of the Base Fees shall survive the Closing and the LLC Contribution and then be in full force and effect. For purposes of this Section 8.3:

(i) "Base Fees" shall mean the annual advisory fees (other than incentive or performance fees) payable to the Company under all its contracts calculated based on assets under management and the fee schedules set forth in the relevant agreements as of December 31, 1997;

(ii) "Consent" shall mean (A) with respect to a client whose contract by its terms or under applicable law terminates upon the consummation of the transactions contemplated hereby, that the LLC shall have entered into a new contract on substantially equivalent terms which contract is effective after giving effect to the Closing and the LLC Contribution, (B) with respect to a client whose contract (by its terms or under applicable law) requires written consent from a party or parties thereto for it to survive the transactions contemplated hereby and by the LLC Contribution Agreement, that the Company shall have obtained all such written consents as may be required under such contract or under applicable law, and (C) with respect to a client whose contract does not require written consent (by its terms or under applicable law) from any party thereto for it to survive the transactions contemplated hereby, that the Company shall have obtained such consents as may be required under such contract (including, with respect to the requirement for contracts to include provisions requiring consent to transfer set forth under the Advisers Act, that the Company has complied with Section 5.2 hereof with respect to such contract). Notwithstanding the foregoing, no client of the Company shall be deemed to have given its Consent if such client has expressed an intent to terminate or significantly reduce its investment relationship with the Company (or, after giving effect to the Closing and the LLC Contribution, the LLC) or to adjust the fee schedule with respect to one or more of its contracts in a manner that could materially reduce the fee to the LLC from that client or contract, from that payable to the Company on December 31, 1997 or the date hereof.

(iii) "Contract Value" shall mean, (A) with respect to an advisory contract which was in effect on December 31, 1997, the annual advisory fees (other than incentive or performance fees) payable to the Company based on the fee schedule and assets under management set forth in the relevant agreement as of December 31, 1997 (adjusted for any additions and/or withdrawals since December 31, 1997 (other than withdrawals from the Private Funds by the Company to redeem its general partner

interests) and for any amendments to the fee schedule since such date), and (B) with respect to an advisory contract which is entered into by the Company after December 31, 1997, the annual advisory fees (excluding for these purposes incentive or performance fees) payable to the Company based on the fee schedule and assets under management set forth in the relevant agreement on the date of such agreement (adjusted for any additions or withdrawals since that date and for any amendments to the fee schedule since such date).

At the Closing, the Company shall deliver a certificate certifying as to compliance with the foregoing, which certificate includes the calculation of compliance, including a list in the form of subsection (a) of Schedule 3.7 of all investment management or advisory contracts as of the date of calculation, including all the categories of information set forth in subsection (a) of Schedule 3.7.

8.4 Transfer. The Company shall have established the escrow fund to fund certain claims, liabilities and obligations under the Escrow Agreement in accordance with Section 1.7 and Section 2.1 hereof.

8.5 Registration as an Investment Adviser. The LLC shall be registered as an investment adviser under the Advisers Act and the rules and regulations promulgated thereunder and shall be entitled to rely upon the succesor provisions of Section 203(g) under the Adviser's Act, and made appropriate filings under the laws of each state listed on Schedule 3.18(b).

8.6 Other Approvals. Except as otherwise specifically contemplated hereby, all actions by or in respect of, or filings with, any governmental body, agency, or official or authority required to permit the consummation of the transactions contemplated hereby so that after the Closing and the LLC Contribution, the LLC shall be able to carry on the business presently being conducted by the Company, in the manner now conducted by the Company, shall have been taken, made or obtained, and any and all other material permits, approvals, consents, Licenses or other actions necessary to consummate the transactions hereunder shall have been received or taken, and none of such permits, approvals, consents or Licenses shall contain any provisions not currently in effect which are unduly burdensome.

8.7 HSR Act. Any applicable waiting period under the HSR Act (including any extensions thereof) shall have expired or been terminated.

8.8 Restated LLC Agreement. Each Majority Stockholder and other Persons as described in Schedule 3.4(b)(ii) shall have executed and delivered the Restated LLC Agreement and such Restated LLC Agreement shall be in full force and effect.

8.9 Employment Agreements. Each Majority Stockholder shall have entered into an Employment Agreement with the LLC and Merger Sub in the form attached hereto as Exhibit

8.9 (the "Employment Agreements"), and each such Employment Agreement shall be in full force and effect.

8.10 Non Solicitation/Non Disclosure Agreements. Each Person included as a Non-Manager Member in the Restated LLC Agreement attached hereto as Exhibit 2.2 (other than those who entered into Employment Agreements) shall have entered into a Non Solicitation/Non Disclosure Agreement with the LLC and the Company (each a "Non Solicitation Agreement") in the form attached hereto as Exhibit 8.10, and each such Non Solicitation Agreement shall be in full force and effect.

8.11 Capitalization, Net Worth and Working Capital of the Company and the LLC. The Company's capitalization including ownership of capital stock and options to purchase shares of capital stock shall be as set forth on Schedule 1.7 and Schedule 3.3. The LLC's capitalization, including capital and profits interests and other rights to purchase interests in the LLC shall be as set forth in Schedule 3.4(b)(ii). At the Closing, and after giving effect to the LLC Contribution and taking into account all transaction costs of the Company and the LLC, the LLC shall have a tangible net worth (determined in accordance with GAAP of at least four million dollars ($4,000,000), working capital (defined as current assets less current liabilities) of at least four million dollars ($4,000,000), which shall be not less than the amount necessary for the operation of the business of the LLC, consistent with past practices of the Company, and cash on hand of at least four million dollars ($4,000,000). AMG shall be provided with a certificate from the President of the Company at the Closing representing that the foregoing is true and correct.

8.12 Delivery. Each of the Company and the Stockholders shall have executed (where applicable) and delivered to AMG (or shall have caused to be executed and delivered to AMG by the appropriate person including, without limitation, the LLC) the following:

(a) the LLC Contribution Agreement (including all agreements and documents which are schedules thereto) and all such other documents of transfer and assignment as AMG may reasonably require in connection therewith;

(b) certified copies of resolutions of the board of directors and stockholders of the Company authorizing the execution of this Agreement and each of the agreements, documents and instruments contemplated hereby to which the Company is a party (and which the Company executes on behalf of the LLC);

(c) a copy of the Articles of Organization and By-laws of the Company which, in the case of the Articles of Organization, is certified as of a recent date by the Secretary of State of the Commonwealth of Massachusetts;

(d) a copy of the Certificate of Formation of the LLC certified as of a recent date by the Secretary of State of the State of Delaware;

(e) a copy of the Limited Liability Company Agreement of the LLC as in effect immediately prior to the restatement into the Restated LLC Agreement;

(f) a certificate issued by the appropriate Secretary of State of each state set forth in Schedule 8.12(f) and Schedule 3.2(b) certifying that each of the Company and the LLC, as applicable, are in good standing in such state as of the most recent practicable date;

(g) true and correct copies of each of the agreements, documents and instruments contemplated hereby (including, without limitation, the Restated LLC Agreement), and all agreements, documents, instruments and certificates delivered or to be delivered in connection therewith;

(h) a certificate of the Clerk of the Company both on behalf of the Company and for the Company as the Manager of the LLC, certifying that the resolutions, Articles of Organization, limited liability company agreement and By-laws in paragraphs (b), (c) and (e) above are in full force and effect and have not been amended or modified, and that the officers of such corporation or limited liability company are those persons named in the certificate;

(i) opinions from counsel to the Company and the Stockholders, in substantially the forms of Exhibit 8.12(i), together with a favorable opinion (which may be a "reasoned" opinion) reasonably acceptable in form and substance to AMG from special counsel to the Company and the Stockholders (which counsel shall be reasonably acceptable to AMG) with respect to the enforceability of the non-competition and non-solicitation provisions of the Employment Agreement and the Non-Solicitation Agreement;

(j) a release of the Company and the LLC from all liabilities other than those arising out of the transactions or agreements contemplated hereby, from each of the Stockholders indicated on Schedule 1.7 in the form attached hereto as Exhibit 8.12(j).

(k) a Representation Certificate executed by the Company and each of the Majority Stockholders in substantially the form attached hereto as Exhibit 8.12(k);

(l) a Consent Certificate executed by the Company and each of the Majority Stockholders in substantially the form attached hereto as Exhibit 8.12(l);

(m) a Capitalization, Net Worth and Working Capital Certificate executed by the Company and each of the Majority Stockholders in substantially the form attached hereto as Exhibit 8.12(m);

(n) an Escrow Agreement in substantially the form attached hereto as Exhibit 1.7;

(o) a Supplemental Indemnification Agreement in substantially the form attached hereto as Exhibit 8.12(o) (the "Supplemental Indemnification Agreement");

(p) an opinion of Bermuda counsel to the Company and each of the Majority Stockholders in substantially the form of Exhibit 8.12(p); and

(q) all corporate record books of the Company, including minutes of all meetings of stockholders, directors and committees of the Board of Directors, if any, and the stock records of the Company (including all original stock certificates surrendered by the Stockholders); provided, however, that the Company, the LLC and the Majority Stockholder and their respective representatives and agents shall be permitted reasonable access to such books and records during regular business hours upon their prior written request.

8.13 Material Adverse Effect. Since the date of this Agreement, there shall have been no event which, either individually or in the aggregate, has had or could reasonably be expected to have a Material Adverse Effect on the Company or the LLC, and AMG shall be provided with a certificate from the President of the Company to that effect at the Closing.

SECTION 9. CONDITIONS TO OBLIGATIONS OF THE COMPANY AND THE MAJORITY STOCKHOLDERS.

The obligation of the Company and the Majority Stockholders to consummate this Agreement and the transactions contemplated hereby is subject to the fulfillment (or waiver by the Company), prior to or at the Closing, of the following conditions precedent:

9.1 No Litigation; No Opposition. No judgment, injunction, order or decree enjoining or prohibiting any of AMG, the Company, the LLC, the Merger Sub or any of the Stockholders or other parties to this Agreement or any of the agreements, documents and instruments contemplated hereby, from consummating the transactions contemplated hereby, or thereby shall have been entered and no suit, action or proceeding shall be pending or threatened on the date of Closing before or by any court or governmental body seeking to restrain or prohibit the execution and delivery of this Agreement or any of the agreements, documents or instruments contemplated hereby or, the consummation of the transactions contemplated hereby or thereby or which could reasonably be expected to have a Material Adverse Effect on the Company, the LLC (which such materiality determined as if the LLC Contribution shall have previously occurred) or AMG; provided, however, that any threatened suit, action, or proceeding for damages or injunctive relief or suit, action or proceeding only for damages by Former Shareholders that may arise under or relate to the Shareholders Agreement buy not any pending suit, action or proceeding which includes, in addition to any other relief sought, any Preliminary Injunction Motion against the Company, the Majority Stockholders, Merger Sub, the LLC or AMG) shall be disregarded solely for purposes of determining satisfaction of the conditions contained in this Section 8.1 and not for determining liability under Section 12 hereof. In the event that a Preliminary Injunction Motion is pending at any time prior to the Closing, the parties shall cooperate and use their commercially reasonable efforts to cause such Preliminary Injunction Motion to be denied or dismissed. In the event that such Preliminary Injunction Motion remains pending at the time when the

Closing would otherwise occur, the Closing shall be delayed fifteen (15) days and in the event that such Preliminary Injunction Motion remains pending at such date that is fifteen (15) days after the originally scheduled Closing date, the Closing shall be delayed an additional fifteen (15) days, provided, that the Closing shall occur on the second business day following denial or dismissal of any Preliminary Injunction Motion (or such other date as may be agreed by the parties) and, in any event, the date set forth in Section 10.1 shall be extended through the end of any extension period contemplated hereby.

9.2 Representations, Warranties and Covenants.

(a) Each of the representations and warranties of AMG contained in this Agreement and in any Schedule or Exhibit attached hereto and in each other agreement, document, instrument or certificate contemplated hereby or otherwise made in writing by AMG or by any person authorized by AMG to make representations on its behalf shall be true and correct in all material respects (except for such representations and warranties that are qualified by their terms as to materiality, which representations or warranties as so qualified shall be true in all respects and except to the extent contemplated in Section 8.1 with respect to damages or claims arising out of the Shareholders Agreement) at and as of the Closing as though newly made at such time.

(b) Each and all of the agreements to be performed by AMG hereunder and under the other agreements, documents and instruments contemplated hereby at or prior to the Closing shall have been duly performed in all material respects. Each and all of the conditions to be performed or satisfied by AMG at or prior to the Closing pursuant to this Agreement and the other agreements, documents and instruments contemplated hereby shall have been duly performed or satisfied.

(c) AMG shall have furnished the Majority Stockholders with a certificate dated as of the date of the Closing to the foregoing effect.

9.3 Client Consent. The conditions set forth in Section 8.3 shall have been met.

9.4 Delivery. AMG shall have executed and delivered to the Company, the following:

(a) certified copies of resolutions of the board of directors of AMG and of Merger Sub authorizing the execution of this Agreement and each of the other agreements, documents or instruments contemplated hereby to which AMG or Merger Sub, as applicable, is a party;

(b) a copy of the Amended and Restated Certificate of Incorporation and by-laws of AMG and of the Articles of Organization and By-laws of Merger Sub which, in the case of each of the Amended and Restated Certificate of Incorporation and the Articles of

Organization, is certified as of a recent date by the Secretary of State of the State of Delaware or the Secretary of State of the Commonwealth of Massachusetts as applicable;

(c) certificates issued by the Secretary of State of the State of Delaware and the Commonwealth of Massachusetts, respectively, certifying that each of AMG and Merger Sub is validly existing and in good standing in the State of Delaware and the Commonwealth of Massachusetts, respectively, as of the most recent practicable date;

(d) true and correct copies of each of the agreements, documents and instruments contemplated hereby (including, without limitation, the Restated LLC Agreement) to which AMG is a party, and all agreements, documents, instruments and certificates delivered or to be delivered in connection therewith by AMG;

(e) a certificate of the Secretary of AMG and of Merger Sub certifying that the resolutions, Amended and Restated Certificate of Incorporation, Certificate of Incorporation, and by-laws in paragraphs (a) and (b) above are in full force and effect and have not been amended or modified, and that the officers of AMG and Merger Sub, as applicable are those persons named in the certificate; and

(f) an opinion from Goodwin, Procter & Hoar LLP in substantially the form of Exhibit 9.4(f).

9.5 Registration as an Investment Adviser. The LLC shall have become registered as an investment adviser under the Advisers Act and the rules and regulations promulgated thereunder, and made appropriate filings under the laws of each state where such filings may be necessary (in the reasonable opinion of the Company, which shall not include any states in which the Company is not registered on the date of this Agreement) to enable the LLC, after giving effect to the LLC Contribution Agreement and the Closing, to conduct the business presently conducted by the Company.

9.6 HSR Act. Any applicable waiting period under the HSR Act (including any extensions thereof) shall have expired or been terminated.

9.7 Material Adverse Change. There shall have been no event which either individually or in the aggregate could reasonably be expected to have a Material Adverse Effect on AMG and its Affiliates taken as a whole on a consolidated basis and the Company shall be provided with a certificate from the President, Executive Vice President or any Senior Vice President of AMG to that effect at the Closing. Notwithstanding the foregoing, this Section 9.7 shall not apply to entrance into any letter of intent, commitment letter, contract or other agreement with respect to, or the incurrence of any debt, claim or obligation arising from, (i) debt and/or equity financings which AMG is negotiating, or may have negotiated, or (ii) investments in investment management companies which AMG is negotiating or may have negotiated, which investments have not closed, or (iii) the properties, assets, liabilities,

operations, business or prospects relating to any investment of AMG, which investment may not have closed.

SECTION 10. TERMINATION OF AGREEMENT; RIGHTS TO PROCEED.

10.1 Termination. At any time prior to the Closing, this Agreement may be terminated as follows:

(a) by mutual written consent of AMG and the Company;

(b) by AMG, pursuant to written notice by AMG to the Company and the Stockholders, if any of the conditions set forth in Section 8 of this Agreement have not been satisfied at or prior to June 30, 1998, (as extended pursuant to Section 8.1 and Section 9.1) or if it has become reasonably and objectively certain that any of such conditions, will not be satisfied at or prior to June 30, 1998, such written notice to set forth such conditions which have not been or will not be so satisfied; and

(c) by the Company, pursuant to written notice by the Company to AMG, if any of the conditions set forth in Section 9 of this Agreement have not been satisfied at or prior to June 30, 1998 (as extended pursuant to Section 8.1 and Section 9.1), or if it has become reasonably and objectively certain that any of such conditions, will not be satisfied at or prior to June 30, 1998 (as extended pursuant to Section 8.1 and Section 9.1), such written notice to set forth such conditions which have not been or will not be so satisfied.

10.2 Effect of Termination. All obligations of the parties hereunder shall cease upon any termination pursuant to Section 10.1; provided, however, that (a) the provisions of this Section 10, Sections 5.13, 5.14, 7.2 and the provisions of Section 14 hereof shall survive any termination of this Agreement; (b) nothing herein shall relieve any party from any liability for (i) any material breach of a representation or warranty contained herein (except for such representations and warranties that are qualified by their terms as to materiality, which shall be true in all respects), (ii) any failure to perform and satisfy in all material respects all of the agreements and covenants to be performed hereunder and under the agreements, documents and instruments contemplated hereby at or prior to the Closing, (iii) any failure to perform and satisfy the conditions contained in this Agreement and the other agreements, documents and instruments contemplated hereby, and (c) any party may proceed as further set forth in Section 10.3 below.

10.3 Right to Proceed.

(a) Anything in this Agreement to the contrary notwithstanding, if any of the conditions specified in Section 8 hereof have not been satisfied, AMG shall have the right to proceed with the transactions contemplated hereby; provided, however, that if AMG proceeds with the transactions contemplated hereby notwithstanding the fact that the Company and the

Majority Stockholders have provided written notice to AMG in a Schedule or certificate provided pursuant to this Agreement which describes the nature, scope and extent of the failure of one or more of the conditions specified in Section 8 hereof to be satisfied, AMG shall, by proceeding, be deemed to have waived its rights hereunder to the extent of any such disclosure except to the extent that such matter or claim may give rise to an indemnification right under the Supplemental Indemnification Agreement.

(b) Anything in this Agreement to the contrary notwithstanding, if any of the conditions specified in Section 9 hereof have not been satisfied, the Company and the Majority Stockholders shall have the right to proceed with the transactions contemplated hereby; provided, however, that if the Company and the Majority Stockholders proceed with the transactions contemplated hereby notwithstanding the fact AMG has provided written notice in a Schedule or certificate provided pursuant to this Agreement or by written notice to the Company and the Majority Stockholders which describes the nature, scope and extent of the failure of one or more of the conditions specified in Section 9 hereof to be satisfied, the Company and the Majority Stockholders shall, by proceeding, be deemed to have waived their rights hereunder to the extent of any such disclosure.

SECTION 11. RIGHTS AND OBLIGATIONS SUBSEQUENT TO CLOSING.

11.1 Survival of Representations, Warranties and Covenants. Each of the representations, warranties, agreements, covenants and obligations herein or in any schedule, exhibit or certificate delivered by any party to any other party incident to the transactions contemplated hereby are material, shall be deemed to have been relied upon by the other party and shall survive the Closing until the eighteen month anniversary of the date of the Closing, except for the representations and warranties made (a) in Sections 3.9 and 3.24, (b) in Section 5A and (c) in any way affecting or relating to the Shareholders Agreement, which shall survive until the expiration of the applicable statute of limitations, if any. The expiration of any representation or warranty shall not affect any claim made in reasonable detail prior to the date of such expiration. All covenants herein not fully performed shall survive the Closing and continue thereafter until fully performed. Any investigation, audit or other examination that may have been made or may be made at any time by or on behalf of the party to whom any such representation or warranty is made shall not limit or diminish such representations and warranties, and the parties may rely on the representations and warranties set forth in this Agreement irrespective of any information obtained by them by any investigation, audit or examination or otherwise.

11.2 Regulatory Filings. Each of the Stockholders will cooperate with AMG and Merger Sub to enable AMG and Merger Sub to make any and all regulatory filings required by them with respect to the Company, Merger Sub, the LLC or the transactions contemplated hereby (including, by way of example and not of limitation, the filing of tax returns and the withdrawal of the Company as an investment adviser).

SECTION 12. INDEMNIFICATION.

12.1 Indemnification by the Majority Stockholders. From and after the Closing the Majority Stockholders agree, jointly and severally, to indemnify and hold AMG, Merger Sub and their respective subsidiaries and affiliates (including, from and after the Closing, the Company and, to the extent the loss is suffered by the LLC, the LLC) and persons serving as officers, directors, partners, members, stockholders or employees thereof (individually an "AMG Indemnified Party" and collectively the "AMG Indemnified Parties") harmless from and against any damages, liabilities, losses (including, without limitation, diminution in value), taxes, fines, penalties, costs, and expenses (including, without limitation, reasonable fees and expenses of counsel) of any kind or nature whatsoever (whether or not arising out of third-party claims and including all amounts paid in investigation, defense or settlement of the foregoing) (collectively, "Losses") (provided, however, that the measure of Loss shall not include the diminution in trading value of the Common Stock, par value $.01 per share, of AMG), net, in the case of each AMG Indemnified Party, of any insurance proceeds actually received by that AMG Indemnified Party on account of insurance policies the premiums on which were paid by the Company prior to the LLC Contribution or by the LLC, less the aggregate premiums paid by the LLC for such insurance, which may be sustained or suffered by any of them arising out of or based upon any of the following matters:

(a) fraud, intentional misrepresentation or a deliberate or wilful breach by the Company or any Stockholder of any of their representations, warranties or covenants under this Agreement or any agreement, document or instrument contemplated hereby or in any certificate, schedule or exhibit delivered pursuant hereto or thereto;

(b) any breach of any representation, warranty or covenant of the Company or any Stockholder under this Agreement or under any agreement, document or instrument contemplated hereby, or in any certificate, schedule or exhibit delivered pursuant hereto or thereto, or by reason of any claim, action or proceeding asserted or instituted growing out of any matter or thing constituting such a breach; and

(c) the activities, conduct, business or operation of the Company or the LLC prior to the Closing, or arising out of facts, events or circumstances regarding the Company or the LLC existing prior to the Closing (including, without limitation, whether or not disclosure of such facts, events or circumstances was made herein or on the Schedules hereto) other than executory obligations to be performed after the Closing that arise pursuant to the obligations expressly assumed by the LLC pursuant to the LLC Contribution.

12.2 Limitations on Indemnification by the Majority Stockholders. Notwithstanding any other provision of this Agreement to the contrary, the right of AMG Indemnified Parties to indemnification under Section 12.1 shall be subject to the following provisions:

(a) No indemnification shall be payable to any AMG Indemnified Party pursuant to Subsection 12.1(b) or 12.1(c) unless the total of all claims for indemnification

pursuant to Section 12.1 shall exceed five hundred thousand dollars ($500,000) in the aggregate, whereupon only amounts of such claims in excess of such amount shall be recoverable in accordance with the terms hereof provided, however, that this limitation shall not apply to claims for indemnification (i) pursuant to Section 5A, except to the extent that indemnification for Tax matters do not exceed twenty five thousand dollars ($25,000), (ii) in connection with claims arising out of the Escrow Agreement or which had been contemplated to be transferred to the escrow agent pursuant to the Escrow Agreement and Section 2.1 hereof or (iii) subject to the Supplemental Indemnification Agreement;

(b) No indemnification shall be payable to any AMG Indemnified Party by any individual Majority Stockholder under Section 12.1(b) or 12.1(c) (exclusive of any claims for indemnification for Taxes or based upon or related to breach of any representation, warranty or covenant with respect to Taxes or Tax matters or pursuant to Section 5A hereof or any representation, warranty or covenant with respect to Employee Programs or matters related to Employee Programs) after the payments made by such Majority Stockholder to AMG Indemnified Parties under this Section 12 equals or exceeds the amount set forth opposite such Majority Stockholder's name on Schedule 12.2(a) (it being understood that amounts payable with respect to indemnification for Taxes or based upon or related to breach of any representation, warranty or covenant with respect to Taxes or Tax matters or pursuant to Section 5A hereof or any representation, warranty or covenant with respect to Employee Programs or matters related to Employee Programs or under the Supplemental Indemnification Agreement shall not be subject to this limitation or considered for purposes of this calculation); and

(c) No indemnification shall be payable to an AMG Indemnified Party with respect to claims asserted pursuant to Subsection 12.1(b) or 12.1(c) after the eighteen month anniversary of the date of the Closing (the "Indemnification Cut-Off Date"); provided, however, that such expiration shall not affect any claim with respect to which notice was given in the manner contemplated by Section 12.5 hereof prior to the Indemnification Cut-Off Date and claims for indemnification for Taxes or based upon or related to a breach of any representation, warranty or covenant with respect to Taxes or pursuant to Section 5A hereof or Employee Programs or Tax matters or matters related to Employee Programs or under Supplemental Indemnification Agreement shall continue until the expiration of all applicable statutes of limitation with respect thereto.

12.3 Indemnification by AMG. AMG agrees to indemnify and hold the Majority Stockholders (individually a "Stockholder Indemnified Party" and collectively the "Stockholder Indemnified Parties") harmless from and against any damages, liabilities, losses, taxes, fines, penalties, costs and expenses (including, without limitation, reasonable fees and expenses of counsel) of any kind or nature whatsoever (whether or not arising out of third-party claims and including all amounts paid in investigation, defense or settlement of the foregoing) which may be sustained or suffered by any of them arising out of or based upon any breach of any representation, warranty or covenant made by AMG in this Agreement or in any agreement, document or instrument contemplated hereby, or in any certificate, schedule or

exhibit delivered pursuant hereto or thereto, or by reason of any claim, action or proceeding asserted or instituted growing out of any matter or thing constituting such a breach.

12.4 Limitation on Indemnification by AMG. Notwithstanding the foregoing, the right of Stockholder Indemnified Parties to indemnification under Section 12.3 shall be subject to the following provisions:

(a) No indemnification pursuant to Section 12.3 shall be payable to the Stockholder Indemnified Parties, unless the total of all claims for indemnification pursuant to Section 12.3 shall exceed five hundred thousand dollars ($500,000) in the aggregate, whereupon only amounts of such claims in excess of such amount shall be recoverable in accordance with the terms hereof; and

(b) No indemnification pursuant to Section 12.3 shall be payable to a Stockholder Indemnified Party after the payments made by AMG to Stockholder Indemnified parties under this Section 12 equal or exceed forty million dollars ($40,000,000); and

(c) No indemnification shall be payable to the Stockholders with respect to claims asserted pursuant to Section 12.3 above after the Indemnification Cut-Off Date; provided, however, that such expiration shall not affect any claim with respect to which notice was given in the manner contemplated by Section 12.5 hereof prior to the Indemnification Cut-Off Date.

12.5 Notice; Defense of Claims. An indemnified party may make claims for indemnification hereunder by giving written notice thereof to the indemnifying party within the period in which indemnification claims can be made hereunder. If indemnification is sought for a claim or liability asserted by a third party, the indemnified party shall also give written notice thereof to the indemnifying party promptly after it receives notice of the claim or liability being asserted, but the failure to do so shall not relieve the indemnifying party from any liability except to the extent that it is prejudiced by the failure or delay in giving such notice. Such notice shall include a reasonable summary of the bases for the claim for indemnification and any claim or liability being asserted by a third party. Within thirty (30) days after receiving such notice the indemnifying party shall give written notice to the indemnified party stating whether it disputes the claim for indemnification and whether it will defend against any third party claim or liability at its own cost and expense. If the indemnifying party fails to give notice that it disputes an indemnification claim within thirty (30) days after receipt of notice thereof, it shall be deemed to have accepted and agreed to the claim, which shall become immediately done and payable. The indemnifying party shall be entitled to direct the defense against a third party claim or liability with counsel selected by it (subject to the consent of each indemnified party, which consent shall not be unreasonably withheld) as long as the indemnifying party is conducting a good faith and diligent defense. Each indemnified party shall at all times have the right to fully participate in the defense of a third party claim or liability at its own expense directly or through counsel; provided, however, that if the named parties to the action or proceeding include either both the indemnifying party

and/or one or more indemnified parties and an indemnified party is advised that representation of both parties by the same counsel would be inappropriate under applicable standards of professional conduct, an indemnified party may engage separate counsel at the expense of the indemnifying party. If no such notice of intent to dispute and defend a third party claim or liability is given by the indemnifying party, or if such good faith and diligent defense is not being or ceases to be conducted by the indemnifying party, the indemnified party shall have the right, at the expense of the indemnifying party to, after three (3) business days notice to the indemnifying party of its intent to do so, to undertake the defense of such claim or liability (with counsel selected by the indemnified party), and to compromise or settle it, exercising reasonable business judgment. If the third party claim or liability is one that by its nature cannot be defended solely by the indemnifying party, then the indemnified party shall make available such information and assistance as the indemnifying party may reasonably request and shall cooperate with the indemnifying party in such defense, at the expense of the indemnifying party.

12.6 Satisfaction of Indemnification Obligations.

(a) In order to satisfy the indemnification obligations of the Majority Stockholders pursuant to Section 12.1 above, an AMG Indemnified Party shall have the right (in addition to collecting directly from the Majority Stockholders) to set off its indemnification claims against (i) any and all amounts of interest and principal under any promissory note issued to such Stockholder pursuant to the provisions of Section 3.11 of the Restated LLC Agreement (whether or not then due and payable) in accordance with the terms of such note, and/or (ii) any and all amounts to be distributed to such Majority Stockholder by the LLC, whether or not such right of set-off is specifically provided for in the Restated LLC Agreement and/or (iii) any and all amounts owed or which become owed to such Majority Stockholder or any Permitted Transferee (as such term is defined in the Restated LLC Agreement) of such Majority Stockholder by AMG, the Company or the LLC pursuant to the provisions of Sections 3.11 or 7.1 of the Restated LLC Agreement.

(b) In connection with indemnification obligations of the Majority Stockholders pursuant to Section 12.1 above, on the date on which any amount is payable by a Majority Stockholder to an AMG Indemnified Party pursuant to this Section 12, such Majority Stockholder shall pay such amount to such AMG Indemnified Party as follows:

(i) such Majority Stockholder shall pay such AMG Indemnified Party an amount in cash (by wire transfer of immediately available funds) equal to the amount payable by such Majority Stockholder to such AMG Indemnified Party on such date, multiplied by sixty percent (60%); and

(ii) such Majority Stockholder shall pay such AMG Indemnified Party a number of AMG Shares or shares of Common Stock, $.01 par value per share, of AMG ("AMG Common Stock"), the value of which is equal to the amount payable by such Majority Stockholder to such AMG Indemnified Party on such date, multiplied

by forty percent (40%), with each such AMG Share or share of Common Stock being free of any Claims. For purposes of the preceding sentence, each AMG Share and each share of AMG Common Stock shall be considered to have a value of twenty-six dollars and fifty cents ($26.50) per share (as appropriately adjusted for stock splits, stock dividends and the like). If a Majority Stockholder fails to deliver the number of AMG Shares or shares of AMG Common Stock on the date and in the manner set forth in clause (ii) above (including, without limitation, being free of any Claims) then such Majority Stockholder shall be required to fulfill the payment obligation in cash together with an additional payment of ten percent (10%) of such payment obligation (which payments shall immediately be made by wire transfer of immediately available funds) and, thereafter, such Majority Stockholder shall be required to fulfill all payment obligations under this Section 12 in full, in cash (by wire transfer of immediately available funds).

12.7 Procedure. In the event that AMG makes any claim for indemnification pursuant to this Section 12, AMG shall use commercially reasonable efforts to pursue such claim against each of the Majority Stockholders in a single action. The foregoing shall have no effect on the joint and several indemnification obligations of the Majority Stockholders hereunder.

12.8 Exclusive Remedy. Except in the case of claims arising out of, based upon or related to fraud of the Company or any Majority Stockholder, the indemnification in this Section 12 shall be the exclusive remedy available to any indemnified party against any indemnifying party for any Losses arising out of or based upon the matters set forth in Section 12.1 and 12.3 of this Agreement, provided, however, that nothing herein shall (i) limit the non-monetary equitable remedies of any party hereto in respect of any breach of any covenant or other agreement of any party required to be performed after the Closing, (ii) limit the right or remedies of any party hereto under Section 5A hereof, or (iii) limit the rights or remedies of any party hereto under the Supplemental Indemnification Agreement. Any and all disputes between the parties (except to the extent non-monetary equitable remedies are sought) shall be resolved as contemplated in Section 14.2.

SECTION 13. DEFINITIONS.

13.1 Definitions. For purposes of this Agreement and the Exhibits and Schedules hereto, the following terms shall have the respective meanings set forth in this Section 13.1

"Adjustment Fractions" shall have the meaning specified in Section 1.7(b) hereof.

"Advisers Act" shall mean the Investment Advisers Act of 1940, as the same may be amended from time to time, and any successor to such act.

"Affiliate" shall mean with respect to any person or entity (herein the "first party"), any other person or entity that directly or indirectly controls, or is controlled by, or is under common control with, such first party. The term "control" as used herein (including the terms "controlled by" and "under common control with") means the possession, directly or indirectly, of the power to (a) vote twenty-five percent (25%) or more of the outstanding voting securities of such person or entity, or (b) otherwise direct the management or policies of such person or entity by contract or otherwise.

"AMG" shall mean Affiliated Managers Group, Inc., a Delaware corporation, or any of its permitted assigns hereunder.

"AMG Indemnified Party" shall have the meaning specified in Section 12.1 hereof.

"AMG Shares" shall have the meaning specified in Section 1.7 hereof.

"Articles of Organization" shall mean the Company's Articles of Organization, as amended to the date of this Agreement.

"Base Balance Sheet" shall mean the audited balance sheet of the Company of November 30, 1996.

"Base Fees" shall have the meaning specified in Section 8.3 hereof.

"Certificate of Designations" shall have the meaning specified in Section 1.7(a) hereof.

"Claims" shall mean any restrictions, liens, claims, charges, security interests, assignments, mortgages, deposit arrangements, pledges or encumbrances of any kind or nature whatsoever.

"Class A Stock" shall mean the Company's Class A Non-Voting Common Stock, par value $1.00 per share.

"Closing" shall have the meaning specified in Section 1.8 hereof.

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any successor code thereto. For purposes of this Agreement, all references to Sections of the Code shall include any predecessor provisions to such Sections and any similar provisions of federal, state, local or foreign law.

"Common Stock" shall mean the Company's Common Stock, $.01 par value per share.

"Company" shall mean Essex Investment Management Company, Inc., a Massachusetts corporation.

"Company Shares" shall have the meaning set forth in the preamble hereto, provided that such number shall be reduced to the extent any Company Shares are redeemed prior to the Closing pursuant to Section 5.5.

"Consent" shall have the meaning specified in Section 8.3 hereof.

"Contract Value" shall have the meaning specified in Section 8.3 hereof.

"Delaware Act" shall mean the Delaware Limited Liability Company Act, 6 Del. C. ss.18-101, et. seq., as amended from time to time, and any successor to such act.

"Election Forms" shall have the meaning specified in Section 5A.1.

"Elections" shall have the meaning specified in Section 5A.1.

"Employment Agreement" shall have the meaning specified in Section 8.8 hereof.

"Employment Arrangement" shall have the meaning specified in Section 3.25(c) hereof.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and any successor to such act.

"ERISA Client" shall have the meaning specified in Section 3.7(b) hereof.

"Escrow Agreement" shall have the meaning specified in Section 1.7 hereof.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time, and any successor to such act.

"Existing Certificate of Formation" shall mean the Certificate of Formation of the LLC, as amended to the date of this Agreement.

"Existing LLC Agreement" shall mean the Limited Liability Company Agreement of the LLC dated as of January 12, 1998, which is the Limited Liability Company Agreement of the LLC on the date of this Agreement and immediately prior to its amendment and restatement into the Restated LLC Agreement.

"Foreign Fund" shall mean Essex High Technology Fund (Bermuda), L.P.

"Former Shareholders" shall have the meaning set forth in Section 5.12(c) hereof.

"GAAP" shall mean United States generally accepted accounting principles as in effect from time to time.

"HSR Act" means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

"Indemnification Cut-Off Date" shall have the meaning specified in Section 12.2(b) hereof.

"Intellectual Property" shall have the meaning set forth in Section 3.14(a) hereof.

"Investment Company Act" shall mean the Investment Company Act of 1940, as the same may be amended from time to time, and any successor to such act.

"Investment Laws and Regulations" shall have the meaning set forth in Section 3.17 hereof.

"Investment Management Services" shall mean any services which involve (a) the management of an investment account or fund (or portions thereof or a group of investment accounts or funds), or (b) the giving of advice with respect to the investment and/or reinvestment of assets or funds (or any group of assets or funds), and activities related or incidental thereto.

"IRS" shall mean the Internal Revenue Service.

"Knowledge" with respect to the Majority Stockholders and the Company shall mean, in the case of the "knowledge" of the Company, the actual knowledge of each employee of the Company, and, in the case of the knowledge of any Majority Stockholder, the actual knowledge of each of the Stockholders, whether or not they are a party to this Agreement.

"Leased Real Property" shall have the meaning specified in Section 3.6(a) hereof.

"Licenses" shall have the meaning specified in Section 3.18(b) hereof.

"LLC" shall mean Essex Investment Management Company, LLC, a Delaware limited liability company.

"LLC Contribution" shall have the meaning specified in Section 2.1 hereof.

"LLC Contribution Agreement" shall have the meaning specified in Section 2.1 hereof.

"Loss or Losses" shall have the meaning specified in Section 12.1 hereof.

"Material Adverse Effect" shall mean, with respect to a Person, a material adverse effect on the condition (financial or otherwise), properties, assets, liabilities, business, operations or prospects of such Person.

"Merger" shall have the meaning specified in Section 1.1 hereof.

"Merger Consideration" shall have the meaning specified in Section 1.7 hereof.

"Merger Sub" shall have the meaning specified in the preamble hereof.

"Mutual Funds" shall mean Capital Appreciation Fund, a series of the Managers Funds, a Massachusetts business trust, which to the knowledge of the Company and the Majority Stockholders is duly registered under the Investment Company Act.

"NASD" shall mean the National Association of Securities Dealers, Inc.

"Non Solicitation Agreement" shall mean a Non Solicitation/Non Disclosure Agreement substantially in the form attached hereto as Exhibit 8.9.

"Owned Real Property" shall have the meaning specified in Section 3.6(a) hereof.

"Person" shall mean any individual, partnership (general or limited), corporation, limited liability company, limited liability partnership, association, trust, joint venture, unincorporated organization, and any government, governmental department or agency or political subdivision thereof.

"Preliminary Injunction Motion" shall have the meaning specified in Section 8.1 hereof.

"Private Funds" shall mean Essex Flexport Fund, Limited Partnership (Small Cap Pool, Mid Cap Pool, Large Cap Pool), Corn Hill Series Fund, Limited Partnership (High Performance, Growth) Essex Safe Harbor Fund, Limited Partnership, Essex Performance Fund, Limited Partnership, Essex Special Growth Opportunities Fund, L.P., Essex High Technology Fund, L.P., Spruce Investment Partners, L.P. and The New Discovery Fund Limited.

"Real Property" shall have the meaning specified in Section 3.6(a) hereof.

"Redemption Agreement" shall have the meaning specified in Section 1.3 hereof.

"Restated LLC Agreement" shall mean the Amended and Restated Limited Liability Company Agreement of the LLC in substantially the form attached hereto as Exhibit 2.2, as the same may be amended from time to time in accordance with its terms.

"SEC" shall mean the Securities and Exchange Commission, or any successor agency thereto.

"Securities Act" shall mean the Securities Act of 1933, as the same may be amended from time to time, and any successor to such act.

"Shareholders Agreement" shall have the meaning specified in Section 8.1 hereof.

"Stockholder" shall mean a holder of the Company's capital stock listed on Schedule 1.7 hereto.

"Stockholder Indemnified Party" shall have the meaning specified in Section 12.3 hereof.

"Supplemental Purchase Agreement" shall mean the Purchase Agreement in the form of Exhibit 1.12 by and between the parties hereto and each Stockholder.

"Supplemental Indemnification Agreement" shall have the meaning set forth in Section 8.12(o) hereof.

"Surviving Corporation" shall have the meaning set forth in Section 1.1 hereof.

"Taxes" shall have the meaning specified in Section 3.9(a) hereof.

"Taxing Authority" shall have the meaning specified in Section 3.9(c) hereof.

"Valuation" shall mean the value of the AMG Shares determined by an independent party retained by AMG and the Company to calculate the value of the AMG Shares for federal income tax and other purposes.

"Valuation Report" shall mean the report prepared by the independent party pursuant to the Valuation.

SECTION 14. MISCELLANEOUS.

14.1 Fees and Expenses. The rights and obligations of the parties hereto with respect to fees and expenses, except to the extent expressly set forth herein, are as follows:

(a) AMG shall pay its own expenses incident to the negotiation and consummation of the transactions contemplated by this Agreement and the agreements, instruments and documents contemplated hereby. The Stockholders and the Company shall pay their own expenses and the expenses of the Company and the LLC incident to the negotiation and consummation of the transactions contemplated by this Agreement and the agreements, instruments and documents contemplated hereby; provided, however, that AMG shall pay (i) the organizational costs of the LLC including the filing fees of the LLC the

various states to the extent the LLC has presented AMG with an invoice therefor at or prior to the Closing, and (ii) fifty percent (50%) any filing fees required under the HSR Act. In addition, the Company shall pay fifty percent (50%) of any filing fees required under the HSR Act.

(b) The Stockholders will pay all costs incurred, whether at or subsequent to the Closing, in connection with the transfer of the Company Shares to AMG as contemplated by this Agreement, including without limitation, all transfer taxes and charges applicable to such transfer, and all costs of obtaining permits, waivers, registrations or consents with respect to any assets, rights or contracts of the Company.

14.2 Dispute Resolution. The parties agree that from and after the Closing, any and all disputes, claims, or controversies between them arising out of or relating to this Agreement including the Exhibits hereto (except to the extent otherwise set forth therein) and the transactions contemplated hereby that are not resolved by their mutual agreement shall be resolved by binding arbitration in accordance with the applicable rules of the American Arbitration Association. The arbitration shall be held in Massachusetts before a single arbitrator selected in accordance with Section 12 of the American Arbitration Association Commercial Arbitration Rules (and, if practicable shall have experience in the investment advisory industry) and shall otherwise be conducted in accordance with the American Arbitration Association Commercial Arbitration Rules. The parties covenant that they will participate in the arbitration in good faith and that they will share equally its costs except as otherwise provided herein. This clause applies equally to requests for temporary, preliminary or permanent injunctive relief, except that in the case of temporary or preliminary injunctive relief any party may proceed in court without prior arbitration, if they first obtain a decision from the arbitrator to so proceed. The provisions of this Section 14.2 shall be enforceable in any court of competent jurisdiction, and the parties shall bear their own costs in the event of any proceeding to enforce this Agreement except as otherwise provided herein. The arbitrator may in his or her discretion assess costs and expenses (including the reasonable legal fees and expenses of the prevailing party) against any party to a proceeding. Any party unsuccessfully refusing to comply with an order of the arbitrators shall be liable for costs and expenses, including attorneys' fees, incurred by the other party in enforcing the award. The provisions of this Section 14.2 shall not apply from the date of this Agreement through the date of the Closing.

14.3 Waivers. Any waiver of any terms or conditions or of the breach of any covenant, representation or warranty of this Agreement in any one instance, shall not operate as or be deemed to be or construed as a further or continuing waiver of any other breach of such term, condition, covenant, representation or warranty or any other term, condition, covenant, representation or warranty, nor shall any failure or delay at any time or times to enforce or require performance of any provision hereof operate as a waiver of or affect in any manner such party's right at a later time to enforce or require performance of such provision or of any provision hereof; provided, however, that no such waiver, unless it, by its own terms, explicitly provides to the contrary, shall be construed to effect a continuing waiver of the

provision being waived and no such waiver in any instance shall constitute a waiver in any other instance or for any other purpose or impair the right of the party against whom such waiver is claimed in all other instances or for all other purposes to require full compliance.

14.4 Governing Law. This Agreement shall be construed under and governed by the internal laws of the Commonwealth of Massachusetts without regard to its conflict of laws provisions.

14.5 Notices. Any notice, request, demand or other communication required or permitted hereunder shall be in writing and shall be deemed to have been given if delivered or sent by facsimile transmission, upon receipt, or if sent by registered or certified mail, upon the sooner of the date on which receipt is acknowledged or the expiration of three days after deposit in United States post office facilities properly addressed with postage prepaid. All notices to a party will be sent to the addresses set forth below or to such other address or person as such party may designate by notice to each other party hereunder:

TO AMG:	Affiliated Managers Group, Inc. Two International Place, 23rd Floor Boston, MA 02110 Attn: Nathaniel Dalton, Senior Vice President Facsimile No.: (617) 747-3380
With a copy to:	Goodwin, Procter & Hoar LLP Exchange Place Boston, MA 02109 Attn: Elizabeth Shea Fries Facsimile No.: (617) 523-1231
TO MERGER SUB:	c/o Affiliated Managers Group, Inc. Two International Place, 23rd Floor Boston, MA 02110 Attn: Nathaniel Dalton, Senior Vice President Facsimile No.: (617) 747-3380
With a copy to:	Goodwin, Procter & Hoar LLP Exchange Place Boston, MA 02109 Attn: Elizabeth Shea Fries Facsimile No.: (617) 523-1231

TO COMPANY:	Essex Investment Management Company Inc. 125 High Street, 29th Floor Boston, MA 02110-2702 Attn: Christopher P. McConnell Facsimile No.: (617) 342-3392
With a copy to:	Dechert Price & Rhoads 4000 Bell Atlantic Tower 1717 Arch Street Philadelphia, Pennsylvania 19103-2793 Attn: Christopher G. Karras Facsimile No.: (215) 994-2222
TO ANY STOCKHOLDER:	To that Stockholder at the address set forth under such Stockholder's name as Schedule 1.7.
In each case, with a copy to:	Dechert Price & Rhoads 4000 Bell Atlantic Tower 1717 Arch Street Philadelphia, Pennsylvania 19103-2793 Attn: Christopher G. Karras Facsimile No.: (215) 994-2222

Any notice given hereunder may be given on behalf of any party by his counsel or other authorized representatives.

14.6 Entire Agreement; Severability. This Agreement, including the Schedules and Exhibits referred to herein and the other writings specifically identified herein or contemplated hereby, is complete, reflects the entire agreement of the parties with respect to its subject matter, and supersedes all previous written or oral negotiations, commitments and writings. No promises, representations, understandings, warranties and agreements have been made by any of the parties hereto except as referred to herein or in such Schedules and Exhibits or in such other writings; and all inducements to the making of this Agreement and the transactions contemplated hereby which were relied upon by either party hereto have been expressed herein or in such Schedules or Exhibits or in such other writings. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

14.7 Assignability; Binding Effect. This Agreement or any of the obligations or rights hereunder (a) may not be assigned by AMG or Merger Sub, without the prior written consent of the Company, other than to an entity under the control of AMG, and (b) may not be

assigned by any of the Majority Stockholders or the Company without the prior written consent of AMG. This Agreement shall be binding upon and enforceable by, and shall inure to the benefit of, the parties hereto and their respective successors, heirs, executors, administrators and permitted assigns.

14.8 Captions and Gender. The captions in this Agreement are for convenience only and shall not affect the construction or interpretation of any term or provision hereof. The use in this Agreement of the masculine pronoun in reference to a party hereto shall be deemed to include the feminine or neuter, as the context may require.

14.9 Execution in Counterparts. For the convenience of the parties and to facilitate execution, this Agreement may (a) be executed in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document, and (b) executed by facsimile.

14.10 Amendments. This Agreement may not be amended or modified, nor may compliance with any condition or covenant set forth herein be waived, except by a writing duly and validly executed by AMG and the Company and the Majority Stockholders, or in the case of a waiver, the party waiving compliance.

14.11 Publicity and Disclosures. No press releases or public disclosure, either written or oral, of the transactions contemplated by this Agreement, shall be made by a party to this Agreement without the prior knowledge and written consent of AMG and the Company, which consent shall not be unreasonably withheld, except as is otherwise required by applicable laws, rules and regulations (including, without limitation, the HSR Act, the Securities Act, the Exchange Act and the rules and regulations promulgated thereunder).

14.12 Consent to Jurisdiction. Each of the parties hereby consents to personal jurisdiction, service of process and venue in the federal or state courts of the Commonwealth of Massachusetts for any claim, suit or proceeding arising under this Agreement, or in the case of a third party claim subject to indemnification hereunder, in the court where such claim is brought and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such state court or, to the extent permitted by law, in such federal court. Each of the parties hereby irrevocably consents to the service of process in any such action or proceeding by the mailing by certified mail of copies of any service or copies of the summons and complaint and any other process to such party at the address specified in Section 14.5 hereof. The parties agree that a final judgement in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit or in any other manner permitted by law and shall affect the right of a party to service legal process or to bring any action or proceeding in the carts of other jurisdictions.

14.13 Guarantee. AMG shall cause Merger Sub to perform and carry out its obligations under, and the transactions contemplated by, this Agreement.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the date set forth above by their duly authorized representatives.

AMG:

AFFILIATED MANAGERS GROUP, INC.

By: /s/ William J. Nutt

Name: William J. Nutt
Title: President and Chief Executive Officer

MERGER SUB:

CONSTITUTION MERGER SUB, INC..

By: /s/ Sean M. Healey

Name: Sean M. Healey
Title: President

COMPANY:

ESSEX INVESTMENT MANAGEMENT COMPANY, INC.

By: /s/ Joseph C. McNay

Name: Joseph C. McNay
Title: Chairman

STOCKHOLDERS:

/s/ Joseph C. McNay

Joseph C. McNay

/s/ Stephen D. Cutler

Stephen D. Cutler

/s/ Stephen R. Clark

Stephen R. Clark

EXHIBIT 2.8

AMENDMENT TO AGREEMENT AND PLAN OF REORGANIZATION

AMENDMENT entered into as of March 19, 1998, by and among Affiliated Managers Group, Inc., a Delaware corporation ("AMG"), Constitution Merger Sub, Inc., a Massachusetts corporation and a wholly owned subsidiary of AMG ("Merger Sub"), Essex Investment Management Company, Inc., a Massachusetts corporation (the "Company"), and the holders of the Company's capital stock party hereto collectively referred to as the "Majority Stockholders" and, each individually as a "Majority Stockholder").

WHEREAS, the parties hereto are parties to a certain Agreement and Plan of Reorganization dated January 15, 1998 (the "Merger Agreement") (capitalized terms used herein and not defined shall have the meanings ascribed to them in the Merger Agreement); and

WHEREAS, the parties do not require an escrow of any portion of the Merger Consideration and desire to amend the Merger Agreement to eliminate all reference to the Escrow Agent and the Escrow Agreement and make certain additional amendments as provided herein.

NOW THEREFORE, the parties hereto agree as follows:

1. The text of Section 1.3 of the Merger Agreement shall be amended by adding the following at the end of the existing provision: "In furtherance of and not in limitation of the foregoing, each of the shares of capital stock of Merger Sub issued and outstanding immediately prior to the Effective time, and all rights attached thereto, shall, by virtue of this Agreement and without any action on the part of the holder thereof, be converted into one share of Common Stock of the Surviving Corporation at the Effective Time."

2. The text of Section 1.7(a) of the Merger Agreement shall be deleted in its entirety and replaced with the following:

"(a) At the Effective Time, all of the shares of Company Common Stock and all of the shares of Company Class A Stock issued and outstanding immediately prior to the Effective Time and all rights attached thereto, shall, by virtue of this Agreement and without any action on the part of the holder thereof, be converted into the right to receive, subject to adjustment as provided in this Section 1.7: (i) cash in an aggregate amount equal to sixty-nine million six hundred thousand dollars ($69,600,000); and (ii) one million seven hundred fifty thousand nine hundred forty two (1,750,942) shares of AMG's Series C Non-Voting Convertible Stock, $.01 par value per share (the "AMG Shares" and, together with such cash, the "Merger Consideration"), established and designated under the Certificate of Designations of AMG attached hereto as Exhibit 1.7A (the "Certificate of Designations"). The aggregate amount of cash Merger Consideration to be received by the Stockholders shall be reduced by the amount of obligations of the Company assumed, or payments made, on behalf of the

Stockholders and the Company at the Closing, which amounts are set forth on Schedule 1.7. At the Effective Time, the Merger Consideration shall be allocated among and paid to the Stockholders and other Persons listed on Schedule 1.7 in accordance with said Schedule."

3. Schedule 1.7 to the Merger Agreement shall be replaced in its entirety by Schedule 1.7 attached hereto.

4. Exhibit 1.7 to the Merger Agreement shall be replaced in its entirety by Exhibit 1.7 attached hereto.

5. The text of Section 1.8 of the Merger Agreement shall be deleted in its entirety and replaced with the following:

"(a) In the event that any Client which (a) has a contract that neither prohibits assignment by its terms nor terminates by its terms upon consummation of the transactions contemplated hereby does not Consent at or prior to the Closing (and AMG in its sole discretion does not elect to treat such client as having Consented at the Closing), then (a) such Client shall be treated, for purposes of calculating the Merger Consideration hereunder, as having withdrawn its assets, but the Company or the LLC may continue to provide services to such Client and (b) in the event that, as of the date that is sixty (60) days after the date of the Closing, the Company or the LLC is able to obtain the Consent of such Client, then the Company shall make an additional payment to the Stockholders in accordance with Schedule 1.7.

(b) In the event that any Client which has a contract that prohibits assignment by its terms or terminates by its terms upon consummation of the transactions contemplated hereby does not Consent at or prior to the Closing (and AMG in its sole discretion does not elect to treat such client as having Consented at Closing), then (a) such Client shall be treated, for purposes of calculating the Merger Consideration hereunder, as having withdrawn its assets, but the Company or the LLC may continue to provide services to such Client and (b) in the event that, as of or prior to the date that is sixty (60) days after the date of the Closing, the LLC is able to enter into a contract with such Client with substantially identical terms, then the Company shall make an additional payment to the Stockholders in accordance with Schedule 1.7."

6. The first sentence of Section 2.1 of the Merger Agreement shall be deleted in its entirety.

7. The text of Section 3.21 of the Merger Agreement shall be deleted in its entirety and replaced with the following:

"Except for fees to McDaniels & Co. (which fees have been disclosed to AMG and will be paid at the Closing in accordance with Schedule 1.7), none of the Company, the LLC or any Stockholder has incurred or become liable for any broker's commission or finder's fee relating to or in connection with the transactions contemplated by this Agreement."

8. The header to Section 3.24 of the Merger Agreement shall be deleted in its entirety and replaced with the following: "Employee Benefit Programs."

9. Section 5.12(c) of the Merger Agreement shall be amended to delete the words "Escrow Agreement" and replace them with the words "Release attached hereto as Exhibit 1.7."

10. Section 6.9 of the Merger Agreement shall be amended by deleting the words "Exhibit 6.9" and replacing them with the words "Schedule 6.9".

11. Section 7.7 of the Merger Agreement shall be deleted in its entirety and replaced with the following: "On or promptly following the closing, AMG shall cause Merger Sub to, or shall on behalf of Merger Sub, make an additional contribution to the capital of the LLC as contemplated in Section 4.1 of the Restated LLC Agreement to fund contributions by the LLC to the Private Funds as contemplated thereby, provided that such amount shall not exceed $225,000."

12. Sections 8.4 and 8.12(n) of the Merger Agreement shall be deleted in their entirety.

13. Section 8.11 of the Merger Agreement shall be deleted in its entirety and replaced with the following:

"The Company's capitalization including ownership of capital stock and options to purchase shares of capital stock shall be as set forth on Schedule 1.7 and Schedule 3.3. The LLC's capitalization, including capital and profits interests and other rights to purchase interests in the LLC shall be as set forth in Schedule 3.4(b)(ii). At the Closing, and after giving effect to the transactions contemplated by Schedule 1.7, the LLC Contribution and all transaction costs of the Company and the LLC, the LLC shall have a tangible net worth (determined in accordance with GAAP) of at least five million four hundred twenty six thousand dollars ($5,426,000), working capital (defined as current assets less current liabilities) of at least five million four hundred twenty six thousand dollars ($5,426,000),which shall be not less than the amount necessary for the operation of the business of the LLC, consistent with past practices of the Company, and cash on hand of at least five million four hundred twenty six thousand dollars ($5,426,000). AMG shall be provided with a certificate from the Vice President and Chief Financial Officer of the Company and at the closing representing that the foregoing is true and correct.

14. The text of Section 12.2(a) of the Merger Agreement shall be deleted in its entirety and replaced with the following:

"No indemnification shall be payable to any AMG Indemnified Party pursuant to Subsection 12.1(b) or 12.1(c) unless the total of all claims for indemnification pursuant to Section 12.1 shall exceed five hundred thousand dollars ($500,000) in the aggregate, whereupon only amounts of such claims in excess of such amount shall be recoverable in

accordance with the terms hereof provided, however, that this limitation shall not apply to claims for indemnification (i) pursuant to Section 5A, except to the extent that indemnification for Tax matters do not exceed twenty five thousand dollars ($25,000), (ii) in connection with claims by any Person in connection with the payments made in accordance with Schedule 1.7, or (iii) subject to the Supplemental Indemnification Agreement;"

15. The parties agree that, notwithstanding any other provision of this Agreement, the Closing shall occur on March 20, 1998.

16. Except as amended by the provisions of this Amendment, the Merger Agreement, together with all Exhibits and Schedules thereto, shall remain in full force and effect, without modification or waiver.

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IN WITNESS WHEREOF the parties hereto have caused this Amendment to be executed as of the date set forth above by their duly authorized representatives.

AFFILIATED MANAGERS GROUP, INC.

By: /s/ Nathaniel Dalton

Name: Nathaniel Dalton
Title: Senior Vice President

CONSTITUTION MERGER SUB, INC..

By: /s/ Nathaniel Dalton

Name: Nathaniel Dalton
Title: Clerk

ESSEX INVESTMENT MANAGEMENT COMPANY, INC.

By: /s/ Christopher P. McConnell

Name: Christopher P. McConnell
Title: Vice President and Chief Financial Officer

/s/ Joseph C. McNay

Joseph C. McNay

/s/ Stephen D. Cutler

Stephen D. Cutler

/s/ Stephen R. Clark

Stephen R. Clark

EXECUTION COPY

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CREDIT AGREEMENT

among

Affiliated Managers Group, Inc.

The Several Lenders
from Time to Time Parties Hereto

NationsBank, N.A.,
as Documentation Agent

and

The Chase Manhattan Bank,
as Administrative Agent

Dated as of December 22, 1997

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ANNEXES

SCHEDULES

EXHIBITS

CREDIT AGREEMENT, dated as of December 22, 1997, among Affiliated Managers Group, Inc., a Delaware corporation (the "BORROWER"), the several banks and other financial institutions from time to time parties to this Agreement (the "LENDERS"), NationsBank, N.A., a national banking association, as documentation agent (in such capacity, the "DOCUMENTATION AGENT") and The Chase Manhattan Bank, a New York banking corporation, as administrative agent for the Lenders hereunder (in such capacity, the "ADMINISTRATIVE AGENT").

W I T N E S S E T H :

WHEREAS, the Borrower has acquired, and intends to acquire, directly or indirectly, majority and other equity interests, each an "ACQUISITION") in investment management companies, each as hereinafter further defined, a "MANAGEMENT COMPANY"), and such Management Companies intend to acquire, directly or indirectly, majority and other equity interests (each also an "Acquisition") in other investment management companies (each also a "MANAGEMENT COMPANY"); and

WHEREAS, the Borrower currently has loans outstanding under the existing $300,000,000 Credit Agreement, dated as of September 30, 1997 among the Borrower, the several lenders parties thereto and The Chase Manhattan Bank, as administrative agent (the "EXISTING FACILITY"); and

WHEREAS, the Borrower has requested loans of up to $285,000,000 (with such increases as may be permitted hereunder) on a revolving basis to refinance the Existing Facility, to finance Acquisitions, to pay the related fees and expenses of the Acquisitions, to finance certain additional costs related to the Acquisitions and to finance the working capital and business requirements of the Borrower and its Subsidiaries; and

WHEREAS, the Lenders are willing to make Loans to the Borrower, subject to the terms and conditions set forth in this Agreement;

NOW, THEREFORE, the parties hereto hereby agree as follows:

SECTION 1. DEFINITIONS

1.1 DEFINED TERMS. As used in this Agreement, the following terms shall have the following meanings:

"ABR": for any day, a rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Base CD Rate in effect on such day plus 1% and (c) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. For purposes hereof: "PRIME RATE" shall mean the rate of interest per annum publicly announced from time to time by the Administrative Agent as its prime rate in effect at its principal office in New York City (the Prime Rate not being intended to be the lowest rate of interest charged by The Chase Manhattan Bank in connection with extensions of credit to debtors); "BASE CD RATE" shall mean the sum of (a) the product of (i) the Three-Month Secondary CD Rate and (ii) a fraction, the numerator of which is one and the denominator of which is one minus the C/D Reserve Percentage and (b) the C/D

Assessment Rate; "THREE-MONTH SECONDARY CD RATE" shall mean, for any day, the secondary market rate for three-month certificates of deposit reported as being in effect on such day (or, if such day shall not be a Business Day, the next preceding Business Day) by the Board of Governors of the Federal Reserve System (the "BOARD") through the public information telephone line of the Federal Reserve Bank of New York (which rate will, under the current practices of the Board, be published in Federal Reserve Statistical Release H.15(519) during the week following such day), or, if such rate shall not be so reported on such day or such next preceding Business Day, the average of the secondary market quotations for three-month certificates of deposit of major money center banks in New York City received at approximately 10:00 A.M., New York City time, on such day (or, if such day shall not be a Business Day, on the next preceding Business Day) by the Administrative Agent from three New York City negotiable certificate of deposit dealers of recognized standing selected by it; and "FEDERAL FUNDS EFFECTIVE RATE" shall mean, for any day, the weighted average of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for the day of such transactions received by the Administrative Agent from three federal funds brokers of recognized standing selected by it. Any change in the ABR due to a change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate shall be effective as of the opening of business on the effective day of such change in the Prime Rate, the Three-Month Secondary CD Rate or the Federal Funds Effective Rate, respectively.

"ABR LOANS": Loans the rate of interest applicable to which is based upon the ABR.

"ACQUISITION": as defined in the recitals hereto.

"ADJUSTED EBITDA": as at the end of any fiscal quarter of the Borrower, the average of the Consolidated EBITDA of the Borrower and its Subsidiaries (a) for such fiscal quarter (on an annualized (I.E., times four) and consolidated basis) and (b) for the preceding four fiscal quarters, in each case after giving effect on a PRO FORMA basis to Acquisitions completed during such fiscal period.

"ADJUSTMENT DATE": each date that is the second Business Day following receipt by the Administrative Agent of the financial statements required to be delivered pursuant to subsection 6.1.

"ADMINISTRATIVE AGENT": The Chase Manhattan Bank, together with its affiliates, as the administrative agent for the Lenders under this Agreement and the other Loan Documents.

"AFFILIATE": as to any Person, any other Person (other than a Subsidiary or a Management Company) which, directly or indirectly, is in control of, is controlled by, or is under common control with, such Person. For purposes of this definition, "control" of a Person means the power, directly or indirectly, either to (a) vote 10% or more of the securities having ordinary voting power for the election of directors of such Person or (b) direct or cause the direction of the management and policies of such Person, whether by contract or otherwise.

"AGREEMENT": this Credit Agreement, as amended, supplemented or otherwise modified from time to time.

"APPLICABLE MARGIN": with respect to Eurodollar Loans and ABR Loans, the rate per annum, as adjusted on each Adjustment Date, set forth under the headings "Applicable Margin for Eurodollar Loans" and "Applicable Margin for ABR Loans," respectively, on ANNEX I hereto which corresponds to the ratio of Senior Indebtedness to Adjusted EBITDA of the Borrower, determined from the financial statements referred to in subsection 6.1 and with respect to fiscal quarters ended prior to the date hereof, the financial statements heretofore provided to the Administrative Agent; PROVIDED that in the event that the financial statements required to be delivered pursuant to subsection 6.1 are not delivered when due, then

(a) if such financial statements are delivered after the date required (without giving effect to any applicable cure period) and the Applicable Margin increases from that previously in effect as a result of the delivery of such financial statements, then the Applicable Margin during the period from the date upon which such financial statements were required to be delivered (without giving effect to any applicable cure period) until the date upon which they actually are delivered shall be, except as otherwise provided in clause (c) below, the Applicable Margin as so increased;

(b) if such financial statements are delivered after the date required and the Applicable Margin decreases from that previously in effect as a result of the delivery of such financial statements, then such decrease in the Applicable Margin shall not become applicable until the date upon which the financial statements actually are delivered; and

(c) if such financial statements are not delivered prior to the expiration of the applicable cure period, then, effective upon such expiration, for the period from the date upon which such financial statements were required to be delivered (after the expiration of the applicable cure period) until two Business Days following the date upon which they actually are delivered, the Applicable Margin shall be 2.25%, in the case of Eurodollar Loans, and 1.25%, in the case of ABR Loans (it being understood that the foregoing shall not limit the rights of the Administrative Agent and the Lenders set forth in Section 8).

"ASSET SALE": any sale, issuance, conveyance, transfer, lease or other disposition, including by way of merger, consolidation or sale and leaseback transaction (any of the foregoing, a "transfer"), directly or indirectly, in one or a series of related transactions, of (i) all or substantially all of the properties and assets (other than marketable securities, including "margin stock" within the meaning of Regulation U, liquid investments and other financial instruments) of the Borrower or its Subsidiaries, or (ii) any other properties or assets of the Borrower or any Subsidiary, other than in the ordinary course of business, to any Persons other than the Borrower or any of its Subsidiaries. For the purposes of this definition, the term "Asset Sale" shall not include (a) any transfer of properties and assets to the extent that the gross proceeds from the transfer thereof do not exceed (i) $2,000,000 in any transaction or series of related transactions, taken as a whole, or (ii) $10,000,000 (irrespective of the size of the individual transactions) in the aggregate for all such transactions or series of related transactions on or after the Closing Date, and (b) any transfer of the Capital Stock of any Management Company or any of the Subsidiaries of the Borrower to a partner, officer, director, shareholder or member (or any entity owned or controlled by such Person) of a Management Company which is a Subsidiary of the Borrower or in which the Borrower or a Subsidiary has an ownership interest (any such transfer described in this clause (b), a "SHAREHOLDER ASSET SALE"). In addition, with regard to a Subsidiary of the Borrower, the term "Asset Sale" shall include only that portion of the gross proceeds to such Subsidiary from the

transfer thereof representing the percentage of such proceeds equal to the percentage of the Borrower's ownership interest in such Subsidiary.

"ASSIGNEE": as defined in subsection 10.6(c).

"AVAILABLE COMMITMENT": as to any Lender at any time, an amount equal to the excess, if any, of (a) the amount of such Lender's Commitment over (b) the aggregate principal amount of all Loans made by such Lender then outstanding.

"BORROWER": as defined in the preamble hereto.

"BORROWING DATE": any Business Day specified in a notice pursuant to subsection 2.2 as a date on which the Borrower requests the Lenders to make Loans hereunder.

"BUSINESS DAY": a day other than a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

"CAPITAL STOCK": any and all shares, interests, participations or other equivalents (however designated) of capital stock of a corporation, any and all equivalent ownership interests in a Person (other than a corporation) and any and all warrants or options to purchase any of the foregoing.

"C/D ASSESSMENT RATE": for any day as applied to any ABR Loan based upon the Base CD Rate the annual assessment rate in effect on such day which is payable by a member of the Bank Insurance Fund maintained by the Federal Deposit Insurance Corporation (the "FDIC") classified as well-capitalized and within supervisory subgroup "B" (or a comparable successor assessment risk classification) within the meaning of 12 C.F.R. Section 327.4 (or any successor provision) to the FDIC (or any successor) for the FDIC's (or such successor's) insuring time deposits at offices of such institution in the United States.

"C/D RESERVE PERCENTAGE": for any day as applied to any ABR Loan based on the Base CD Rate, that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) (the "BOARD"), for determining the maximum reserve requirement for a Depositary Institution (as defined in Regulation D of the Board) in respect of new non-personal time deposits in Dollars having a maturity of 30 days or more.

"CHANGE OF CONTROL": a "Change of Control" shall be deemed to occur on any date on which any Person or "group" (within the meaning of Section 13(d) or 14(d) of the Securities Exchange Act of 1934, as amended) other than TA Associates, Inc. (and entities associated therewith) shall have acquired beneficial ownership of Capital Stock having 30% or more of the ordinary voting power in the election of directors of the Borrower.

"CHASE": The Chase Manhattan Bank, a New York banking corporation.

"CLOSING DATE": the date on which the conditions precedent set forth in subsection 5.1 shall be satisfied.

"CODE": the Internal Revenue Code of 1986, as amended from time to time.

"COLLATERAL": as defined in the Stock Pledge Agreement.

"COMMITMENT": as to any Lender, the obligation of such Lender to make Loans to the Borrower hereunder in an aggregate principal amount at any one time outstanding not to exceed the amount set forth opposite such Lender's name on Schedule I under the heading "Commitment", as such amount may be increased or reduced from time to time in accordance with the provisions of this Agreement.

"COMMITMENT FEE RATE": the rate per annum, as adjusted on each Adjustment Date, set forth under the heading "Commitment Fee Rate" on ANNEX I hereto which corresponds to the ratio of Senior Indebtedness to Adjusted EBITDA of the Borrower, determined from the financial statements referred to in subsection 6.1 and with respect to fiscal quarters ended prior to the date hereof, the financial statements heretofore provided to the Administrative Agent; PROVIDED that in the event that the financial statements required to be delivered pursuant to subsection 6.1 are not delivered when due, then

(a) if such financial statements are delivered after the date required (without giving effect to any applicable cure period) and the Commitment Fee Rate increases from that previously in effect as a result of the delivery of such financial statements, then the Commitment Fee Rate during the period from the date upon which such financial statements were required to be delivered (without giving effect to any applicable cure period) until the date upon which they actually are delivered shall be, except as otherwise provided in clause (c) below, the Commitment Fee Rate as so increased;

(b) if such financial statements are delivered after the date required and the Commitment Fee Rate decreases from that previously in effect as a result of the delivery of such financial statements, then such decrease in the Commitment Fee Rate shall not become applicable until the date upon which the financial statements actually are delivered; and

(c) if such financial statements are not delivered prior to the expiration of the applicable cure period, then, effective upon such expiration, for the period from the date upon which such financial statements were required to be delivered (after the expiration of the applicable cure period) until two Business Days following the date upon which they actually are delivered, the Commitment Fee Rate shall be 0.50% (it being understood that the foregoing shall not limit the rights of the Administrative Agent and the Lenders set forth in Section 8).

"COMMITMENT PERCENTAGE": as to any Lender at any time, the percentage which such Lender's Commitment then constitutes of the aggregate Commitments (or, at any time after the Commitments shall have expired or terminated, the percentage which the aggregate principal amount of such Lender's Loans then outstanding constitutes of the aggregate principal amount of the Loans then outstanding).

"COMMITMENT PERIOD": the period from and including the date hereof to but not including the Termination Date or such earlier date on which the Commitments shall terminate as provided herein.

"COMMONLY CONTROLLED ENTITY": an entity, whether or not incorporated, which is under common control with the Borrower within the meaning of Section 4001 of ERISA or is part of a group which includes the Borrower and which is treated as a single employer under Section 414 of the Code.

"CONSOLIDATED EBITDA": for any period the consolidated EBITDA of the Borrower and its Subsidiaries for such period, in each case after giving effect on a PRO FORMA basis to Acquisitions completed during such fiscal period.

"CONSOLIDATED INTEREST EXPENSE": for any period, the amount of interest expense, both expensed and capitalized, of the Borrower and, to the extent payable out of Free Cash Flow (and not Operating Cash Flow) under the relevant Revenue Sharing Agreement, its Subsidiaries on a consolidated basis, net of the portion thereof attributable to minority interests, for such period, as determined in accordance with GAAP.

"CONSOLIDATED NET INCOME" (or "CONSOLIDATED NET LOSS"): for any period, consolidated net income (or loss) by the Borrower and its Subsidiaries for such fiscal period, determined in accordance with GAAP.

"CONSOLIDATED NET WORTH": as at any date, all amounts included under shareholders' equity on a consolidated balance sheet of the Borrower and its Subsidiaries as at such date, as determined on a consolidated basis in accordance with GAAP and any Subordinated Indebtedness; PROVIDED that such Subordinated Indebtedness shall have no scheduled payments of interest prior to December 22, 2002 (other than payments of interest which may, at the option of the Borrower, be made by increasing the principal and other than payments of interest with respect to the Subordinated Contingent Payment Notes in accordance with the terms thereof).

"CONTRACTUAL OBLIGATION": as to any Person, any provision of any security issued by such Person or of any agreement, instrument or other undertaking to which such Person is a party or by which it or any of its property is bound.

"DEFAULT": any of the events specified in Section 8, whether or not any requirement for the giving of notice, the lapse of time, or both, has been satisfied.

"DOLLARS" and "$": dollars in lawful currency of the United States of America.

"EBITDA": for any Person for any period, the sum (without duplication) of the amount for such Person for such period of (a) its net income before taxes, (b) its interest expense (including capitalized interest expense), (c) its depreciation expense, (d) its amortization expense and (e) its Non-Cash Based Compensation Costs, in each case as determined in accordance with GAAP.

"ERISA": the Employee Retirement Income Security Act of 1974, as amended from time to time.

"EUROCURRENCY RESERVE REQUIREMENTS": for any day as applied to a Eurodollar Loan, the aggregate (without duplication) of the rates (expressed as a decimal fraction) of reserve requirements in effect on such day (including, without limitation, basic, supplemental, marginal and emergency reserves under any regulations of the Board of Governors of the Federal Reserve System or other Governmental Authority having jurisdiction with respect thereto) dealing with reserve requirements prescribed for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of such Board) maintained by a member bank of such System.

"EURODOLLAR BASE RATE": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, the rate per annum equal to the rate offered by Chase for Dollar deposits at or

about 10:00 A.M., New York City time, two Business Days prior to the beginning of such Interest Period in the interbank eurodollar market where the eurodollar and foreign currency and exchange operations in respect of its Eurodollar Loans are then being conducted for delivery on the first day of such Interest Period for the number of days comprised therein and in an amount comparable to the amount of its Eurodollar Loan to be outstanding during such Interest Period.

"EURODOLLAR LOANS": Loans the rate of interest applicable to which is based upon the Eurodollar Rate.

"EURODOLLAR RATE": with respect to each day during each Interest Period pertaining to a Eurodollar Loan, a rate per annum determined for such day in accordance with the following formula (rounded upward to the nearest 1/100th of 1%):

$$\frac{\text{Eurodollar Base Rate}}{1.00 - \text{Eurocurrency Reserve Requirements}}$$

"EVENT OF DEFAULT": any of the events specified in Section 8; PROVIDED that any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

"EXISTING AGREEMENT": the $300,000,000 Credit Agreement, dated as of September 30, 1997, among the Borrower, the several lenders parties thereto and The Chase Manhattan Bank, as administrative agent.

"FINANCING LEASE": any lease of property, real or personal, the obligations of the lessee in respect of which are required in accordance with GAAP to be capitalized on a balance sheet of the lessee.

"FREE CASH FLOW": as defined in the relevant Revenue Sharing Agreement.

"FUNDS": the collective reference to all Investment Companies and other investment accounts or funds (in whatever form and whether personal or corporate) for which the Borrower or any of its Subsidiaries or Management Companies provides advisory, management or administrative services.

"GAAP": generally accepted accounting principles in the United States of America in effect from time to time.

"GOVERNMENTAL AUTHORITY": any nation or government, any state or other political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"GUARANTEE OBLIGATION": as to any Person (the "GUARANTEEING PERSON"), any obligation of (a) the guaranteeing person or (b) another Person (including, without limitation, any bank under any letter of credit) to induce the creation of which the guaranteeing person has issued a reimbursement, counterindemnity or similar obligation, in either case guaranteeing or in effect guaranteeing any Indebtedness, leases, dividends or other obligations (the "PRIMARY OBLIGATIONS") of any other third Person (the "PRIMARY OBLIGOR") in any manner, whether directly or indirectly, including, without limitation, any obligation of the guaranteeing person, whether or not

contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (1) for the purchase or payment of any such primary obligation or (2) to maintain working capital or equity capital of the primary obligor or otherwise to maintain the net worth or solvency of the primary obligor, (iii) to purchase property, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the owner of any such primary obligation against loss in respect thereof; PROVIDED, HOWEVER that the term Guarantee Obligation shall not include endorsements of instruments for deposit or collection in the ordinary course of business. The amount of any Guarantee Obligation of any guaranteeing person shall be deemed to be the lower of (a) an amount equal to the stated or determinable amount of the primary obligation in respect of which such Guarantee Obligation is made and (b) the maximum amount for which such guaranteeing person may be liable pursuant to the terms of the instrument embodying such Guarantee Obligation, unless such primary obligation and the maximum amount for which such guaranteeing person may be liable are not stated or determinable, in which case the amount of such Guarantee Obligation shall be such guaranteeing person's maximum reasonably anticipated liability in respect thereof as determined by the Borrower in good faith.

"INDEBTEDNESS": of any Person at any date and without duplication, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (b) any other indebtedness of such Person which is evidenced by a note, bond, debenture or similar instrument, (c) all obligations of such Person under Financing Leases, (d) all obligations of such Person in respect of acceptances issued or created for the account of such Person, (e) all obligations of such Person under noncompetition agreements reflected as liabilities on a balance sheet of such Person in accordance with GAAP, (f) all liabilities secured by any Lien on any property owned by such Person even though such Person has not assumed or otherwise become liable for the payment thereof and (g) all net obligations of such Person under interest rate, commodity, foreign currency and financial markets swaps, options, futures and other hedging obligations (valued, at such date, in accordance with the Borrower's customary practices, as approved by its independent certified public accountants). For purposes of the foregoing definition, with regard to a Subsidiary of the Borrower, the term "Indebtedness" shall include only that portion of its Indebtedness representing the percentage of its Indebtedness equal to the percentage of the Borrower's ownership interest in such Subsidiary.

"INSOLVENCY": with respect to any Multiemployer Plan, the condition that such Plan is insolvent within the meaning of Section 4245 of ERISA.

"INSOLVENT": pertaining to a condition of Insolvency.

"INTEREST PAYMENT DATE": (a) as to any ABR Loan, the last day of each March, June, September and December to occur while such Loan is outstanding, (b) as to any Eurodollar Loan having an Interest Period of three months or less, the last day of such Interest Period and (c) as to any Eurodollar Loan having an Interest Period longer than three months, each day which is three months or a whole multiple thereof, after the first day of such Interest Period and the last day of such Interest Period.

"INTEREST PERIOD": with respect to any Eurodollar Loan:

(i) initially, the period commencing on the borrowing or conversion date, as the case may be, with respect to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower in its notice of borrowing or notice of conversion, as the case may be, given with respect thereto; and

(ii) thereafter, each period commencing on the last day of the next preceding Interest Period applicable to such Eurodollar Loan and ending one, two, three or six months thereafter, as selected by the Borrower by irrevocable notice to the Administrative Agent not less than three Business Days prior to the last day of the then current Interest Period with respect thereto;

PROVIDED that the foregoing provisions relating to Interest Periods are subject to the following:

(1) if any Interest Period pertaining to a Eurodollar Loan would otherwise end on a day that is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless the result of such extension would be to carry such Interest Period into another calendar month in which event such Interest Period shall end on the immediately preceding Business Day;

(2) no Interest Period that would otherwise extend beyond the Termination Date shall be selected by the Borrower; and

(3) any Interest Period pertaining to a Eurodollar Loan that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of a calendar month.

"INVESTMENT ADVISERS ACT": the Investment Advisers Act of 1940, and the rules and regulations promulgated thereunder, as such may be amended from time to time.

"INVESTMENT COMPANY": an "investment company" as such term is defined in the Investment Company Act.

"INVESTMENT COMPANY ACT": the Investment Company Act of 1940, and the rules and regulations promulgated thereunder, as such may be amended from time to time.

"LENDERS": as defined in the preamble hereto.

"LIEN": any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any Financing Lease having substantially the same economic effect as any of the foregoing).

"LLC PLEDGE AGREEMENT": the Limited Liability Pledge Agreement to be executed and delivered by the Borrower, substantially in the form of Exhibit B-3, as the same may be amended, supplemented or otherwise modified from time to time (including as supplemented by the execution

and delivery of any Pledge Agreement Supplement in the form of Annex I to said Exhibit B-3 (a "PLEDGE AGREEMENT SUPPLEMENT")).

"LOAN DOCUMENTS": this Agreement, any Notes, and the Pledge Agreements.

"LOANS": as defined in subsection 2.1(a).

"MANAGEMENT COMPANY": any Subsidiary or other Person engaged, directly or indirectly, primarily in the business of providing investment advisory, management, distribution or administrative services to Funds (or investment accounts or funds which will be included as Funds after the Borrower acquires an interest in such other Person) and in which the Borrower, directly or indirectly, has purchased or otherwise acquired, or has entered into an agreement to purchase or otherwise acquire, Capital Stock or other interests, entitling the Borrower, directly or indirectly, to a share of the revenues, earnings or value thereof.

"MATERIAL ADVERSE EFFECT": a material adverse effect on (a) the business, operations, property or condition (financial or otherwise) of the Borrower and its Subsidiaries taken as a whole, (b) the ability of the Borrower to perform its obligations under the Loan Documents or (c) the validity or enforceability of this or any of the other Loan Documents or the rights or remedies of the Administrative Agent or the Lenders hereunder or thereunder.

"MULTIEMPLOYER PLAN": a Plan which is a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"NET PROCEEDS": with respect to any Asset Sale or Shareholder Asset Sale the net amount equal to the aggregate amount received in cash (including any cash received by way of deferred payment pursuant to a note receivable, other non-cash consideration or otherwise, but only as and when such cash is so received) in connection with such Asset Sale or Shareholder Asset Sale MINUS the sum of (a) the reasonable fees, commissions and other out-of-pocket expenses incurred by the Borrower or any of its Subsidiaries, as applicable, in connection with such Asset Sale or Shareholder Asset Sale (other than amounts payable to Affiliates of the Person making such disposition) and (b) federal, state and local taxes incurred in connection with such Asset Sale or Shareholder Asset Sale, whether or not payable at such time. For purposes of the foregoing definition, with regard to a Subsidiary of the Borrower, the term "Net Proceeds" shall include only that portion of its Net Proceeds representing the percentage of its Net Proceeds equal to the percentage of the Borrower's ownership interest in such Subsidiary (or, if less in the case of any Asset Sale by a Subsidiary, the portion to which the Borrower is entitled under any relevant Revenue Sharing Agreement or other operating agreement with or with respect to such Subsidiary).

"NON-CASH BASED COMPENSATION COSTS": for any period, the amount of non-cash expense or costs computed under APB No. 25 and related interpretations or FAS 123 and related interpretations, which relate to the issuance of interests in any Subsidiary or Management Company.

"NON-EXCLUDED TAXES": as defined in subsection 3.11.

"NOTE": as defined in subsection 2.6(e).

"OPERATING CASH FLOW": as defined in the relevant Revenue Sharing Agreement.

"PARTICIPANT": as defined in subsection 10.6(b).

"PARTNERSHIP PLEDGE AGREEMENT": the Partnership Pledge Agreement to be executed and delivered by the Borrower, substantially in the form of Exhibit B-2, as the same may be amended, supplemented or otherwise modified from time to time (including as supplemented by the execution and delivery of any Pledge Agreement Supplement in the form of Annex I to said Exhibit B-2 (a "PLEDGE AGREEMENT SUPPLEMENT")).

"PBGC": the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA.

"PERSON": an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture, Governmental Authority or other entity of whatever nature.

"PLAN": at a particular time, any employee benefit plan which is covered by ERISA and in respect of which the Parent or a Commonly Controlled Entity is (or, if such plan were terminated at such time, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"PLEDGE AGREEMENTS": the collective reference to the Partnership Pledge Agreement, the LLC Pledge Agreement, the Stock Pledge Agreement and the Subsidiary Pledge Agreement.

"PLEDGED COLLATERAL": as defined in the Pledge Agreements other than the Stock Pledge Agreement.

"PRO FORMA BALANCE SHEET": as defined in subsection 5.1(o).

"REGISTER": as defined in subsection 10.6(d).

"REGULATION U": Regulation U of the Board of Governors of the Federal Reserve System as in effect from time to time.

"REORGANIZATION": with respect to any Multiemployer Plan, the condition that such plan is in reorganization within the meaning of Section 4241 of ERISA.

"REPORTABLE EVENT": any of the events set forth in Section 4043(b) of ERISA, other than those events as to which the thirty day notice period is waived under subsections .13, .14, .16, .18, .19 or .20 of PBGC Reg. Section 2615.

"REQUIRED LENDERS": at any time, Lenders the Commitment Percentages of which aggregate at least 51%.

"REQUIREMENT OF LAW": as to any Person, any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"RESPONSIBLE OFFICER": the chief executive officer, the president and the executive vice president of the Borrower or, with respect to financial matters, the senior financial officer of the Borrower.

"REVENUE SHARING AGREEMENT": each agreement entered into by the Borrower or a Subsidiary with a Management Company pursuant to which a specified percentage of the adjusted gross revenues of the partnership or limited liability company or other similar entity organized under such agreement or the Person to which such agreement relates is deemed "Free Cash Flow" to be distributed among partners, shareholders or members of such Management Company, PRO RATA, in accordance with such partners', shareholders' or members' ownership percentages, or any similar other agreement providing for the distribution of income, revenues or assets of a Management Company.

"SECURITIES ACTS": The Securities Act of 1933 and the Securities Exchange Act of 1934, and the rules and regulations promulgated thereunder, in each case as such may be amended from time to time.

"SENIOR INDEBTEDNESS": at any time, Total Indebtedness minus Subordinated Indebtedness.

"SINGLE EMPLOYER PLAN": any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan.

"STOCK PLEDGE AGREEMENT": the Stock Pledge Agreement to be executed and delivered by the Borrower, substantially in the form of Exhibit B-1, as the same may be amended, supplemented or otherwise modified from time to time (including as supplemented by the execution and delivery of any Pledge Agreement Supplement in the form of Annex I to said Exhibit B-1 (a "PLEDGE AGREEMENT SUPPLEMENT")).

"SUBORDINATED CONTINGENT PAYMENT NOTES": the collective reference to (i) the Subordinated Contingent Payment Notes issued by the Borrower pursuant to the Partnership Interest Purchase Agreement dated March 8, 1995 among the Borrower, Systematic Financial Management, Inc., Cash Flow Investors, Inc., Systematic Financial Management, L.P. and certain stockholders of Systematic Financial Management, Inc., (ii) the Subordinated Deferred Payment Note issued by the Borrower on November 9, 1995 pursuant to the Partnership Interest Purchase Agreement dated August 11,1995 among the Borrower, Renaissance Investment Management, Inc., Descartes, Inc., Renaissance Investment Management, the stockholders of Renaissance Investment Management and certain stockholders of Descartes, Inc., (iii) the Subordinated Contingent Payment Notes issued by the Borrower pursuant to the Stock Purchase and Contribution Agreement, dated October 11, 1996, among the Borrower, The Burridge Group Inc. and the stockholders of The Burridge Group Inc. and (iv) the Subordinated Contingent Payment Notes issued by the Borrower pursuant to the Limited Liability Company Interest Purchase Agreement, dated March 5, 1997, among the Borrower, Gofen and Glossberg, Inc., Gofen and Glossberg, L.L.C. and the stockholders of Gofen and Glossberg, Inc.

"SUBORDINATED INDEBTEDNESS": (a) the Indebtedness of the Borrower under the Subordinated Contingent Payment Notes and (b) any other unsecured Indebtedness of the Borrower (i) for which the Borrower is directly or primarily liable and in respect of which none of the Subsidiaries of the Borrower is contingently or otherwise obligated, (ii) the payment of the principal of and interest on which and other obligations of the Borrower in respect of which are subordinated to the prior payment in full of the principal of and interest (including post-petition interest whether or not

allowed as a claim in any proceeding) on the Loans and all other obligations and liabilities of the Borrower to the Administrative Agent and the Lenders hereunder, and (iii) which are generally consistent with terms and conditions set forth in Exhibit G hereof (with any variations to such terms and conditions being subject to approval by the Administrative Agent) or otherwise satisfactory in form and substance to the Required Lenders.

"SUBSIDIARY": as to any Person, a corporation, partnership, limited liability company or other entity of which Capital Stock having ordinary voting power (other than Capital Stock having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such corporation, partnership, limited liability company or other entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

"SUBSIDIARY PLEDGE AGREEMENT": the Subsidiary Pledge Agreement to be executed and delivered by each wholly owned Subsidiary of the Borrower, substantially in the form of Exhibit B-4, as the same may be amended, supplemented or otherwise modified from time to time (including as supplemented by the execution and delivery of any Pledge Agreement Supplement in the form of Annex I to said Exhibit B-4 (a "PLEDGE AGREEMENT SUPPLEMENT").

"TERMINATION DATE": the date which is five years after the Closing Date or such earlier date when the Commitments hereunder are terminated.

"TOTAL INDEBTEDNESS": at any time, the aggregate principal amount (including capitalized interest) of all Indebtedness of the Borrower and its Subsidiaries (including without limitation, pursuant to the Loans, purchase money obligations and amounts payable under noncompetition agreements) reflected as liabilities on the consolidated balance sheet of the Borrower and its Subsidiaries.

"TRANCHE": the collective reference to Eurodollar Loans having Interest Periods that began or will begin on the same date and end on the same later date (whether or not such Loans shall originally have been made on the same day).

"TRANSFEREE": as defined in subsection 10.6(f).

"TYPE": as to any Loan, its nature as an ABR Loan or a Eurodollar Loan.

1.2 OTHER DEFINITIONAL PROVISIONS. (a) Unless otherwise specified therein, all terms defined in this Agreement shall have the defined meanings when used in any Notes or any certificate or other document made or delivered pursuant hereto.

(b) As used herein and in any Notes, and any certificate or other document made or delivered pursuant hereto, accounting terms relating to the Borrower and its Subsidiaries not defined in subsection 1.1 and accounting terms partly defined in subsection 1.1, to the extent not defined, shall have the respective meanings given to them under GAAP.

(c) The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement, and Section, subsection, Schedule and Exhibit references are to this Agreement unless otherwise specified.

(d) The meanings given to terms defined herein shall be equally applicable to both the singular and plural forms of such terms.

SECTION 2. AMOUNT AND TERMS OF REVOLVING CREDIT COMMITMENTS

2.1 REVOLVING CREDIT COMMITMENTS. (a) Subject to the terms and conditions hereof, each Lender severally agrees to make revolving credit loans ("LOANS") (PROVIDED, that any repricing or conversion of an outstanding Loan shall not be considered a making of a Loan), to the Borrower from time to time during the Commitment Period in an aggregate principal amount at any one time outstanding not to exceed the amount of such Lender's Commitment. During the Commitment Period the Borrower may use the Commitments by borrowing, prepaying the Loans in whole or in part, and reborrowing, all in accordance with the terms and conditions hereof.

(b) The Loans may from time to time be (i) Eurodollar Loans, (ii) ABR Loans or (iii) a combination thereof, as determined by the Borrower and notified to the Administrative Agent in accordance with subsections 2.2 and 3.3; PROVIDED that no Loan shall be made as a Eurodollar Loan after the day that is one month prior to the Termination Date.

2.2 PROCEDURE FOR BORROWING. The Borrower may borrow under the Commitments during the Commitment Period on any Business Day; PROVIDED that the Borrower shall give the Administrative Agent irrevocable notice (which notice must be received by the Administrative Agent prior to 10:00 A.M., New York City time, (a) three Business Days prior to the requested Borrowing Date, if all or any part of the requested Loans are to be initially Eurodollar Loans or (b) one Business Day prior to the requested Borrowing Date, if all of the requested Loans are to be initially ABR Loans), specifying (i) the amount to be borrowed, (ii) the requested Borrowing Date, (iii) whether the borrowing is to be of Eurodollar Loans, ABR Loans or a combination thereof and (iv) if the borrowing is to be entirely or partly of Eurodollar Loans, the respective amounts of each such Type of Loan and the respective lengths of the initial Interest Periods for such Eurodollar Loans. Each borrowing under the Commitments shall be in an amount equal to $1,000,000 or a whole multiple of $100,000 in excess thereof. Upon receipt of any such notice from the Borrower, the Administrative Agent shall promptly notify each Lender thereof. Each Lender will make the amount of its pro rata share of each borrowing available to the Administrative Agent for the account of the Borrower at the office of the Administrative Agent specified in subsection 10.2 prior to 12:00 Noon, New York City time, on the Borrowing Date requested by the Borrower in funds immediately available to the Administrative Agent. Such borrowing will then be made available to the Borrower by the Administrative Agent crediting the account of the Borrower on the books of such office with the aggregate of the amounts made available to the Administrative Agent by the Lenders and in like funds as received by the Administrative Agent. The failure of any Lender to make the Loan to be made by it as part of any borrowing shall not relieve any other Lender of its obligation to make available its share of such borrowing.

2.3 INCREASE OF COMMITMENTS. (a) The Borrower shall have the right, not less than 90 days prior to the Termination Date, to request in writing, from time to time (but not more than five times), that the aggregate amount of the Commitments then in effect be increased effective upon a specific date (the

"INCREASE EFFECTIVE DATE") set forth in such request (the "INCREASE REQUEST"); PROVIDED that no such increase shall be permitted if, after giving effect thereto the total aggregate Commitments would exceed $400,000,000. Any such increase shall be in an incremental aggregate amount of not less than, in the case of the first such increase, $15,000,000 and in the case of any subsequent increase not less than the lesser of (i) $25,000,000 or (ii) $400,000,000 minus the amount of the total aggregate Commitments then in effect (the "REQUESTED AMOUNT") and shall increase permanently the amount of the total aggregate Commitments then in effect.

(b) If on the date (the "INCREASE RESPONSE DATE") that is 30 days after the date of any Increase Request any Lenders or prospective Lenders elect in their sole discretion, to increase their Commitments (each an "INCREASING LENDER") by an aggregate amount equal to the Requested Amount, then, subject to the provisions of this subsection 2.3, on the Increase Effective Date therefor, which shall be five Business Days after the Increase Response Date, the Commitments of such Increasing Lenders, and correspondingly, the total aggregate Commitments, shall be increased accordingly. Notwithstanding any provision of this Agreement to the contrary, any notice by any Lender of its willingness to increase its Commitment shall be revocable by such Lender in its sole and absolute discretion at any time prior to the related Increase Effective Date.

(c) Each increase in the Commitment of an Increasing Lender shall be evidenced by a written instrument executed by such Increasing Lender, the Borrower and the Administrative Agent, and shall take effect on the related Increase Effective Date.

(d) Upon the request to the Administrative Agent by any Increasing Lender, the Borrower shall deliver to each such Increasing Lender, in exchange for the Note held by such Increasing Lender, a new Note, in the principal amount of such Increasing Lender's Commitment after giving effect to the adjustments made pursuant to this subsection 2.3.

(e) If any Lenders or prospective Lenders shall have elected to increase their Commitments as provided in this subsection 2.3, then as of the related Increase Effective Date (i) the Commitments of each Increasing Lender shall take effect and (ii) the Commitments of the Lenders which are not Increasing Lenders shall remain constant. In the event any Increasing Lender is not a Lender prior to the related Increase Effective Date, such Increasing Lender shall be subject to approval by the Borrower and the Administrative Agent (such approval not to be unreasonably withheld) and such Increasing Lender, the Borrower and the Administrative Agent shall execute and deliver a joinder agreement (a "JOINDER AGREEMENT") in form and substance reasonably satisfactory to the Administrative Agent pursuant to which such Increasing Lender shall become a party to this Agreement.

(f) From and after any Increase Effective Date, the Borrower and the Administrative Agent shall cooperate in making conversions of the Eurodollar Loans from one interest rate basis to another and in selecting Interest Periods to be applicable thereto in order, during a reasonable period following the Increase Effective Date, to make the Loans of each Lender ratable (based on their respective Commitment Percentages after giving effect to the increased Commitments hereunder) in the various Tranches.

2.4 COMMITMENT FEE. The Borrower agrees to pay to the Administrative Agent for the account of each Lender a commitment fee for the period from and including the first day of the Commitment Period to the Termination Date, computed at the Commitment Fee Rate on the average daily amount of the Available Commitment of such Lender during the period for which payment is made, payable quarterly in arrears on the last day of each March, June, September and December and on the Termination Date or such earlier date as the

Commitments shall terminate as provided herein, commencing on the first of such dates to occur after the date hereof.

2.5 TERMINATION OR REDUCTION OF COMMITMENTS. The Borrower shall have the right, upon not less than five Business Days' notice to the Administrative Agent, to terminate the Commitments or, from time to time, to reduce the amount of the Commitments. Any such reduction shall be in an amount equal to $5,000,000 or a whole multiple thereof and shall reduce permanently the Commitments then in effect.

2.6 REPAYMENT OF LOANS; EVIDENCE OF DEBT. (a) The Borrower hereby unconditionally promises to pay to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Loan of such Lender on the Termination Date (or such earlier date on which the Loans become due and payable pursuant to Section 8). The Borrower hereby further agrees to pay interest on the unpaid principal amount of the Loans from time to time outstanding from the date hereof until payment in full thereof at the rates per annum, and on the dates, set forth in subsection 3.5.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing indebtedness of the Borrower to such Lender resulting from each Loan of such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time under this Agreement.

(c) The Administrative Agent shall maintain the Register pursuant to subsection 10.6(d), and a subaccount therein for each Lender, in which shall be recorded (i) the amount of each Loan made hereunder, the Type thereof and each Interest Period applicable with respect to each Eurodollar Loan, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) both the amount of any sum received by the Administrative Agent hereunder from the Borrower and each Lender's share thereof.

(d) The entries made in the Register and the accounts of each Lender maintained pursuant to subsection 2.6(b) shall, to the extent permitted by applicable law, be PRIMA FACIE evidence of the existence and amounts of the obligations of the Borrower therein recorded; PROVIDED, HOWEVER that the failure of any Lender or the Administrative Agent to maintain the Register or any such account, or any error therein, shall not in any manner affect the obligation of the Borrower to repay (with applicable interest) the Loans made to such Borrower by such Lender in accordance with the terms of this Agreement.

(e) The Borrower agrees that, upon the request to the Administrative Agent by any Lender, the Borrower will execute and deliver to such Lender a promissory note of the Borrower evidencing the Loans of such Lender, substantially in the form of Exhibit A with appropriate insertions as to date and principal amount (a "NOTE").

SECTION 3. GENERAL PROVISIONS APPLICABLE TO THE LOANS

3.1 OPTIONAL PREPAYMENTS. The Borrower may at any time and from time to time prepay the Loans, in whole or in part, without premium or penalty, upon irrevocable notice to the Administrative Agent, at least four Business Days' prior to the date of prepayment if all or any part of the Loans to be prepaid are Eurodollar Loans, and at least one Business Day prior to the date of prepayment if all of the Loans to be prepaid are ABR Loans, specifying the date and amount of prepayment and whether the prepayment is of Eurodollar Loans, ABR Loans or a combination thereof, and, if of a combination thereof, the amount allocable

to each. Upon receipt of any such notice, the Administrative Agent shall promptly notify each Lender thereof. If any such notice is given, the amount specified in such notice shall be due and payable on the date specified therein, together with any amounts payable pursuant to subsection 3.12. Partial prepayments shall be in an aggregate principal amount of $1,000,000 or whole multiples of $100,000 in excess thereof.

3.2 MANDATORY PREPAYMENTS. (a) In the event that the Borrower or any of its Subsidiaries shall effect (i) an Asset Sale or (ii) a Shareholder Asset Sale if, after giving effect to such Shareholder Asset Sale, the Borrower does not continue to hold in excess of a 50% ownership interest in the relevant Subsidiary or Management Company, the Borrower shall promptly notify the Administrative Agent thereof and, unless 100% of the Lenders otherwise consent, as promptly as possible, but in no case later than five Business Days after receipt of the Net Proceeds of such Asset Sale or Shareholder Asset Sale, as the case may be, shall apply an amount equal to 100% of the Net Proceeds of such Asset Sale or Shareholder Asset Sale, as the case may be, to prepay outstanding Loans, together with accrued interest on the principal being prepaid to the date of prepayment and, in the case of Eurodollar Loans which are prepaid prior to the last day of the Interest Period therefor, the amounts required by subsection 3.12. The Borrower shall, to the extent reasonably practicable, give notice to the Administrative Agent of any prepayment required by this subsection 3.2 (which notice need not be given more than four Business Days prior to the date of prepayment).

(b) All prepayments of Loans pursuant to this subsection 3.2 shall be without premium or penalty, other than amounts required by subsection 3.12.

(c) The Borrower shall immediately prepay outstanding Loans, together with accrued and unpaid interest thereon to the date of prepayment and any amounts required by subsection 3.12, to the extent that the aggregate amount of outstanding Loans exceeds the aggregate Commitments of the Lenders then in effect.

(d) Prepayments of the Loans pursuant to subsection 3.2(a) shall be applied to the prepayment of the Loans without any accompanying reduction of the Commitments of the Lenders. Amounts to be applied pursuant to this subsection 3.2(d) to the prepayment of Loans shall be applied, as applicable, first to reduce outstanding Loans which are ABR Loans. Any amounts remaining after each such application shall be applied to prepay Loans which are Eurodollar Loans.

3.3 CONVERSION AND CONTINUATION OPTIONS. (a) The Borrower may elect from time to time to convert Eurodollar Loans to ABR Loans by giving the Administrative Agent at least two Business Days' prior irrevocable notice of such election; PROVIDED that any such conversion of Eurodollar Loans may only be made on the last day of an Interest Period with respect thereto. The Borrower may elect from time to time to convert ABR Loans to Eurodollar Loans by giving the Administrative Agent at least three Business Days' prior irrevocable notice of such election. Any such notice of conversion to Eurodollar Loans shall specify the length of the initial Interest Period or Interest Periods therefor. Upon receipt of any such notice the Administrative Agent shall promptly notify each affected Lender thereof. All or any part of outstanding Eurodollar Loans and ABR Loans may be converted as provided herein; PROVIDED that (i) no Loan may be converted into a Eurodollar Loan when any Event of Default has occurred and is continuing and the Administrative Agent has or the Required Lenders have determined that such a conversion is not appropriate and (ii) no Loan may be converted into a Eurodollar Loan after the date that is one month prior to the Termination Date.

(b) Any Eurodollar Loans may be continued as such upon the expiration of the then current Interest Period with respect thereto by the Borrower giving notice to the Administrative Agent, in

accordance with the applicable provisions of the term "Interest Period" set forth in subsection 1.1, of the length of the next Interest Period to be applicable to such Loans; PROVIDED that no Eurodollar Loan may be continued as such (i) when any Event of Default has occurred and is continuing and the Administrative Agent has or the Required Lenders have determined that such a continuation is not appropriate or (ii) after the date that is one month prior to the Termination Date and PROVIDED, FURTHER that if the Borrower shall fail to give such notice or if such continuation is not permitted such Eurodollar Loans shall be automatically converted to ABR Loans on the last day of such then expiring Interest Period.

3.4 MINIMUM AMOUNTS AND MAXIMUM NUMBER OF TRANCHES. All borrowings, conversions and continuations of Loans hereunder and all selections of Interest Periods hereunder shall be in such amounts and be made pursuant to such elections so that, after giving effect thereto, the aggregate principal amount of the Loans comprising each Eurodollar Tranche shall be equal to $5,000,000 or a whole multiple of $1,000,000 in excess thereof. In no event shall there be more than eight Eurodollar Tranches outstanding at any time.

3.5 INTEREST RATES AND PAYMENT DATES. (a) Each Eurodollar Loan shall bear interest for each day during each Interest Period with respect thereto at a rate per annum equal to the Eurodollar Rate determined for such day plus the Applicable Margin.

(b) Each ABR Loan shall bear interest at a rate per annum equal to the ABR plus the Applicable Margin.

(c) If all or a portion of (i) the principal amount of any Loan, (ii) any interest payable thereon or (iii) any commitment fee or other amount payable hereunder shall not be paid when due (whether at the stated maturity, by acceleration or otherwise), such overdue amount shall bear interest at a rate per annum which is (x) in the case of overdue principal, the rate that would otherwise be applicable thereto pursuant to the foregoing provisions of this subsection plus 2% or (y) in the case of overdue interest, commitment fee or other amount, the rate described in paragraph (b) of this subsection plus 2%, in each case from the date of such non-payment until such amount is paid in full (as well after as before judgment).

(d) Interest shall be payable in arrears on each Interest Payment Date; PROVIDED that interest accruing pursuant to paragraph (c) of this subsection shall be payable from time to time on demand.

3.6 COMPUTATION OF INTEREST AND FEES. (a) Whenever it is calculated on the basis of the Prime Rate, interest shall be calculated on the basis of a 365- (or 366-, as the case may be) day year for the actual days elapsed; and, otherwise, interest as well as commitment fees shall be calculated on the basis of a 360-day year for the actual days elapsed. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of each determination of a Eurodollar Rate. Any change in the interest rate on a Loan resulting from a change in the ABR, the Eurocurrency Reserve Requirements, the C/D Assessment Rate or the C/D Reserve Percentage shall become effective as of the opening of business on the day on which such change becomes effective. The Administrative Agent shall as soon as practicable notify the Borrower and the Lenders of the effective date and the amount of each such change in interest rate.

(b) Each determination of an interest rate by the Administrative Agent pursuant to any provision of this Agreement shall be conclusive and binding on the Borrower and the Lenders in the absence of manifest error. The Administrative Agent shall, at the request of the Borrower, deliver to the Borrower a statement showing the quotations used by the Administrative Agent in determining any interest rate pursuant to subsection 3.5(a).

3.7 INABILITY TO DETERMINE INTEREST RATE. If prior to the first day of any Interest Period:

(a) the Administrative Agent shall have determined (which determination shall be conclusive and binding upon the Borrower) that, by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Eurodollar Rate for such Interest Period, or

(b) the Administrative Agent shall have received notice from Chase that the Eurodollar Rate determined or to be determined for such Interest Period will not adequately and fairly reflect the cost to the Lenders generally (as conclusively certified by Chase) of making or maintaining their affected Loans during such Interest Period,

the Administrative Agent shall give telecopy or telephonic notice thereof to the Borrower and the affected Lenders as soon as practicable thereafter. If such notice is given (x) any Eurodollar Loans requested to be made on the first day of such Interest Period shall be made as ABR Loans, (y) any ABR Loans that were to have been converted on the first day of such Interest Period to Eurodollar Loans shall be continued as ABR Loans and (z) any outstanding Eurodollar Loans shall be converted, on the first day of such Interest Period, to ABR Loans. Until such notice has been withdrawn by the Administrative Agent, no further Eurodollar Loans shall be made or continued as such, nor shall the Borrower have the right to convert Loans to Eurodollar Loans.

3.8 PRO RATA TREATMENT AND PAYMENTS. (a) Except as provided in subsection 2.3(f), each borrowing by the Borrower from the Lenders hereunder, each payment by the Borrower on account of any commitment fee hereunder and any reduction of the Commitments of the Lenders shall be made PRO RATA according to the respective Commitment Percentages of the Lenders. Each payment (including each prepayment) by the Borrower on account of principal of and interest on the Loans shall be made PRO RATA according to the respective outstanding principal amounts of the Loans then held by the Lenders. All payments (including prepayments) to be made by the Borrower hereunder, whether on account of principal, interest, fees or otherwise, shall be made without set off or counterclaim and shall be made prior to 12:00 Noon, New York City time, on the due date thereof to the Administrative Agent, for the account of the Lenders at the Administrative Agent's office specified in subsection 10.2, in Dollars and in immediately available funds. The Administrative Agent shall distribute such payments to the Lenders promptly upon receipt (and if such payment is received prior to 12:00 Noon, on the same day) in like funds as received. If any payment hereunder becomes due and payable on a day other than a Business Day, such payment shall be extended to the next succeeding Business Day, and, with respect to payments of principal, interest thereon shall be payable at the then applicable rate during such extension and such extension of time shall in such case be included in the computation of payment of interest or fees, as the case may be.

(b) Unless the Administrative Agent shall have been notified in writing by any Lender prior to a borrowing that such Lender will not make the amount that would constitute its portion of such borrowing available to the Administrative Agent, the Administrative Agent may assume that such Lender is making such amount available to the Administrative Agent, and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower a corresponding amount. If such amount is not made available to the Administrative Agent by the required time on the Borrowing Date therefor, such Lender shall pay to the Administrative Agent, on demand, such amount with interest thereon at a rate equal to the daily average Federal Funds Effective Rate for the period until such Lender makes such amount immediately available to the Administrative Agent. A certificate of the Administrative Agent submitted to any Lender with respect to any amounts owing under this subsection shall be conclusive in the absence of manifest error. If such Lender's portion of such borrowing is not made available to the Administrative Agent by such Lender within three

Business Days of such Borrowing Date, the Administrative Agent shall also be entitled to recover such amount with interest thereon at the rate per annum applicable to ABR Loans hereunder, on demand, from the Borrower.

(c) In the event that a Lender fails to make available after a period of three Business Days to the Administrative Agent its portion of a borrowing, the Borrower may, upon not less than five Business Days prior irrevocable written notice to the Administrative Agent, immediately terminate the Commitment of such Lender, and designate an acceptable replacement Lender (which may be one of the other Lenders) to purchase at par all of the Lender's interests in accordance with the provisions of subsection 10.6(c). Any Lender being so replaced by the Borrower agrees to transfer its interest in this Agreement and, if applicable, its Note, to the substitute Lender pursuant to subsection 10.6(c); PROVIDED that concurrently with such transfer, such Lender so substituted shall be paid all amounts owing to it hereunder and all costs reasonably determined by it to be attributable to such transfer. Notwithstanding the foregoing, the Lender being replaced shall not be deemed to be released from any of its rights or obligations under any Loan Document (including, without limitation, subsection 9.7) for actions taken or failed to be taken by it prior to the date of such substitution.

3.9 ILLEGALITY. Notwithstanding any other provision herein, if the adoption of or any change in any Requirement of Law or in the interpretation or application thereof shall make it unlawful for any Lender to make or maintain Eurodollar Loans as contemplated by this Agreement, (a) the commitment of such Lender hereunder to make Eurodollar Loans, continue Eurodollar Loans as such and convert ABR Loans to Eurodollar Loans shall forthwith be cancelled and (b) such Lender's Loans then outstanding as Eurodollar Loans, if any, shall be converted automatically to ABR Loans on the respective last days of the then current Interest Periods with respect to such Loans or within such earlier period as required by law. If any such conversion of a Eurodollar Loan occurs on a day which is not the last day of the then current Interest Period with respect thereto, the Borrower shall pay to such Lender such amounts, if any, as may be required pursuant to subsection 3.12.

3.10 REQUIREMENTS OF LAW. (a) If the adoption of or any change in any Requirement of Law or in the interpretation or application thereof or compliance by any Lender with any request or directive (whether or not having the force of law) from any central bank or other Governmental Authority made subsequent to the date hereof:

(i) shall subject any Lender to any tax of any kind whatsoever with respect to this Agreement, any Note or any Eurodollar Loan made by it, or change the basis of taxation of payments to such Lender in respect thereof (except for Non-Excluded Taxes covered by subsection 3.11 and changes in the rate of tax on the overall net income of such Lender);

(ii) shall impose, modify or hold applicable any reserve, special deposit, compulsory loan or similar requirement against assets held by, deposits or other liabilities in or for the account of, advances, loans or other extensions of credit by, or any other acquisition of funds by, any office of such Lender which is not otherwise included in the determination of the Eurodollar Rate hereunder; or

(iii) shall impose on such Lender any other condition;

and the result of any of the foregoing is to increase the cost to such Lender, by an amount which such Lender deems to be material, of making, converting into, continuing or maintaining Eurodollar Loans or to reduce any amount receivable hereunder in respect thereof, then, in any such case, the Borrower shall promptly pay

such Lender such additional amount or amounts as will compensate such Lender for such increased cost or reduced amount receivable.

(b) If any Lender shall have determined that the adoption of or any change in any Requirement of Law regarding capital adequacy or in the interpretation or application thereof or compliance by such Lender or any corporation controlling such Lender with any request or directive regarding capital adequacy (whether or not having the force of law) from any Governmental Authority made subsequent to the date hereof shall have the effect of reducing the rate of return on such Lender's or such corporation's capital as a consequence of its obligations hereunder to a level below that which such Lender or such corporation could have achieved but for such adoption, change or compliance (taking into consideration such Lender's or such corporation's policies with respect to capital adequacy) by an amount deemed by such Lender to be material, then from time to time, the Borrower shall promptly pay to such Lender such additional amount or amounts as will compensate such Lender for such reduction.

(c) If any Lender becomes entitled to claim any additional amounts pursuant to this subsection, it shall promptly notify the Borrower (with a copy to the Administrative Agent) of the event by reason of which it has become so entitled; PROVIDED that no additional amount shall be payable under this subsection 3.10 for a period longer than one year prior to such notice to the Borrower. A certificate as to any additional amounts payable pursuant to this subsection submitted by such Lender to the Borrower (with a copy to the Administrative Agent) shall be conclusive in the absence of manifest error. The agreements in this subsection shall survive for a period of one year after the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

3.11 TAXES. (a) All payments made by the Borrower under this Agreement and any Notes shall be made free and clear of, and without deduction or withholding for or on account of, any present or future income, stamp or other taxes, levies, imposts, duties, charges, fees, deductions or withholdings, now or hereafter imposed, levied, collected, withheld or assessed by any Governmental Authority, excluding net income taxes and franchise taxes (imposed in lieu of net income taxes) imposed on the Administrative Agent or any Lender as a result of a present or former connection between the Administrative Agent or such Lender and the jurisdiction of the Governmental Authority imposing such tax or any political subdivision or taxing authority thereof or therein (other than any such connection arising solely from the Administrative Agent or such Lender having executed, delivered or performed its obligations or received a payment under, or enforced, this Agreement or any Note). If any such non-excluded taxes, levies, imposts, duties, charges, fees deductions or withholdings ("NON-EXCLUDED TAXES") are required to be withheld from any amounts payable to the Administrative Agent or any Lender hereunder or under any Note, the amounts so payable to the Administrative Agent or such Lender shall be increased to the extent necessary to yield to the Administrative Agent or such Lender (after payment of all Non-Excluded Taxes) interest or any such other amounts payable hereunder at the rates or in the amounts specified in this Agreement; PROVIDED, HOWEVER that the Borrower shall not be required to increase any such amounts payable to any Lender that is not organized under the laws of the United States of America or a state thereof if such Lender fails to comply with the requirements of paragraph (b) of this subsection. Whenever any Non-Excluded Taxes are payable by the Borrower, as promptly as possible thereafter the Borrower shall send to the Administrative Agent for its own account or for the account of such Lender, as the case may be, a certified copy of an original official receipt received by the Borrower showing payment thereof. If the Borrower fails to pay any Non-Excluded Taxes when due to the appropriate taxing authority or fails to remit to the Administrative Agent the required receipts or other required documentary evidence, the Borrower shall indemnify the Administrative Agent and the Lenders for any incremental taxes, interest or penalties that may become payable by the Administrative Agent or any Lender as a result of any such failure. The agreements in this subsection shall

survive for a period of one year the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

(b) Each Lender that is not incorporated under the laws of the United States of America or a state thereof shall:

(i) deliver to the Borrower and the Administrative Agent (A) two duly completed copies of United States Internal Revenue Service Form 1001 or 4224, or successor applicable form, as the case may be, and (B) an Internal Revenue Service Form W-8 or W-9, or successor applicable form, as the case may be;

(ii) deliver to the Borrower and the Administrative Agent two further copies of any such form or certification on or before the date that any such form or certification expires or becomes obsolete and after the occurrence of any event requiring a change in the most recent form previously delivered by it to the Borrower; and

(iii) obtain such extensions of time for filing and complete such forms or certifications as may reasonably be requested by the Borrower or the Administrative Agent;

unless in any such case an event (including, without limitation, any change in treaty, law or regulation) has occurred prior to the date on which any such delivery would otherwise be required which renders all such forms inapplicable or which would prevent such Lender from duly completing and delivering any such form with respect to it and such Lender so advises the Borrower and the Administrative Agent. Such Lender shall certify (i) in the case of a Form 1001 or 4224, that it is entitled to receive payments under this Agreement without deduction or withholding of any United States federal income taxes and (ii) in the case of a Form W-8 or W-9, that it is entitled to an exemption from United States backup withholding tax. Each Person that shall become a Lender or a Participant pursuant to subsection 8.6 shall, upon the effectiveness of the related transfer, be required to provide all of the forms and statements required pursuant to this subsection; PROVIDED that in the case of a Participant such Participant shall furnish all such required forms and statements to the Lender from which the related participation shall have been purchased.

3.12 INDEMNITY. The Borrower agrees to indemnify each Lender and to hold each Lender harmless from any loss or expense which such Lender may sustain or incur as a consequence of (a) default by the Borrower in making a borrowing of, conversion into or continuation of Eurodollar Loans after the Borrower has given a notice requesting the same in accordance with the provisions of this Agreement, (b) default by the Borrower in making any prepayment after the Borrower has given a notice thereof in accordance with the provisions of this Agreement or (c) the making of a prepayment of Eurodollar Loans on a day which is not the last day of an Interest Period with respect thereto. Such indemnification may include an amount equal to the excess, if any, of (i) the amount of interest which would have accrued on the amount so prepaid, or not so borrowed, converted or continued, for the period from the date of such prepayment or of such failure to borrow, convert or continue to the last day of such Interest Period (or, in the case of a failure to borrow, convert or continue, the Interest Period that would have commenced on the date of such failure) in each case at the applicable rate of interest for such Loans provided for herein (excluding, however, the Applicable Margin included therein, if any) over (ii) the amount of interest (as reasonably determined by such Lender) which would have accrued to such Bank on such amount by placing such amount on deposit for a comparable period with leading banks in the interbank eurodollar market. This covenant shall survive the termination of this Agreement and the payment of the Loans and all other amounts payable hereunder.

3.13 CHANGE OF LENDING OFFICE. Each Lender agrees that if it makes any demand for payment under subsection 3.10 or 3.11(a), or if any adoption or change of the type described in subsection 3.9 shall occur with respect to it, it will use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions and so long as such efforts would not be unreasonably disadvantageous to it, as determined in its sole discretion) to designate a different lending office if the making of such a designation would reduce or obviate the need for the Borrower to make payments under subsection 3.10 or 3.11(a), or would eliminate or reduce the effect of any adoption or change described in subsection 3.9.

SECTION 4. REPRESENTATIONS AND WARRANTIES

To induce the Administrative Agent and the Lenders to enter into this Agreement and to make the Loans, the Borrower hereby represents and warrants to the Administrative Agent and each Lender that:

4.1 FINANCIAL CONDITION. The Borrower has heretofore furnished to each Lender copies of (i) the audited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at December 31, 1996 and the related audited consolidated statements of income and of cash flows for the fiscal year ended on such date, audited by Coopers & Lybrand L.L.P. and (ii) the unaudited consolidated balance sheet of the Borrower and its consolidated Subsidiaries as at September 30, 1997 and the related unaudited consolidated statements of income and of cash flows for the nine-month period ended on such date, certified by a Responsible Officer (the "FINANCIAL STATEMENTS"). The Financial Statements present fairly, in all material respects, the consolidated financial condition of the Borrower and its consolidated Subsidiaries as at December 31, 1996 and September 30, 1997 and present fairly, in all material respects, the consolidated results of their operations and their consolidated cash flows for the periods then ended (subject to normal year-end audit adjustments and the absence of footnote disclosure). The Financial Statements, including the related schedules and notes thereto, have been prepared in accordance with GAAP applied consistently throughout the period involved. Except as set forth on Schedule 4.1, neither the Borrower nor any of its consolidated Subsidiaries had, at December 31, 1996 or at the date hereof, any material Guarantee Obligation, material contingent liability or material liability for taxes, or any material long-term lease or unusual material forward or long-term commitment, including, without limitation, any interest rate or foreign currency swap or exchange transaction, which is not reflected in the foregoing statements or in the notes thereto. Except as set forth on Schedule 4.1, during the period from December 31, 1996 to and including the date hereof there has been no sale, transfer or other disposition by the Borrower or any of its consolidated Subsidiaries of any material part of its business or property and no purchase or other acquisition of any business or property (including any capital stock of any other Person) material in relation to the consolidated financial condition of the Borrower and its Subsidiaries as of December 31, 1996.

4.2 NO CHANGE. (a) From December 31, 1996 except as set forth in the Financial Statements or the Pro Forma Balance Sheet, there has been no development or event which has had or could have a Material Adverse Effect, and (b) except as set forth on Schedule 4.2, during the period from December 31, 1996 to and including the date hereof, no dividends or other distributions have been declared, paid or made upon the Capital Stock of the Borrower nor has any of the Capital Stock of the Borrower been redeemed, retired, purchased or otherwise acquired for value by the Borrower or any of its Subsidiaries.

4.3 CORPORATE EXISTENCE; COMPLIANCE WITH LAW. Each of the Borrower and its Subsidiaries (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) has the power and authority, and the legal right, to own and operate its property, to lease

the property it operates as lessee and to conduct the business in which it is currently engaged, (c) is duly qualified as a foreign corporation, partnership or limited liability company, as applicable, and in good standing under the laws of each jurisdiction where its ownership, lease or operation of property or the conduct of its business requires such qualification except where the failure to be so qualified or in good standing would not have a Material Adverse Effect and (d) is in compliance with its certificate of incorporation and by-laws or other similar organizational or governing documents and with all Requirements of Law, except to the extent that the failure to comply therewith could not, in the aggregate, have a Material Adverse Effect.

4.4 CORPORATE POWER; AUTHORIZATION; ENFORCEABLE OBLIGATIONS. The Borrower has the corporate power and authority, and the legal right, to make, deliver and perform the Loan Documents to which it is a party and to borrow hereunder and has taken all necessary corporate action to authorize the borrowings on the terms and conditions of this Agreement and any Notes and to authorize the execution, delivery and performance of the Loan Documents to which it is a party. No consent or authorization of, filing with, notice to or other act by or in respect of, any Governmental Authority or any other Person is required in connection with the borrowings hereunder or with the execution, delivery, performance, validity or enforceability of the Loan Documents to which the Borrower is a party; PROVIDED that the Administrative Agent's rights under the Pledge Agreements are subject to the terms and provisions thereof. This Agreement has been, and each other Loan Document to which it is a party will be, duly executed and delivered on behalf of the Borrower. This Agreement constitutes, and each other Loan Document to which it is a party when executed and delivered will constitute, a legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law).

4.5 NO LEGAL BAR. The execution, delivery and performance of the Loan Documents to which the Borrower is a party, the borrowings hereunder and the use of the proceeds thereof will not violate any certificate of incorporation and by-laws or other similar organizational or governing documents, Requirement of Law or Contractual Obligation of the Borrower or of any of its Subsidiaries, except for such violations which could not reasonably be expected to have a Material Adverse Effect, and will not result in, or require, the creation or imposition of any Lien on any of its or their respective properties or revenues pursuant to any such organizational or governing document, Requirement of Law or Contractual Obligation, except pursuant to this Agreement.

4.6 NO MATERIAL LITIGATION. No litigation, investigation or proceeding of or before any arbitrator or Governmental Authority is pending or, to the knowledge of the Borrower, threatened by or against the Borrower or any of its Subsidiaries or against any of its or their respective properties or revenues which in the Borrower's reasonable opinion could reasonably be expected to have a Material Adverse Effect.

4.7 NO DEFAULT. Neither the Borrower nor any of its Subsidiaries is in default under or with respect to any of its Contractual Obligations in any respect which could have a Material Adverse Effect. No Default or Event of Default has occurred and is continuing.

4.8 OWNERSHIP OF PROPERTY; LIENS. Each of the Borrower and its Subsidiaries has good record and marketable title in fee simple to, or a valid leasehold interest in, all its material real

property, and good title to, or a valid leasehold interest in, all its other material property, and none of such property is subject to any Lien except as permitted by subsection 7.3.

4.9 TAXES. Each of the Borrower and its Subsidiaries has filed or caused to be filed all material tax returns which, to the knowledge of the Borrower, are required to be filed or has timely filed a request for an extension of such filing and has paid all taxes shown to be due and payable on said returns or extension requests or on any assessments made against it or any of its property and except as set forth on Schedule 4.9, all other taxes, fees or other charges imposed on it or any of its property by any Governmental Authority (other than any the amount or validity of which are currently being contested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been provided on the books of the Borrower or its Subsidiaries, as the case may be and any which the failure to pay would not have a Material Adverse Effect); no tax Lien has been filed, and, to the knowledge of the Borrower, no material claim is being asserted, with respect to any such tax, fee or other charge.

4.10 FEDERAL REGULATIONS. (a) No part of the proceeds of any Loans will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation G or Regulation U of the Board of Governors of the Federal Reserve System as now and from time to time hereafter in effect. If requested by any Lender or the Administrative Agent, the Borrower will furnish to the Administrative Agent and each Lender a statement to the foregoing effect in conformity with the requirements of FR Form G-3 or FR Form U-1 referred to in said Regulation G or Regulation U, as the case may be.

(b) The Borrower is not subject to regulation under any Federal or State statute or regulation (other than Regulation X of the Board of Governors of the Federal Reserve System) which limits its ability to incur Indebtedness.

4.11 ERISA. No Reportable Event has occurred during the five-year period prior to the date on which this representation is made or deemed made with respect to any Plan, and each Plan has complied in all material respects with the applicable provisions of ERISA and the Code. The present value of all accrued benefits under each Single Employer Plan maintained by the Parent or any Commonly Controlled Entity (based on those assumptions used to fund the Plans) did not, as of the last annual valuation date prior to the date on which this representation is made or deemed made, exceed the value of the assets of such Plan allocable to such accrued benefits. There are no Multiemployer Plans. Neither the Parent nor any Commonly Controlled Entity has had a complete or partial withdrawal from any Multiemployer Plan.

4.12 INVESTMENT COMPANY ACT. (a) Neither the Borrower nor any of its Subsidiaries or other Management Companies is, or, after giving effect to any Acquisition, will be, an "investment company" within the meaning of the Investment Company Act.

(b) Each of the Subsidiaries of the Borrower and each of its other Management Companies is, to the extent required thereby, duly registered as an investment adviser under the Investment Advisers Act. On the date hereof, the Borrower is not an "investment adviser" within the meaning of the Investment Advisers Act. Each Fund which is sponsored by any Subsidiary or other Management Company and which is required to be registered as an "investment company" under the Investment Company Act is duly registered as such thereunder.

(c) The Borrower is not required to be duly registered as a broker-dealer under the Securities Acts (and each Subsidiary and other Management Company required to be so registered is so duly registered).

(d) Each of the Borrower and its Subsidiaries and other Management Companies is duly registered, licensed or qualified as an investment adviser or broker-dealer in each State of the United States where the conduct of its business requires such registration, licensing or qualification and is in compliance in all material respects with all Federal and State laws requiring such registration, licensing or qualification, except to the extent where the failure to be so registered, licensed or qualified or to be in such compliance will not have, in the case of Federal laws, or could not reasonably be expected to have, in the case of State laws, a Material Adverse Effect.

4.13 INVESTMENT ADVISORY AGREEMENTS. Each of the investment advisory agreements, distribution agreements and shareholder or other servicing contracts to which the Borrower or any of its Subsidiaries or other Management Companies is a party is a legal, valid and binding obligation of the parties thereto enforceable against such parties in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (whether enforcement is sought by proceedings in equity or at law) except for failures which individually and in the aggregate could not reasonably be expected to have a Material Adverse Effect; and neither the Borrower nor any of its Subsidiaries or other Management Companies is in breach or violation of or in default under any such agreement or contract in any material respect which could individually or in the aggregate reasonably be expected to have a Material Adverse Effect. The parties hereto understand that all customers have the right to terminate such investment advisory agreements at will.

4.14 SUBSIDIARIES AND OTHER OWNERSHIP INTERESTS. The Subsidiaries listed on Schedule 4.14 hereto constitute the only Subsidiaries of the Borrower as at the date hereof. The Borrower has as at the date hereof an equity or other ownership interest in Management Companies of the Borrower and each other Person listed on Schedule 4.14 and other than as set forth on such schedule, the Borrower has no such interest in any other Management Company or Person.

4.15 PURPOSE OF LOANS. (a) The proceeds of the Loans shall be used by the Borrower (i) to refinance loans outstanding under the Existing Agreement, (ii) for general corporate purposes, (iii) to make Acquisitions and (iv) to pay fees and expenses to be incurred in connection therewith and in connection with the execution and delivery of the Loan Documents.

4.16 ACCURACY AND COMPLETENESS OF INFORMATION. To the best of the Borrower's knowledge, the documents furnished and the statements made in writing to the Lenders by or on behalf of the Borrower in connection with the negotiation, preparation or execution of this Agreement or any of the other Loan Documents, taken as a whole, do not contain any untrue statement of fact material to the credit worthiness of the Borrower or omit to state any such material fact necessary in order to make the statements contained therein not misleading, in either case which has not been corrected, supplemented or remedied by subsequent documents furnished or statements made in writing to the Lenders prior to the date hereof.

SECTION 5. CONDITIONS PRECEDENT

5.1 CONDITIONS TO INITIAL LOANS. The agreement of each Lender to make the initial Loan requested to be made by it is subject to the satisfaction, immediately prior to or concurrently with the making of such Loan on the Closing Date, of the following conditions precedent:

(a) LOAN DOCUMENTS. The Administrative Agent shall have received (i) this Agreement, executed and delivered by a duly authorized officer of the Borrower, with a counterpart for each Lender, and (ii) the Pledge Agreements, each executed and delivered by a duly authorized officer of the parties thereto, with a counterpart or a conformed copy for each Lender.

(b) RELATED AGREEMENTS. The Administrative Agent shall have received, true and correct copies, of each of the existing Revenue Sharing Agreements and any purchase agreements executed in connection with an Acquisition or proposed Acquisition, and such other documents or instruments as may be reasonably requested by the Administrative Agent, (including, without limitation, a copy of any debt instrument, security agreement or other material contract to which the Borrower or one of its Subsidiaries may be a party).

(c) NOTES. The Administrative Agent shall have received, for the account of each Lender that has requested the same, a Note made by the Borrower conforming to the requirements of this Agreement, and executed by a duly authorized officer of the Borrower.

(d) BORROWING CERTIFICATE. The Administrative Agent shall have received, with a counterpart for each Lender, a certificate of the Borrower, dated the Closing Date, substantially in the form of Exhibit C, with appropriate insertions and attachments, satisfactory in form and substance to the Administrative Agent, executed by two Responsible Officers of the Borrower.

(e) CORPORATE PROCEEDINGS OF THE BORROWER. The Administrative Agent shall have received, with a counterpart for each Lender, a copy of the resolutions, in form and substance satisfactory to the Administrative Agent, of the Board of Directors of the Borrower authorizing (i) the execution, delivery and performance of this Agreement and the other Loan Documents to which it is a party, (ii) the borrowings contemplated hereunder and (iii) the granting by it of the Liens created pursuant to the Pledge Agreements, certified by the Secretary or an Assistant Secretary of the Borrower as of the Closing Date, which certificate shall be in form and substance satisfactory to the Administrative Agent and shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded.

(f) BORROWER INCUMBENCY CERTIFICATE. The Administrative Agent shall have received, with a counterpart for each Lender, a certificate of the Borrower, dated the Closing Date, as to the incumbency and signature of the officers of the Borrower executing any Loan Document satisfactory in form and substance to the Administrative Agent, executed by the President or any Vice President and the Secretary or any Assistant Secretary of the Borrower.

(g) CORPORATE PROCEEDINGS OF SUBSIDIARIES. The Administrative Agent shall have received, with a counterpart for each Lender, a copy of the resolutions, in form and substance satisfactory to the Administrative Agent, of the Board of Directors of each Subsidiary of the Borrower which is a party to a Loan Document authorizing (i) the execution, delivery and performance of the Loan Documents to which it is a party and (ii) the granting by it of the Liens created pursuant to the Loan

Documents to which it is a party, certified by the Secretary or an Assistant Secretary of each such Subsidiary as of the Closing Date, which certificate shall be in form and substance satisfactory to the Administrative Agent and shall state that the resolutions thereby certified have not been amended, modified, revoked or rescinded.

(h) SUBSIDIARY INCUMBENCY CERTIFICATES. The Administrative Agent shall have received, with a counterpart for each Lender, a certificate of each Subsidiary of the Borrower which is a party to a Loan Document, dated the Closing Date, as to the incumbency and signature of the officers of such Subsidiaries executing any Loan Document, satisfactory in form and substance to the Administrative Agent, executed by the President or any Vice President and the Secretary or any Assistant Secretary of each such Subsidiary.

(i) CORPORATE DOCUMENTS. The Administrative Agent shall have received, with a counterpart for each Lender, true and complete copies of the certificate of incorporation and by-laws of the Borrower and each Subsidiary of the Borrower which is a party to a Loan Document, certified as of the Closing Date as complete and correct copies thereof by the Secretary or an Assistant Secretary of the Borrower or such Subsidiary.

(j) FEES. All fees payable by the Borrower to the Administrative Agent and any Lender on or prior to the Closing Date pursuant to this Agreement or pursuant to the Engagement Letter and Fee Letter, each dated December 1, 1997, among The Chase Manhattan Bank, Chase Securities Inc., as arranger of the Commitments and the Borrower shall have been paid in full, in each case in the amounts and on the dates set forth herein or therein.

(k) LEGAL OPINION. The Administrative Agent shall have received, with a counterpart for each Lender, the executed legal opinion of Goodwin, Procter & Hoar LLP, counsel to the Borrower, substantially in the form of Exhibit D. Such legal opinion shall cover such other matters incident to the transactions contemplated by this Agreement as the Administrative Agent may reasonably require.

(l) PLEDGED STOCK AND OTHER EQUITY INTERESTS; TRANSFER POWERS. The Administrative Agent shall have received any certificates representing the shares of Capital Stock pledged pursuant to the Stock Pledge Agreement and the Subsidiary Pledge Agreement, together with an undated transfer power, in form and substance satisfactory to the Administrative Agent, for each such certificate executed in blank by a duly authorized officer of the pledgor thereof.

(m) ACTIONS TO PERFECT LIENS. The Administrative Agent shall have received evidence in form and substance satisfactory to it that all filings, recordings, registrations and other actions, including, without limitation, the filing of duly executed financing statements on form UCC-1, necessary or, in the opinion of the Administrative Agent, desirable to perfect the Liens created by the Pledge Agreements shall have been completed.

(n) LIEN SEARCHES. The Administrative Agent shall have received the results of a recent search by a Person satisfactory to the Administrative Agent, of the Uniform Commercial Code, judgement and tax lien filings which may have been filed with respect to personal property of the Borrower, and the results of such search shall be satisfactory to the Administrative Agent.

(o) PRO FORMA BALANCE SHEET. The Administrative Agent shall have received a PRO FORMA balance sheet of the Borrower as at September 30, 1997 (the "Pro Forma Balance Sheet"), after giving effect to (i) the acquisitions of Tweedy, Browne Company L.P. and GeoCapital Corporation, (ii) the initial public offering of its common stock, (iii) the redemption, repurchase or prepayment of its senior subordinated bridge facility and (iv) the conversion of its convertible preferred stock to common stock.

(p) EXISTING FACILITY. The Administrative Agent shall have received evidence satisfactory to it that all accrued but unpaid fees payable and all principal of and accrued but unpaid interest on any loans made under the Existing Facility shall be paid in full from the proceeds of the first advance hereunder and the Existing Facility shall have been terminated.

5.2 CONDITIONS TO EACH LOAN. The agreement of each Lender to make any Loan requested to be made by it on any date (including, without limitation, its initial Loan but excluding any repricing or conversion of any then outstanding Loan) is subject to the satisfaction of the following conditions precedent:

(a) REPRESENTATIONS AND WARRANTIES. Each of the representations and warranties made by the Borrower in or pursuant to the Loan Documents shall be true and correct in all material respects on and as of such date as if made on and as of such date; PROVIDED that (i) representations and warranties made with reference to a specific date shall remain true and correct as of such date and (ii) representations and warranties shall not be required to remain true to the extent changes have resulted from actions permitted hereunder.

(b) NO DEFAULT. No Default or Event of Default shall have occurred and be continuing on such date or after giving effect to the Loans requested to be made on such date.

(c) NOTICE OF BORROWING. The Administrative Agent shall have received a notice of borrowing pursuant to subsection 2.2.

(d) USE OF PROCEEDS. A Responsible Officer shall have delivered to the Administrative Agent a certificate to the effect that the proceeds of such Loan will be used in accordance with subsection 4.15 and specifying in reasonable detail the proposed use of the proceeds thereof.

Each borrowing by the Borrower hereunder shall constitute a representation and warranty by the Borrower as of the date thereof that the conditions contained in this subsection have been satisfied.

SECTION 6. AFFIRMATIVE COVENANTS

The Borrower hereby agrees that, so long as the Commitments remain in effect or any amount is owing to any Lender or the Administrative Agent hereunder or under any other Loan Document, the Borrower shall and (except in the case of delivery of financial information, reports and notices) shall cause each of its Subsidiaries to:

6.1 FINANCIAL STATEMENTS. Furnish to the Administrative Agent (which shall promptly furnish to the other Lenders):

(a) as soon as available, but in any event within 90 days after the end of each fiscal year of the Borrower, copies of the consolidated and consolidating balance sheet of the Borrower and its Subsidiaries as at the end of such year and the related consolidated and consolidating statements of income and retained earnings and of cash flows for such year, and setting forth in each case in comparative form the figures for the previous year and, in the case of the consolidated statements, reported on without a "going concern" or like qualification or exception, or qualification arising out of the scope of the audit, by Coopers & Lybrand or other independent certified public accountants of nationally recognized standing; and

(b) as soon as available, but in any event not later than 45 days after the end of each of the first three quarterly periods of each fiscal year of the Borrower, copies of the unaudited consolidated and consolidating balance sheet of the Borrower and its Subsidiaries as at the end of such quarter and the related unaudited consolidated and consolidating statements of income and retained earnings and of cash flows for such quarter and the portion of the fiscal year through the end of such quarter, and setting forth in each case in comparative form the figures for the previous year, certified by a Responsible Officer as being fairly stated in all material respects (subject to normal year-end audit adjustments);

all such financial statements shall be complete and correct in all material respects and shall be prepared in reasonable detail and in accordance with GAAP applied consistently throughout the periods reflected therein and with prior periods (subject, in the case of interim financial statements, to year end adjustments and the absence of footnotes).

6.2 CERTIFICATES; OTHER INFORMATION. Furnish to the Administrative Agent (which shall promptly furnish to the other Lenders):

(a) concurrently with the delivery of the financial statements referred to in subsection 6.1(a), a certificate of the independent certified public accountants reporting on such financial statements stating that in making the examination necessary therefor no knowledge was obtained of any Default or Event of Default specified in subsection 8(c), except as specified in such certificate;

(b) concurrently with the delivery of the financial statements referred to in subsections 6.1(a) and (b), (i) a certificate of a Responsible Officer stating that, to the best of such Officer's knowledge, that such Officer has obtained no knowledge of any Default or Event of Default except as specified in such certificate and (ii) a listing for each Management Company of its aggregate assets under management as of the end of the period covered by such financial statements;

(c) within five days after the same are filed, copies of all financial statements and reports which the Borrower may make to, or file with, the Securities and Exchange Commission or any successor or analogous Governmental Authority;

(d) within five Business Days after the consummation of any Acquisition, other than an Acquisition of any interest in a Person that is already a Subsidiary or a Management Company and with respect to which the Borrower does not borrow additional funds hereunder (A) copies of the most recent audited (and, if later, or, if audited statements are not available, unaudited) financial statements of the Management Company which is the subject of such Acquisition, (B) copies of the purchase agreement or other acquisition document (including any Revenue Sharing Agreement)

executed or to be executed by the Borrower or any of its Subsidiaries in connection with the Acquisition, (C) an unaudited PRO FORMA consolidated balance sheet of the Borrower and its Subsidiaries as at a recent date but prepared as though the closing of such Acquisition had occurred on or prior to such date and related PRO FORMA calculations, indicating compliance on a PRO FORMA basis as at such date and for the periods then ended with the financial covenants set forth in subsection 7.1 and (D) a copy of the most recent Form ADV, if any, filed under the Investment Advisers Act in respect to any Management Company which is the subject of such Acquisition; and

(e) promptly, such additional financial and other information and documents (including a copy of any debt instrument, security agreement or other material contract to which the Borrower or one of its Subsidiaries may be party) as any Lender may, through the Administrative Agent, from time to time reasonably request.

6.3 PAYMENT OF OBLIGATIONS. Pay, discharge or otherwise satisfy at or before maturity or before they become delinquent, as the case may be, all its obligations of whatever nature, except (i) where the amount or validity thereof is currently being contested in good faith by appropriate proceedings and reserves in conformity with GAAP with respect thereto have been provided on the books of the Borrower or its Subsidiaries, as the case may be and (ii) where the failure to do so could not have a Material Adverse Effect.

6.4 CONDUCT OF BUSINESS AND MAINTENANCE OF EXISTENCE. Continue to engage in business of the same general type as now conducted and purported to be conducted by it and preserve, renew and keep in full force and effect its corporate existence and take all reasonable action to maintain all rights, registrations, licenses, privileges and franchises necessary or desirable in the normal conduct of its business (including, without limitation, all such registrations under the Investment Advisers Act and all material investment advisory agreements, distribution agreements and shareholding and other administrative servicing contracts) except as otherwise permitted pursuant to subsection 7.5 and except for failures which individually and in the aggregate could not reasonably be expected to have a Material Adverse Effect; comply, and to the extent reasonably within its control, cause each Management Company and Fund (which is sponsored by a Management Company) to comply, with all Contractual Obligations and Requirements of Law except to the extent that failure to comply therewith could not, in the aggregate, reasonably be expected to have a Material Adverse Effect.

6.5 MAINTENANCE OF PROPERTY; INSURANCE. Keep all property useful and necessary in its business in good working order and condition, except where the failure to do so would not have a Material Adverse Effect; maintain with financially sound and reputable insurance companies insurance on all its property in at least such amounts and against at least such risks as are usually insured against in the same general area by companies engaged in the same or a similar business, except where the failure to do so could not have a Material Adverse Effect; and furnish to the Administrative Agent, upon written request, full information as to the insurance carried.

6.6 INSPECTION OF PROPERTY; BOOKS AND RECORDS; DISCUSSIONS. Keep proper books of records and account in which full, true and correct entries in all material respects in conformity with GAAP and all Requirements of Law shall be made of all dealings and transactions in relation to its business and activities, except where the failure to do so would not have a Material Adverse Effect; and permit representatives of any Lender to visit and inspect any of its properties and examine and make abstracts from any of its books and records at any reasonable time and as often as may reasonably be desired and upon at least three days prior notice or such lesser period of time as may be acceptable to the Borrower or the relevant Subsidiary, as the case may be, and to discuss the business, operations, properties and financial

and other condition of the Borrower and its Subsidiaries with officers and employees of the Borrower and its Subsidiaries and with its independent certified public accountants.

6.7 NOTICES. Promptly give notice to the Administrative Agent and each Lender of:

(a) the occurrence of any Default or Event of Default;

(b) any (i) default or event of default under any Contractual Obligation of the Borrower or any of its Subsidiaries or (ii) litigation, investigation or proceeding which may exist at any time between the Borrower or any of its Subsidiaries and any Governmental Authority, which in either case, if not cured or if adversely determined, as the case may be, could reasonably be expected to have a Material Adverse Effect;

(c) any litigation or proceeding affecting the Borrower or any of its Subsidiaries or any "affiliated person" of the Borrower or any of its Subsidiaries within the meaning of the Investment Company Act in which the amount involved is $5,000,000 or more and not covered by insurance or in which injunctive or similar relief is sought and which could reasonably be expected to have a Material Adverse Effect;

(d) the following events, as soon as possible and in any event within 30 days after the Borrower knows or has reason to know thereof: (i) the occurrence or expected occurrence of any Reportable Event with respect to any Plan, or any withdrawal from, or the termination, Reorganization or Insolvency of any Multiemployer Plan or (ii) the institution of proceedings or the taking of any other action by the PBGC or the Borrower or any Commonly Controlled Entity or any Multiemployer Plan with respect to the withdrawal from, or the terminating, Reorganization or Insolvency of, any Plan;

(e) any suspension or termination of the registration of any Subsidiary or Management Company of the Borrower as an investment adviser under the Investment Advisers Act, or of any registration as a broker-dealer under the Securities Acts or under any applicable state statute which is material to the business thereof, or any cancellation or expiration without renewal of any investment advisory agreement, distribution agreement or shareholder or other administrative servicing contract to which the Borrower or any of its Subsidiaries or Management Companies is a party the revenues under which have exceeded in the most recent fiscal year of the Borrower or any such Management Company, as the case may be, $1,000,000; and

(f) any event which could reasonably be expected to have a Material Adverse Effect on the Borrower and its Subsidiaries taken as a whole.

Each notice pursuant to this subsection shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrower proposes to take with respect thereto, if any.

6.8 STOCK PLEDGES. Promptly upon the consummation of the Acquisition of a Management Company or the formation of any new Subsidiary, execute and deliver or cause to be executed and delivered to the Administrative Agent a Pledge Agreement Supplement with respect to the pledge of the Capital Stock of such Management Company or new Subsidiary, held, directly by the Borrower or by any wholly owned Subsidiary of the Borrower, in form and substance reasonably satisfactory to the Administrative Agent, together with

evidence in form and substance reasonably satisfactory to the Administrative Agent that all deliveries, filings, recordings, registrations and other actions, including, without limitation, the delivery of any certificates representing such Capital Stock, together, in the case of stock certificates, with an undated transfer power, in form and substance reasonably satisfactory to the Administrative Agent, for each such certificate executed in blank by a duly authorized officer of the pledgor thereof, and the filing of duly executed financing statements on form UCC-1, necessary or, in the opinion of the Administrative Agent, desirable to perfect the Liens created by such Pledge Agreement Supplement shall have been completed.

6.9 GUARANTEES. In the case of any Subsidiary of the Borrower which at any time is wholly owned, promptly upon the request of the Administrative Agent, execute and deliver to the Administrative Agent, on behalf of the Lenders, a guarantee of such Subsidiary, in form and substance satisfactory to the Administrative Agent, with respect to the performance of the obligations of the Borrower under this Agreement and the other Loan Documents.

SECTION 7. NEGATIVE COVENANTS

The Borrower hereby agrees that, from and after the Closing Date and so long as the Commitments remain in effect or any amount is owing to any Lender or the Administrative Agent hereunder or under any other Loan Document, the Borrower shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:

7.1 FINANCIAL CONDITION COVENANTS.

(a) MAINTENANCE OF NET WORTH. Permit Consolidated Net Worth at any time during any period to be less than the sum of (i) $36,000,000, PLUS (ii) 85% of the net proceeds of any net issuances by the Borrower of any Capital Stock and any equity contributions to it and any Subordinated Indebtedness (to the extent included in Consolidated Net Worth) in each case after September 30, 1997, PLUS (iii) 50% of the positive Consolidated Net Income, if any, for each completed fiscal quarter of the Borrower from September 30, 1997 (or MINUS (iii) the lesser of (A) 100% of any Consolidated Net Loss, if any, for each such completed fiscal quarter or (B) the extent of any Consolidated Net Loss resulting from (x) a write-off in the fourth fiscal quarter of 1997 or the first fiscal quarter of 1998 of expenses relating to the Existing Agreement, the repayment of the Borrower's senior subordinated bridge facility and the initial public offering of the Borrower's common stock and (y) Non-Cash Based Compensation Costs).

(b) INTEREST COVERAGE RATIO. Permit, for any period of four consecutive fiscal quarters, the ratio of (i) Consolidated EBITDA to (ii) Consolidated Interest Expense to be less than 2.00 to 1.00.

(c) LEVERAGE RATIO. Permit at any time the ratio of (i) Senior Indebtedness to (ii) Adjusted EBITDA at the end of the most recently completed fiscal quarter to exceed 5.00 to 1.00.

7.2 LIMITATION ON INDEBTEDNESS. Create, incur, assume or suffer to exist any Indebtedness, except:

(a) Indebtedness of the Borrower under this Agreement and the other Loan Documents;

(b) unsecured Indebtedness of any Subsidiary owing to the Borrower or any other Subsidiary or secured Indebtedness of any Subsidiary owing to the Borrower;

(c) Indebtedness of the Borrower or any of its Subsidiaries incurred to finance its working capital (or the working capital of any Subsidiary of the Borrower) in an aggregate principal amount not exceeding as to the Borrower or any Subsidiary $1,000,000 at any time outstanding;

(d) Indebtedness of the Borrower or any of its Subsidiaries incurred to finance its acquisition of fixed or capital assets (whether pursuant to a deferred purchase arrangement with a vendor, a loan, a Financing Lease or otherwise) in an aggregate principal amount not exceeding as to the Borrower or any Subsidiary (other than First Quadrant L.P.) $500,000, and as to First Quadrant L.P. $1,000,000, at any time outstanding;

(e) Indebtedness of a Person which becomes a Subsidiary after the date hereof; PROVIDED that (i) such indebtedness existed at the time such Person became a Subsidiary and was not created in anticipation thereof and (ii) immediately after giving effect to the acquisition of such Person by the Borrower no Default or Event of Default shall have occurred and be continuing;

(f) Indebtedness in respect of (i) the Subordinated Contingent Payment Notes and (ii) other Subordinated Indebtedness;

(g) Indebtedness of the Borrower and its Subsidiaries existing on the date hereof, as described on Schedule 7.2(g);

(h) Indebtedness of the type described in clause (g) of the definition of Indebtedness incurred by the Borrower or any of its Subsidiaries in the ordinary course of business with reputable financial institutions and not for speculative purposes;

(i) Indebtedness of the Borrower or any of its Subsidiaries incurred to the seller of an interest in any Management Company or Subsidiary; and

(j) Indebtedness in the nature of deferred compensation to employees in an aggregate principal amount not exceeding as to the Borrower and its Subsidiaries $5,000,000 at any time outstanding.

7.3 LIMITATION ON LIENS. Create, incur, assume or suffer to exist any Lien upon any of its property, assets or revenues, whether now owned or hereafter acquired, except for:

(a) Liens for taxes, assessments and other governmental charges not yet due or which are being contested in good faith by appropriate proceedings; PROVIDED that adequate reserves with respect thereto are maintained on the books of the Borrower or its Subsidiaries, as the case may be, in conformity with GAAP;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's or other like Liens arising in the ordinary course of business which are not overdue for a period of more than 60 days or which are being contested in good faith by appropriate proceedings;

(c) pledges or deposits in connection with workers' compensation, unemployment insurance and other social security legislation;

(d) deposits to secure the performance of bids, trade contracts (other than for borrowed money), leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature incurred in the ordinary course of business;

(e) easements, rights-of-way, restrictions and other similar encumbrances incurred in the ordinary course of business which, in the aggregate, are not substantial in amount and which do not in any case materially detract from the value of the property subject thereto or materially interfere with the ordinary conduct of the business of the Borrower or such Subsidiary;

(f) Liens securing Indebtedness of the Borrower and its Subsidiaries permitted by subsection 7.2(d) incurred to finance the acquisition of fixed or capital assets; PROVIDED that (i) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (ii) such Liens do not at any time encumber any property other than the property financed by such Indebtedness, (iii) the amount of Indebtedness secured thereby is not increased and (iv) the principal amount of Indebtedness secured by such Lien shall at no time exceed the purchase price of such property;

(g) Liens on the property or assets of a Person which becomes a Subsidiary after the date hereof securing Indebtedness permitted by subsection 7.2(e); PROVIDED that (i) such Liens existed at the time such Person became a Subsidiary and were not created in anticipation thereof, (ii) any such Lien is not spread to cover any property or assets of such Person after the time such Person becomes a Subsidiary, and (iii) the amount of Indebtedness secured thereby is not increased;

(h) Liens arising by reason of any judgment, decree or order of any court or other Governmental Authority, (i) if appropriate legal proceedings which have been initiated for the review of such judgment, decree or order are being diligently prosecuted and shall not have been finally terminated or the period within which such proceedings may be initiated shall not have expired or (ii) if such judgment, decree or order shall have been discharged, within 45 days of the entry thereof or execution thereof has been stayed pending appeal;

(i) Liens created pursuant to the Pledge Agreements;

(j) Liens existing, or provided for under arrangements existing, as of the date hereof as described on Schedule 7.3(j); and

(k) Liens permitted under subsection 4 of each of the Stock Pledge Agreement and the Subsidiary Pledge Agreement and subsection 3 of each of the Partnership Pledge Agreement and the LLC Pledge Agreement.

7.4 LIMITATION ON GUARANTEE OBLIGATIONS. Create, incur, assume or suffer to exist any Guarantee Obligation except guarantees by the Borrower or any Subsidiary or Management Company of obligations of any of the Subsidiaries, which obligations are otherwise permitted under this Agreement, and except for (a) other Guarantee Obligations not exceeding $1,500,000 in the aggregate at any time, (b) Guarantee Obligations which constitute Indebtedness permitted under subsection 7.2, (c) Guarantee Obligations of Subsidiaries created pursuant to the Subsidiary Pledge Agreement or (d) Guarantee

Obligations with respect to Indebtedness of any Person which shall be incurred by such Person in anticipation of a majority interest therein being acquired by the Borrower or any of its Subsidiaries and which shall be outstanding for no more than 30 days in an aggregate principal amount for all such Guarantee Obligations not exceeding $10,000,000 at any one time outstanding.

7.5 LIMITATION ON FUNDAMENTAL CHANGES. Enter into any merger, consolidation or amalgamation, or liquidate, wind up or dissolve itself (or suffer any liquidation or dissolution), or convey, sell, lease, assign, transfer or otherwise dispose of, all or substantially all of its property, business or assets (each a "disposition"), or make any material change in its present method of conducting business; unless, (i) with respect to a merger, consolidation or amalgamation of a Subsidiary of the Borrower, if prior to such event the Borrower owned in excess of a 50% ownership interest, the Borrower shall continue to own in excess of a 50% ownership interest in such Subsidiary or the surviving Person of such merger, consolidation or amalgamation or, after such event it shall have no ownership interest, (ii) with respect to the liquidation, winding up or dissolution of a direct or indirect Subsidiary of the Borrower, the assets of such Subsidiary shall have been transferred to the Borrower or a Subsidiary of the Borrower and the other shareholders, partners or members of a Subsidiary, or another Subsidiary of the Borrower, and (iii) with respect to any disposition described above, the Net Proceeds thereof shall have been applied as set forth in subsection 3.2 to the extent required.

7.6 LIMITATION ON SALE OF ASSETS. Convey, sell, lease, assign, transfer or otherwise dispose (including in connection with sale leaseback transactions) of any of its property, business or assets (including, without limitation, receivables and leasehold interests), whether now owned or hereafter acquired, or, in the case of any Subsidiary, issue or sell any shares of such Subsidiary's Capital Stock to any Person other than the Borrower or any wholly owned Subsidiary, except:

(a) the sale or other disposition of obsolete or worn out property in the ordinary course of business;

(b) the sale or other disposition of any property in the ordinary course of business;

(c) the sale or discount without recourse of accounts receivable arising in the ordinary course of business in connection with the compromise or collection thereof;

(d) the sale, issuance or other disposition of the Capital Stock or other ownership interest of any Subsidiary of the Borrower or of a Management Company in which the Borrower owns an ownership interest to partners, officers or directors of such Subsidiary or Management Company; PROVIDED that, if prior to such sale, issuance or disposition, the Borrower owns in excess of a 50% ownership interest in such Subsidiary or Management Company, the Borrower shall at all times continue to own in excess of a 50% ownership interest in such Subsidiary or Management Company or after such sale, issuance or disposition shall have no ownership interest; and

(e) the sale, contribution or other transfer of (i) all or substantially all the Capital Stock of a Subsidiary or Management Company (including both Capital Stock held by the Borrower and its Subsidiaries and by the other holders of Capital Stock of such Subsidiary or Management Company), or (ii) all or substantially all the assets of a Subsidiary or Management Company; PROVIDED that, if prior to such sale, contribution or transfer, the Borrower owns in excess of a 50% ownership interest in such Subsidiary or Management Company, the Borrower shall at all times continue to own in excess of a 50% ownership interest in such Subsidiary or Management Company or, in

the case of clause (ii) above, the Person who is the transferee with respect to the assets sold, contributed or transferred pursuant to clause (ii) or after such sale, contribution or transfer shall have no ownership interest.

7.7 LIMITATION ON LEASES. Permit the amount paid by the Borrower for lease obligations under operating leases to which the Borrower is a party (including any such leases entered into in connection with sale leaseback transactions) for any fiscal year of the Borrower to exceed $750,000 or permit a Subsidiary of the Borrower to make any such payment in respect of lease obligations except to the extent that any such payment is made out of that portion of its revenues designated as Operating Cash Flow (and not Free Cash Flow) under the relevant Revenue Sharing Agreement.

7.8 LIMITATION ON DIVIDENDS. Declare or pay any dividend (other than dividends payable solely in common stock of the Borrower) on, or make any payment on account of, or set apart assets for a sinking or other analogous fund for, the purchase, redemption, defeasance, retirement or other acquisition of, any shares of any class of Capital Stock of the Borrower or any warrants or options to purchase any such Capital Stock, whether now or hereafter outstanding, or make any other distribution in respect thereof, either directly or indirectly, whether in cash or property or in obligations of the Borrower or any Subsidiary in an aggregate amount exceeding as to the Borrower and its Subsidiaries $500,000; PROVIDED that the Borrower may repurchase shares of its common stock as long as (i) no Default or Event of Default shall have occurred and be continuing or would result therefrom, (ii) the ratio of Senior Indebtedness to Adjusted EBITDA at the end of the most recently completed fiscal quarter is less than or equal to 3.0 to 1.0 and (iii) the aggregate amount thereof in any fiscal year, calculated at the date of each such repurchase, does not exceed 10% of Consolidated Net Income for the most recently completed fiscal year of the Borrower.

7.9 LIMITATION ON CAPITAL EXPENDITURES. Make or commit to make (by way of the acquisition of securities of a Person or otherwise) any expenditure in respect of the purchase or other acquisition of fixed or capital assets (excluding any such asset acquired in connection with normal replacement and maintenance programs properly charged to current operations) except in the case of the Borrower, for expenditures in the ordinary course of business not exceeding, in the aggregate for the Borrower during any fiscal year of the Borrower $2,500,000 and except in the case of a Subsidiary of the Borrower, expenditures in respect of fixed or capital assets to the extent that such expenditures are made out of that portion of its revenues designated as Operating Cash Flow (and not Free Cash Flow) under the relevant Revenue Sharing Agreement.

7.10 LIMITATION ON INVESTMENTS, LOANS AND ADVANCES. Make any advance, loan, extension of credit or capital contribution to, or purchase any stock, bonds, notes, debentures or other securities of or any assets constituting a business unit of, or make any other investment in, any Person, except:

(a) extensions of trade credit in the ordinary course of business;

(b) investments in cash equivalents, including any such investment that may be readily sold or otherwise liquidated in any Fund for which any Subsidiary or other Management Company provides management, advisory or administrative services and which principally invests in cash equivalents;

(c) any investment in or loan or advance to a Management Company or a Subsidiary or in any Person which, after giving effect to such investment, will become a Subsidiary or a Management Company, if, after giving effect to such investment, no Default or Event of Default shall have occurred and be continuing;

(d) loans to officers of the Borrower or its Subsidiaries listed on Schedule 8.10 in aggregate principal amounts outstanding not to exceed the respective amounts set forth for such officers on said schedule;

(e) (i) loans and advances to employees of the Borrower or its Subsidiaries for travel, entertainment and relocation expenses in the ordinary course of business in an aggregate amount for the Borrower and its Subsidiaries not to exceed $150,000 at any one time outstanding (other than as permitted in subsection 7.10(f)) and (ii) in the case of a Subsidiary of the Borrower, loans and advances to employees for travel, entertainment and relocation expenses in the ordinary course of business to the extent that such loans and advances are made out of that portion of its revenues designated as Operating Cash Flow (and not Free Cash Flow) under the relevant Revenue Sharing Agreement;

(f) to the extent made out of the portion of the revenues of a Subsidiary of the Borrower which is designated as Operating Cash Flow (and not Free Cash Flow) under the relevant Revenue Sharing Agreements; and

(g) investments in any Fund or financial product for which any Subsidiary provides management, advisory or administrative services in an aggregate amount not to exceed $2,000,000 at any one time outstanding.

7.11 LIMITATION ON PAYMENTS OF SUBORDINATED INDEBTEDNESS. Make any payment (including any cash payment of interest) or prepayment on or redemption, defeasance or purchase of any Subordinated Indebtedness; PROVIDED, HOWEVER as long as there is no Default or Event of Default, the Borrower may make payments due on the Subordinated Contingent Payment Notes as required thereunder and up to $10,000,000 in the aggregate of payments (including any cash payment of interest) and prepayments on or redemption, defeasance or purchase of Subordinated Indebtedness.

7.12 RESTRICTION ON AMENDMENTS TO REVENUE SHARING AGREEMENTS. Amend or modify the terms of a Revenue Sharing Agreement such that, as a result of such amendment or modification a Material Adverse Effect would occur.

7.13 LIMITATION ON TRANSACTIONS WITH AFFILIATES. Except as described on Schedule 7.13, enter into any transaction, including, without limitation, any purchase, sale, lease or exchange of property or the rendering of any service, with any Affiliate unless such transaction is (a) otherwise expressly permitted under this Agreement or (b) in the ordinary course of the Borrower's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Borrower or such Subsidiary, as the case may be, than it would obtain in a comparable arm's length transaction with a Person which is not an Affiliate; PROVIDED that (i) transactions between the Borrower and its Subsidiaries and Management Companies and (ii) transactions between the Borrower or any of its Subsidiaries or any officer, director, individual stockholder, partner or member (or an entity wholly owned by such an individual) and any Fund or other Investment Company sponsored by the Borrower or any Subsidiary or for which the Borrower or any Subsidiary provides advisory, administrative, supervisory, management, consulting or similar services, that are otherwise permissible under the Investment Company Act, the Investment Advisers Act and the applicable management contracts shall be permitted under this subsection 7.13.

7.14 LIMITATION ON CHANGES IN FISCAL YEAR. Permit the fiscal year of the Borrower to end on a day other than December 31.

SECTION 8. EVENTS OF DEFAULT

If any of the following events shall occur and be continuing:

(a) The Borrower shall fail to pay any principal of any Loan when due in accordance with the terms thereof or hereof; or the Borrower shall fail to pay any interest on any Loan, or any other amount payable hereunder, within five days after any such interest or other amount becomes due in accordance with the terms thereof or hereof; or

(b) Any representation or warranty made or deemed made by the Borrower or any of its Subsidiaries herein or in any other Loan Document or which is contained in any certificate, document or financial or other statement furnished by it at any time under or in connection with this Agreement or any such other Loan Document shall prove to have been incorrect in any material respect on or as of the date made or deemed made; or

(c) The Borrower or any of its Subsidiaries shall default in the observance or performance of any agreement contained in Section 5 and Section 6 of each of the Stock Pledge Agreement and the Subsidiary Pledge Agreement and Section 4 and Section 5 of each of the Partnership Pledge Agreement and the LLC Pledge Agreement; or

(d) The Borrower or any of its Subsidiaries shall default in the observance or performance of any other agreement contained in this Agreement or any other Loan Document (other than as provided in paragraphs (a) through (c) of this Section), and such default shall continue unremedied for a period of 30 days; or

(e) The Borrower or any of its Subsidiaries shall (i) default in any payment of principal of or interest on any Indebtedness (other than the Loans) or in the payment of any Guarantee Obligation, in either case in an outstanding principal amount in excess of $5,000,000, beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such Indebtedness or Guarantee Obligation was created; or (ii) default in the observance or performance of any other agreement or condition relating to any such Indebtedness or Guarantee Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of such Indebtedness or beneficiary or beneficiaries of such Guarantee Obligation (or a trustee or agent on behalf of such holder or holders or beneficiary or beneficiaries) to cause, with the giving of notice if required, such Indebtedness to become due prior to its stated maturity or such Guarantee Obligation to become payable; or

(f) (i) The Borrower or any of its Subsidiaries shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (B) seeking appointment of a receiver, trustee, custodian, conservator or other similar official for it or for all or any substantial part of its assets, or the Borrower or any of its Subsidiaries shall make a general assignment for the benefit of

its creditors; or (ii) there shall be commenced against the Borrower or any of its Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above which (A) results in the entry of an order for relief or any such adjudication or appointment or (B) remains undismissed, undischarged or unbonded for a period of 60 days; or (iii) there shall be commenced against the Borrower or any of its Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its assets which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal within 60 days from the entry thereof; or (iv) the Borrower or any of its Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), or (iii) above; or (v) the Borrower or any of its Subsidiaries shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(g) (i) Any Person shall engage in any "prohibited transaction" (as defined in Section 406 of ERISA or Section 4975 of the Code) involving any Plan maintained by the Borrower or any of its Subsidiaries, (ii) any "accumulated funding deficiency" (as defined in Section 302 of ERISA), whether or not waived, shall exist with respect to any Plan maintained by the Borrower or any of its Subsidiaries, (iii) a Reportable Event shall occur with respect to, or proceedings shall commence to have a trustee appointed, or a trustee shall be appointed, to administer or to terminate, any Single Employer Plan, which Reportable Event or commencement of proceedings or appointment of a trustee is, in the reasonable opinion of the Required Lenders, likely to result in the termination of such Plan for purposes of Title IV of ERISA, (iv) any Single Employer Plan shall terminate for purposes of Title IV of ERISA, (v) the Borrower or any Commonly Controlled Entity shall, or in the reasonable opinion of the Required Lenders is likely to, incur any liability in connection with a withdrawal from, or the Insolvency or Reorganization of, a Multiemployer Plan or (vi) any other event or condition shall occur or exist, with respect to a Plan; and in each case in clauses (i) through (vi) above, such event or condition, together with all other such events or conditions, if any, could have a Material Adverse Effect; or

(h) One or more judgments or decrees shall be entered against the Borrower or any of its Subsidiaries involving in the aggregate a liability (not paid or fully covered by insurance or indemnification) of $5,000,000 or more, and all such judgments or decrees shall not have been vacated, discharged, stayed or bonded pending appeal within 60 days from the entry thereof; or

(i) (i) Any of the Pledge Agreements shall cease, for any reason, to be in full force and effect, or the Borrower or any of its Subsidiaries party thereto shall so assert or (ii) the Lien created by any of the Pledge Agreements shall cease to be enforceable and of the same effect and priority purported to be created thereby; or

(j) A Change of Control shall have occurred.

then, and in any such event, (A) if such event is an Event of Default specified in clause (i) or (ii) of paragraph (f) of this Section with respect to the Borrower, automatically the Commitments shall immediately terminate and the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement shall immediately become due and payable, and (B) if such event is any other Event of Default, either or both of the following actions may be taken: (i) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower declare the Commitments to be terminated forthwith, whereupon the Commitments shall

immediately terminate; and (ii) with the consent of the Required Lenders, the Administrative Agent may, or upon the request of the Required Lenders, the Administrative Agent shall, by notice to the Borrower, declare the Loans hereunder (with accrued interest thereon) and all other amounts owing under this Agreement to be due and payable forthwith, whereupon the same shall immediately become due and payable. Except as expressly provided above in this Section, presentment, demand, protest and all other notices of any kind are hereby expressly waived.

SECTION 9. THE ADMINISTRATIVE AGENT

9.1 APPOINTMENT. Each Lender hereby irrevocably designates and appoints the Administrative Agent as the agent of such Lender under this Agreement and the other Loan Documents, and each such Lender irrevocably authorizes the Administrative Agent, in such capacity, to take such action on its behalf under the provisions of this Agreement and the other Loan Documents and to exercise such powers and perform such duties as are expressly delegated to the Administrative Agent by the terms of this Agreement and the other Loan Documents, together with such other powers as are reasonably incidental thereto. Notwithstanding any provision to the contrary elsewhere in this Agreement, the Administrative Agent shall not have any duties or responsibilities, except those expressly set forth herein, or any fiduciary relationship with any Lender, and no implied covenants, functions, responsibilities, duties, obligations or liabilities shall be read into this Agreement or any other Loan Document or otherwise exist against the Administrative Agent.

9.2 DELEGATION OF DUTIES. The Administrative Agent may execute any of its duties under this Agreement and the other Loan Documents by or through agents or attorneys-in-fact and shall be entitled to advice of counsel concerning all matters pertaining to such duties. The Administrative Agent shall not be responsible for the negligence or misconduct of any agents or attorneys in-fact selected by it with reasonable care.

9.3 EXCULPATORY PROVISIONS. Neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates shall be (i) liable for any action lawfully taken or omitted to be taken by it or such Person under or in connection with this Agreement or any other Loan Document (except for its or such Person's own gross negligence or willful misconduct) or (ii) responsible in any manner to any of the Lenders for any recitals, statements, representations or warranties made by the Borrower or any officer thereof contained in this Agreement or any other Loan Document or in any certificate, report, statement or other document referred to or provided for in, or received by the Administrative Agent under or in connection with, this Agreement or any other Loan Document or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement or any other Loan Document or for any failure of the Borrower to perform its obligations hereunder or thereunder. The Administrative Agent shall not be under any obligation to any Lender to ascertain or to inquire as to the observance or performance of any of the agreements contained in, or conditions of, this Agreement or any other Loan Document, or to inspect the properties, books or records of the Borrower.

9.4 RELIANCE BY ADMINISTRATIVE AGENT. The Administrative Agent shall be entitled to rely, and shall be fully protected in relying, upon any Note, writing, resolution, notice, consent, certificate, affidavit, letter, telecopy, telex or teletype message, statement, order or other document or conversation believed by it to be genuine and correct and to have been signed, sent or made by the proper Person or Persons and upon advice and statements of legal counsel (including, without limitation, counsel to the Borrower), independent accountants and other experts selected by the Administrative Agent. The Administrative Agent

may deem and treat the payee of any Note as the owner thereof for all purposes unless a written notice of assignment, negotiation or transfer thereof shall have been filed with the Administrative Agent. The Administrative Agent shall be fully justified in failing or refusing to take any action under this Agreement or any other Loan Document unless it shall first receive such advice or concurrence of the Required Lenders as it deems appropriate or it shall first be indemnified to its satisfaction by the Lenders against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. The Administrative Agent shall in all cases be fully protected in acting, or in refraining from acting, under this Agreement and the other Loan Documents in accordance with a request of the Required Lenders, and such request and any action taken or failure to act pursuant thereto shall be binding upon all the Lenders and all future holders of the Loans.

9.5 NOTICE OF DEFAULT. The Administrative Agent shall not be deemed to have knowledge or notice of the occurrence of any Default or Event of Default hereunder unless the Administrative Agent has received notice from a Lender or the Borrower referring to this Agreement, describing such Default or Event of Default and stating that such notice is a "notice of default". In the event that the Administrative Agent receives such a notice, the Administrative Agent shall give notice thereof to the Lenders, or, if such notice is received from a Lender, to the Borrower. The Administrative Agent shall take such action with respect to such Default or Event of Default as shall be reasonably directed by the Required Lenders; PROVIDED that unless and until the Administrative Agent shall have received such directions, the Administrative Agent may (but shall not be obligated to) take such action, or refrain from taking such action, with respect to such Default or Event of Default as it shall deem advisable in the best interests of the Lenders.

9.6 NON-RELIANCE ON ADMINISTRATIVE AGENT AND OTHER LENDERS. Each Lender expressly acknowledges that neither the Administrative Agent nor any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates has made any representations or warranties to it and that no act by the Administrative Agent hereinafter taken, including any review of the affairs of the Borrower, shall be deemed to constitute any representation or warranty by the Administrative Agent to any Lender. Each Lender represents to the Administrative Agent that it has, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it has deemed appropriate, made its own appraisal of and investigation into the business, operations, property, financial and other condition and creditworthiness of the Borrower and made its own decision to make its Loans hereunder and enter into this Agreement. Each Lender also represents that it will, independently and without reliance upon the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit analysis, appraisals and decisions in taking or not taking action under this Agreement and the other Loan Documents, and to make such investigation as it deems necessary to inform itself as to the business, operations, property, financial and other condition and creditworthiness of the Borrower. Except for notices, reports and other documents expressly required to be furnished to the Lenders by the Administrative Agent hereunder, the Administrative Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, operations, property, condition (financial or otherwise), prospects or creditworthiness of the Borrower which may come into the possession of the Administrative Agent or any of its officers, directors, employees, agents, attorneys-in-fact or Affiliates.

9.7 INDEMNIFICATION. The Lenders agree to indemnify the Administrative Agent in its capacity as such (to the extent not reimbursed by the Borrower and without limiting the obligation of the Borrower to do so), ratably according to their respective Commitment Percentages in effect on the date on which indemnification is sought (or, if indemnification is sought after the date upon which the Commitments

shall have terminated and the Loans shall have been paid in full, ratably in accordance with their Commitment Percentages immediately prior to such date), from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever which may at any time (including, without limitation, at any time following the payment of the Loans) be imposed on, incurred by or asserted against the Administrative Agent in any way relating to or arising out of, the Commitments, this Agreement, any of the other Loan Documents or any documents contemplated by or referred to herein or therein or the transactions contemplated hereby or thereby or any action taken or omitted by the Administrative Agent under or in connection with any of the foregoing; PROVIDED that no Lender shall be liable for the payment of any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting solely from the Administrative Agent's gross negligence or willful misconduct. The agreements in this subsection shall survive the payment of the Loans and all other amounts payable hereunder.

9.8 ADMINISTRATIVE AGENT IN ITS INDIVIDUAL CAPACITY. The Administrative Agent and its Affiliates may make loans to, accept deposits from and generally engage in any kind of business with the Borrower as though the Administrative Agent were not the agent hereunder and under the other Loan Documents. With respect to the Loans made by it, the Administrative Agent shall have the same rights and powers under this Agreement and the other Loan Documents as any Lender and may exercise the same as though it were not the Administrative Agent, and the terms "Lender" and "Lenders" shall include the Administrative Agent in its individual capacity.

9.9 SUCCESSOR ADMINISTRATIVE AGENT. The Administrative Agent may resign as Administrative Agent upon 30 days' notice to the Lenders. Upon any such resignation, the Required Lenders shall appoint from among the Lenders a successor agent for the Lenders, which successor agent shall be approved by the Borrower; PROVIDED that, in the event such Lenders are unable to agree upon a successor to a resigning Administrative Agent, a resigning Administrative Agent shall appoint a successor agent from the existing Lenders. Upon the approval and acceptance of any appointment as Administrative Agent, such successor agent shall succeed to the rights, powers and duties of the Administrative Agent, and the term "Administrative Agent" shall mean such successor agent effective upon such appointment and approval, and the former Administrative Agent's rights, powers and duties as Administrative Agent shall be terminated, without any other or further act or deed on the part of such former Administrative Agent or any of the parties to this Agreement or any holders of the Loans. After any retiring Administrative Agent's resignation as Administrative Agent, the provisions of this Section 9 shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent under this Agreement and the other Loan Documents.

SECTION 10. MISCELLANEOUS

10.1 AMENDMENTS AND WAIVERS. (a) Neither this Agreement nor any other Loan Document, nor any terms hereof or thereof may be amended, supplemented or modified except in accordance with the provisions of this subsection. The Required Lenders may, or, with the written consent of the Required Lenders, the Administrative Agent may, from time to time, (x) enter into with the Borrower written amendments, supplements or modifications hereto and to the other Loan Documents for the purpose of adding any provisions to this Agreement or the other Loan Documents or changing in any manner the rights of the Lenders or of the Borrower hereunder or thereunder or (y) waive, on such terms and conditions as the Required Lenders or the Administrative Agent, as the case may be, may specify in such instrument, any of the requirements of this Agreement or the other Loan Documents or any Default or Event of Default and its

consequences; PROVIDED, HOWEVER that no such waiver and no such amendment, supplement or modification shall (i) reduce the amount or extend the scheduled date of final maturity of any Loan, or reduce the stated rate of any interest or fee payable hereunder or extend the scheduled date of any payment thereof or increase the amount or extend the expiration date of any Lender's Commitment, in each case without the consent of each Lender directly affected thereby, or (ii) amend, modify or waive any provision of this subsection or reduce the percentage specified in the definition of Required Lenders, or consent to the assignment or transfer by the Borrower of any of its rights and obligations under this Agreement and the other Loan Documents or release all or substantially all of the Collateral or Pledged Collateral, in each case without the written consent of all the Lenders or (iii) amend, modify or waive any provision of Section 9 without the written consent of the then Administrative Agent. Any such waiver and any such amendment, supplement or modification shall apply equally to each of the Lenders and shall be binding upon the Borrower, the Lenders, the Administrative Agent and all future holders of the Loans. In the case of any waiver, the Borrower, the Lenders and the Administrative Agent shall be restored to their former positions and rights hereunder and under the other Loan Documents, and any Default or Event of Default waived shall be deemed to be cured and not continuing; no such waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

(b) In addition to amendments effected pursuant to the foregoing paragraph (a), this Agreement shall be amended to include a prospective Lender as a party hereto upon the execution and delivery of a Joinder Agreement as contemplated in subsection 2.3(e).

10.2 NOTICES. All notices, requests and demands to or upon the respective parties hereto to be effective shall be in writing (including by facsimile transmission), and, unless otherwise expressly provided herein, shall be deemed to have been duly given or made when delivered, or 5 days after being deposited in the mail, postage prepaid, or, in the case of telecopy notice, when received, addressed as follows in the case of the Borrower and the Administrative Agent, and as set forth in Schedule I in the case of the other parties hereto, or to such other address as may be hereafter notified by the respective parties hereto:

The Borrower: Affiliated Managers Group
Two International Place, 23rd Floor
Boston, Massachusetts 02110
Attention: Sean Healey, Executive Vice President
Fax: (617) 346-7115

The Administrative Agent: The Chase Manhattan Bank
One Chase Manhattan Plaza
8th Floor
New York, New York 10081
Attention: Laura Rebecca
Fax: (212) 552-7490

PROVIDED that any notice, request or demand to or upon the Administrative Agent or the Lenders pursuant to subsection 2.2, 2.5, 3.1, 3.3 or 3.8 shall not be effective until received.

10.3 NO WAIVER; CUMULATIVE REMEDIES. No failure to exercise and no delay in exercising, on the part of the Administrative Agent or any Lender, any right, remedy, power or privilege hereunder or under

the other Loan Documents shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

10.4 SURVIVAL OF REPRESENTATIONS AND WARRANTIES. All representations and warranties made hereunder, in the other Loan Documents and in any document, certificate or statement delivered pursuant hereto or in connection herewith shall survive the execution and delivery of this Agreement and the making of the Loans hereunder through the Termination Date.

10.5 PAYMENT OF EXPENSES AND TAXES. The Borrower agrees (a) to pay or reimburse the Administrative Agent for all its out-of-pocket costs and expenses incurred in connection with the development, preparation and execution of, and any amendment, supplement or modification to, this Agreement and the other Loan Documents and any other documents prepared in connection herewith or therewith, and the consummation and administration of the transactions contemplated hereby and thereby, including, without limitation, the reasonable fees and disbursements of counsel to the Administrative Agent, (b) to pay or reimburse each Lender and the Administrative Agent for all its costs and expenses incurred in connection with the enforcement or preservation of any rights under this Agreement, the other Loan Documents and any such other documents during the continuance of an Event of Default, including, without limitation, the fees and disbursements of counsel to each Lender and of counsel to the Administrative Agent, (c) to pay, indemnify, and hold each Lender and the Administrative Agent harmless from, any and all recording and filing fees and any and all liabilities with respect to, or resulting from any delay in paying, stamp, excise and other taxes other than Non-Excluded Taxes, if any, which may be payable or determined to be payable in connection with the execution and delivery of, or consummation or administration of any of the transactions contemplated by, or any amendment, supplement or modification of, or any waiver or consent under or in respect of, this Agreement, the other Loan Documents and any such other documents and (d) to pay, indemnify, and hold each Lender and the Administrative Agent harmless from and against any and all other liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever with respect to the execution, delivery, enforcement, performance and administration of this Agreement, the other Loan Documents (all the foregoing in this clause (d), collectively, the "indemnified liabilities"); PROVIDED that the Borrower shall have no obligation hereunder to the Administrative Agent or any Lender with respect to indemnified liabilities arising from (i) the gross negligence, bad faith or willful misconduct of the Administrative Agent or any such Lender or (ii) legal proceedings commenced against the Administrative Agent or any such Lender by any security holder or creditor thereof arising out of and based upon rights afforded any such security holder or creditor solely in its capacity as such. Any statement for reasonable expenses of counsel to the Administrative Agent and the Lenders payable by the Borrower pursuant to this subsection 10.5 shall be sent to a Responsible Officer of the Borrower within six months of the termination of the event giving rise to such expenses. The agreements in this subsection shall survive repayment of the Loans and all other amounts payable hereunder.

10.6 SUCCESSORS AND ASSIGNS; PARTICIPATIONS AND ASSIGNMENTS. (a) This Agreement shall be binding upon and inure to the benefit of the Borrower, the Lenders, the Administrative Agent and their respective successors and assigns, except that the Borrower may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of each Lender.

(b) Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, and, so long as no Event of Default has been continuing for a period of 90 days, with the consent of the Borrower (which consent shall not be unreasonably withheld), at any time sell

to one or more banks or other entities ("PARTICIPANTS") participating interests in any Loan owing to such Lender, any Commitment of such Lender or any other interest of such Lender hereunder and under the other Loan Documents. In the event of any such sale by a Lender of a participating interest to a Participant, such Lender's obligations under this Agreement to the other parties to this Agreement shall remain unchanged, such Lender shall remain solely responsible for the performance thereof, such Lender shall remain the holder of any such Loan for all purposes under this Agreement and the other Loan Documents, and the Borrower and the Administrative Agent shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement and the other Loan Documents. The Borrower agrees that if amounts outstanding under this Agreement are due or unpaid, or shall have been declared or shall have become due and payable upon the occurrence of an Event of Default, each Participant shall, to the maximum extent permitted by applicable law, be deemed to have the right of setoff in respect of its participating interest in amounts owing under this Agreement to the same extent as if the amount of its participating interest were owing directly to it as a Lender under this Agreement; PROVIDED that, in purchasing such participating interest, such Participant shall be deemed to have agreed to share with the Lenders the proceeds thereof as provided in subsection 10.7(a) as fully as if it were a Lender hereunder. The Borrower also agrees that each Participant shall be entitled to the benefits of subsections 3.10, 3.11, 3.12 with respect to its participation in the Commitments and the Loans outstanding from time to time as if it was a Lender; PROVIDED that, in the case of subsection 3.11, such Participant shall have complied with the requirements of said subsection and PROVIDED, FURTHER that no Participant shall be entitled to receive any greater amount pursuant to any such subsection than the transferor Lender would have been entitled to receive in respect of the amount of the participation transferred by such transferor Lender to such Participant had no such transfer occurred.

(c) Any Lender may, in the ordinary course of its commercial banking business and in accordance with applicable law, at any time and from time to time assign to any Lender or any affiliate thereof or, with the consent of each of the Administrative Agent and, so long as no Event of Default has been continuing for a period of 90 days, the Borrower (which in each case shall not be unreasonably withheld), to an additional bank or financial institution ("an ASSIGNEE") all or any part of its rights and obligations under this Agreement and the other Loan Documents pursuant to an Assignment and Acceptance, substantially in the form of Exhibit E, executed by such Assignee, such assigning Lender (and, in the case of an Assignee that is not then a Lender or an affiliate thereof, by the Administrative Agent) and delivered to the Administrative Agent for its acceptance and recording in the Register; PROVIDED that, in the case of any such assignment to an additional bank or financial institution (other than an assignment of all the assigning Lender's rights and obligations with respect to the Commitments), the sum of the aggregate principal amount of the Loans and the aggregate amount of the unused Commitments being assigned and, if such assignment is of less than all of the rights and obligations of the assigning Lender, the sum of the aggregate principal amount of the Loans and the aggregate amount of the unused Commitments remaining with the assigning Lender are each not less than $5,000,000 (or such lesser amount as may be agreed to by the Borrower and the Administrative Agent). Upon such execution, delivery, acceptance and recording, from and after the effective date determined pursuant to such Assignment and Acceptance, (x) the Assignee thereunder shall be a party hereto and, to the extent provided in such Assignment and Acceptance, have the rights and obligations of a Lender hereunder with a Commitment as set forth therein, and (y) the assigning Lender thereunder shall, to the extent provided in such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all or the remaining portion of an assigning Lender's rights and obligations under this Agreement, such assigning Lender shall cease to be a party hereto).

(d) The Administrative Agent, on behalf of the Borrower, shall maintain at the address of the Administrative Agent referred to in subsection 10.2 a copy of each Assignment and Acceptance delivered to it and a register (the "REGISTER") for the recordation of the names and addresses of the Lenders and the Commitments of, and principal amounts of the Loans owing to, each Lender from time to time. The entries in the Register shall be conclusive, in the absence of manifest error, and the Borrower, the Administrative Agent and the Lenders may (and, in the case of any Loan or other obligation hereunder not evidenced by a Note, shall) treat each Person whose name is recorded in the Register as the owner of a Loan or other obligation hereunder as the owner thereof for all purposes of this Agreement and the other Loan Documents, notwithstanding any notice to the contrary. Any assignment of any Loan or other obligation hereunder not evidenced by a Note shall be effective only upon appropriate entries with respect thereto being made in the Register. The Register shall be available for inspection by the Borrower or any Lender at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender and an Assignee (and, in the case of an Assignee that is not then a Lender or an affiliate thereof, by the Administrative Agent with the approval of the Borrower) together with payment by the Lenders parties thereto to the Administrative Agent of a registration and processing fee of $3,500, the Administrative Agent shall (i) promptly accept such Assignment and Acceptance and (ii) on the effective date determined pursuant thereto record the information contained therein in the Register and give notice of such acceptance and recordation to the Lenders and the Borrower.

(f) The Borrower authorizes each Lender to disclose to any Participant or Assignee (each, a "TRANSFEREE") and any prospective Transferee approved by the Borrower, which approval shall not be unreasonably withheld, subject to the provisions of subsection 10.15, any and all financial information in such Lender's possession concerning the Borrower and its Affiliates which has been delivered to such Lender by or on behalf of the Borrower pursuant to this Agreement or which has been delivered to such Lender by or on behalf of the Borrower in connection with such Lender's credit evaluation of the Borrower and its Affiliates prior to becoming a party to this Agreement; PROVIDED, HOWEVER that prior to such disclosure each such prospective Transferee shall have executed a confidentiality agreement substantially in the form of Exhibit F.

(g) For avoidance of doubt, the parties to this Agreement acknowledge that the provisions of this subsection concerning assignments of Loans and Notes relate only to absolute assignments and that such provisions do not prohibit assignments creating security interests, including, without limitation, any pledge or assignment by a Lender of any Loan or Note to any Federal Reserve Bank in accordance with applicable law.

10.7 ADJUSTMENTS; SET-OFF. (a) If any Lender (a "BENEFITTED LENDER") shall at any time receive any payment of all or part of its Loans, or interest thereon, or receive any collateral in respect thereof (whether voluntarily or involuntarily, by set-off, pursuant to events or proceedings of the nature referred to in subsection 8(f), or otherwise), in a greater proportion than any such payment to or collateral received by any other Lender, if any, in respect of such other Lender's Loans, or interest thereon, such benefitted Lender shall purchase for cash from the other Lenders a participating interest in such portion of each such other Lender's Loan, or shall provide such other Lenders with the benefits of any such collateral, or the proceeds thereof, as shall be necessary to cause such benefitted Lender to share the excess payment or benefits of such collateral or proceeds ratably with each of the Lenders; PROVIDED, HOWEVER that if all or any portion of such excess payment or benefits is thereafter recovered from such

benefitted Lender, such purchase shall be rescinded, and the purchase price and benefits returned, to the extent of such recovery, but without interest.

(b) In addition to any rights and remedies of the Lenders provided by law, each Lender shall have the right, without prior notice to the Borrower, any such notice being expressly waived by the Borrower to the extent permitted by applicable law, upon any amount becoming due and payable by the Borrower hereunder (whether at the stated maturity, by acceleration or otherwise) to set-off and appropriate and apply against such amount any and all deposits (general or special, time or demand, provisional or final), in any currency, and any other credits, indebtedness or claims, in any currency, in each case whether direct or indirect, absolute or contingent, matured or unmatured, at any time held or owing by such Lender or any branch or agency thereof to or for the credit or the account of the Borrower. Each Lender agrees promptly to notify the Borrower and the Administrative Agent after any such set-off and application made by such Lender; PROVIDED that the failure to give such notice shall not affect the validity of such set-off and application.

10.8 COUNTERPARTS. This Agreement may be executed by one or more of the parties to this Agreement on any number of separate counterparts (including by facsimile transmission), and all of said counterparts taken together shall be deemed to constitute one and the same instrument. A set of the copies of this Agreement signed by all the parties shall be lodged with the Borrower and the Administrative Agent.

10.9 SEVERABILITY. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.10 INTEGRATION. This Agreement and the other Loan Documents represent the agreement of the Borrower, the Administrative Agent and the Lenders with respect to the subject matter hereof, and there are no promises, undertakings, representations or warranties by the Administrative Agent or any Lender relative to subject matter hereof not expressly set forth or referred to herein or in the other Loan Documents.

10.11 GOVERNING LAW. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.

10.12 SUBMISSION TO JURISDICTION; WAIVERS. The Borrower hereby irrevocably and unconditionally:

(a) submits for itself and its property in any legal action or proceeding relating to this Agreement and the other Loan Documents to which it is a party, or for recognition and enforcement of any judgement in respect thereof, to the non-exclusive general jurisdiction of the Courts of the State of New York, the courts of the United States of America for the Southern District of New York, and appellate courts from any thereof;

(b) consents that any such action or proceeding may be brought in such courts and waives any objection that it may now or hereafter have to the venue of any such action or proceeding in any such court or that such action or proceeding was brought in an inconvenient court and agrees not to plead or claim the same;

(c) agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to the Borrower at its address set forth in subsection 10.2 or at such other address of which the Administrative Agent shall have been notified pursuant thereto;

(d) agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction; and

(e) waives, to the maximum extent not prohibited by law, any right it may have to claim or recover in any legal action or proceeding referred to in this subsection any special, exemplary, punitive or consequential damages.

10.13 ACKNOWLEDGEMENTS. The Borrower hereby acknowledges that:

(a) it has been advised by counsel in the negotiation, execution and delivery of this Agreement and the other Loan Documents;

(b) neither the Administrative Agent nor any Lender has any fiduciary relationship with or duty to the Borrower arising out of or in connection with this Agreement or any of the other Loan Documents, and the relationship between Administrative Agent and Lenders, on one hand, and the Borrower, on the other hand, in connection herewith or therewith is solely that of debtor and creditor; and

(c) no joint venture is created hereby or by the other Loan Documents or otherwise exists by virtue of the transactions contemplated hereby among the Lenders or among the Borrower and the Lenders.

10.14 WAIVERS OF JURY TRIAL. TO THE EXTENT PERMITTED BY LAW, THE BORROWER, THE ADMINISTRATIVE AGENT AND THE LENDERS HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVE TRIAL BY JURY IN ANY LEGAL ACTION OR PROCEEDING RELATING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND FOR ANY COUNTERCLAIM THEREIN.

10.15 CONFIDENTIALITY. Each Lender agrees to keep confidential any written or oral information (a) provided to it by or on behalf of the Borrower or any of its Subsidiaries pursuant to or in connection with this Agreement or (b) obtained by such Lender based on a review of the books and records of the Borrower or any of its Subsidiaries; PROVIDED that nothing herein shall prevent any Lender from disclosing any such information (i) to the Administrative Agent or any other Lender or to any Person who evaluates, approves, structures or administers the Loans on behalf of a Lender and who is subject to this confidentiality provision, (ii) to any Transferee or prospective Transferee which agrees in writing to comply with the provisions of this subsection, (iii) to its employees, directors, agents, attorneys, accountants and other professional advisors who are directly involved in the execution of the transactions contemplated by this Agreement and have been informed of their obligations under this subsection 10.15, (iv) upon the request or demand of any Governmental Authority having jurisdiction over such Lender, (v) in response to any order of any court or other Governmental Authority or as may otherwise be required pursuant to any Requirement of Law (notice of which shall be provided promptly to the Borrower), (vi) which has been publicly disclosed other than in breach of this Agreement, or (vii) in connection with the exercise of any remedy hereunder.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their proper and duly authorized officers as of the day and year first above written.

AFFILIATED MANAGERS GROUP, INC.

By: /s/ Sean M. Healey

Title: Executive Vice President

THE CHASE MANHATTAN BANK, as Administrative Agent and as a Lender

By: /s/ Bruce Borden

Title: Vice President

NATIONSBANK, N.A., as Documentation Agent and as a Lender

By: /s/ Kenneth Ricciardi

Title: Senior Vice President

FIRST UNION NATIONAL BANK

By: /s/ Gail M. Golightly

Title: Senior Vice President

SOCIETE GENERALE

By: /s/ John H. Padwater

Title: Vice President

CREDIT LYONNAIS NEW YORK BRANCH

By: /s/ Sebastian Rocco

Title: First Vice President

CIBC INC.

By: /s/ Gerald Girardi

Title: Executive Director
CIBC Oppenheimer Corp., as agent

STATE STREET BANK AND TRUST COMPANY

By: /s/ F. Andrew Beise

Title: Vice President

MELLON BANK, N.A.

By: /s/ Susan M. Whitewood

Title: Vice President

UNION BANK OF CALIFORNIA, N.A.

By: /s/ Linda Landuchi

Title: Vice President

ANNEX I

PRICING GRID

Ratio of Senior Indebtedness to Adjusted EBITDA	Applicable Margin for Eurodollar Loans	Applicable Margin For ABR Loans	Commitment Fee Rate
greater than/equal to 4.5 to 1.00	2.25%	1.25%	0.50%
greater than/equal to 3.75 to 1.00	1.75%	0.75%	0.50%
greater than/equal to 3.00 to 1.00	1.25%	0.25%	0.375%
greater than/equal to 2.00 to 1.00	0.75%	0.00%	0.25%
less than 2.00 to 1.00	0.50%	0.00%	0.20%

SCHEDULE I

LENDER COMMITMENTS

A. Commitments

Lender	Commitment
The Chase Manhattan Bank	$42,167,000
NationsBank, N.A.	$52,333,000
CIBC Inc.	$35,000,000
Credit Lyonnais New York Branch	$35,000,000
Societe Generale	$35,000,000
Mellon Bank, N.A.	$25,000,000
State Street Bank and Trust Company	$22,500,000
Union Bank of California, N.A.	$20,000,000
First Union National Bank	$18,000,000
	$285,000,000

B. Addresses for Notices

THE CHASE MANHATTAN BANK
270 Park Avenue
New York, NY 10017
Attn: Darrell Crate
Telephone: (212) 270-5005
Telecopy: (212) 270-5222

NATIONSBANK, N.A.
600 Peachtree Street, N.E.
21st Floor
Atlanta, GA 30308-2214
Attn: Ronald Blissett
Telephone: (404) 607-4138
Telecopy: (404) 607-6318

CIBC INC.
425 Lexington Avenue, 8th Floor
New York, NY 10017
Attn: Gerald Girardi
Telephone: (212) 856-3649
Telecopy: (212) 856-3558

CREDIT LYONNAIS NEW YORK BRANCH
53 State Street, 27th Floor
Boston, MA 02109
Attn: Lisa Turilli
Telephone: (617) 723-2615
Telecopy: (617) 723-4803

SOCIETE GENERALE
1221 Avenue of the Americas
New York, NY 10020
Attn: John Padwater
Telephone: (212) 278-6263
Telecopy: (212) 278-7569

MELLON BANK, N.A.
One Mellon Bank Center, Room 350
Pittsburgh, PA 15258
Attn: Susan Whitewood
Telephone: (412) 234-7112
Telecopy: (412) 234-8087

STATE STREET BANK AND TRUST COMPANY
235 Franklin Street, 2nd Floor
Boston, MA 02110
Attn: Monica Sheehan
Telephone: (617) 664-4957
Telecopy: (617) 664-6527

UNION BANK OF CALIFORNIA, N.A.
350 California Street
San Francisco, CA 94104
Attn: David Hants
Telephone: (415) 705-7020
Telecopy: (415) 705-7037

FIRST UNION NATIONAL BANK
301 South College Street DC-5
Charlotte, NC 28288-0735
Attn: Robert W. Beatty
Telephone: (704) 374-4176
Telecopy: (704) 383-7611

EXHIBIT 10.15

ESSEX INVESTMENT MANAGEMENT COMPANY, LLC

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

MARCH 20, 1998

ESSEX INVESTMENT MANAGEMENT COMPANY, LLC
AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

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ESSEX INVESTMENT MANAGEMENT COMPANY, LLC

AMENDED AND RESTATED LIMITED LIABILITY COMPANY AGREEMENT

This Limited Liability Company Agreement (the "Agreement") of Essex Investment Management Company, LLC (the "LLC" or the "Company") is made and entered into as of March 20, 1998 (the "Effective Date"), by and among the persons identified as the Manager Member and the Non-Manager Members on Schedule A attached hereto as members of the LLC, and the Persons who become members of the LLC in accordance with the provisions hereof.

WHEREAS, a limited liability company has been formed pursuant to the Delaware Limited Liability Company Act, 6 Delaware Code Section 18-101, et seq., as it may be amended from time to time and any successor to such Act (the "Act"), by filing a Certificate of Formation of the LLC with the office of the Secretary of State of the State of Delaware on January 12, 1998, and entering into a Limited Liability Company Agreement of the LLC, dated as of January 12, 1998; and

WHEREAS, pursuant to the Merger Agreement, Constitution Merger Sub, Inc. a Massachusetts corporation and a wholly owned subsidiary of Affiliated Managers Group, Inc. ("Merger Sub"), is being merged with and into Essex Investment Management Company, Inc., a Massachusetts corporation ("Essex"), effective as of the Closing (as defined in the Merger Agreement) and the Members desire to continue the LLC as a limited liability company under the Act with Essex as Manager Member, and to amend and restate the Limited Liability Company Agreement of the LLC, dated as of January 12, 1998 in its entirety.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the mutual covenants hereinafter set forth, the parties hereby agree as follows:

ARTICLE I -- DEFINITIONS.

Section 1.1 Definitions. Unless the context otherwise requires, the terms defined in this Article I shall, for the purposes of this Agreement, have the meanings herein specified.

"1940 Act" shall mean the Investment Company Act of 1940, as it may be amended from time to time, and any successor to such act.

"Act" shall have the meaning set forth in the preamble of this Agreement.

"Additional Non-Manager Members" shall have the meaning specified in Section 5.5.

"Advisers Act" shall mean the Investment Advisers Act of 1940, as it may be amended from time to time, and any successor to such act.

"Affiliate" shall mean, with respect to any person or entity (herein the "first party"), any other person or entity that directly or indirectly controls, or is controlled by, or is under common control with, such first party. The term "control" as used herein (including the terms "controlled

by" and "under common control with") means the possession, directly or indirectly, of the power to (a) vote twenty-five percent (25%) or more of the outstanding voting securities of such person or entity, or (b) otherwise direct the management or policies of such person or entity by contract or otherwise.

"Agreement" shall mean this Limited Liability Company Agreement, as it may from time to time be amended, supplemented or restated.

"AMG" shall mean Affiliated Managers Group, Inc., a Delaware corporation, and any successors or assigns thereof.

"AMG Stock" shall have the meaning specified in Section 7.2(a) hereof.

"Asserted Liability" shall have the meaning specified in Section 10.5(a) hereof.

"Capital Account" shall mean the capital account maintained by the LLC with respect to each Member in accordance with the capital accounting rules described in Section 4.2 hereof.

"Capital Contribution" shall mean, as to each Member, the amount of money and/or the agreed fair market value of any property (net of any liabilities encumbering such property that the LLC is considered to assume or take subject to) contributed to the capital of the LLC by such Member.

"Certificate" shall mean the original Certificate of Formation of the LLC required under the Act, as such Certificate may be amended and/or restated from time to time.

"Claims Notice" shall have the meaning specified in Section 10.5(a) hereof.

"Client" shall mean all Past Clients, Present Clients and Potential Clients, subject to the following general rules: (i) with respect to each Client, the term shall also include any persons or entities which are known to the Employee Stockholder to be Affiliates of such Client or persons who are members of the Immediate Family of such Client or any of its Affiliates; (ii) with respect to any collective investment vehicle other than an investment company registered under the Investment Company Act of 1940, as amended, the term shall also include any investor or participant in such Client; and (iii) with respect to so-called "wrap programs," both the sponsor of the program and the underlying participants in the program (or clients who have selected the LLC or a Controlled Affiliate under their contract with the sponsor) shall be included as Clients.

"Code" or "Internal Revenue Code" shall mean the United States Internal Revenue Code of 1986, as from time to time amended, and any successor thereto, together with all regulations promulgated thereunder.

"Committee Vote" shall have the meaning specified in Section 3.2(b)(iv) hereof.

"Controlled Affiliate" shall mean, with respect to a Person, any Affiliate of such Person under its "control," as the term "control" is defined in the definition of Affiliate.

"Controlling Person" shall have the meaning specified in Section 7.3(e) hereof.

"Covered Person" shall mean a Member, any Affiliate of a Member, any officer, director, shareholder, partner, employee or member of a Member or any of its Affiliates, or any Officer.

"Earned Performance Fee" shall mean, for each Performance Account, with respect to a calendar quarter in which any "carried interest," special performance allocation or other profit allocation or any "performance fee" (in each case as set forth in the investment contract with, or organizational document of, a Performance Account) has been definitively allocated to or earned by the LLC and is no longer subject to any offset or reduction, an amount equal to the product of (a) that "carried interest" or other profit allocation or any "performance fee" and (b) the Free Cash Flow Percentage.

"Effective Date" shall have the meaning specified in the preamble of this Agreement.

"Eligible Person" shall have the meaning specified in Section 3.2(b)(i) hereof.

"Employee Stockholder" shall mean (a) in the case of a Non-Manager Member which is an individual, such Non-Manager Member, and (b) in the case of a Non-Manager Member which is not an individual, that certain employee of the LLC who is the owner of all the issued and outstanding capital stock of such Non-Manager Member, and is listed as such on Schedule A hereto, including such employee after such employee transfers his or her interest in such Non-Manager member to a Permitted Transferee.

"Employment Agreement" shall have the meaning ascribed thereto in the Merger Agreement.

"Essex" shall have the meaning specified in the preamble of this Agreement.

"Fair Market Value" shall mean such fair market value as the Manager Member may reasonably determine (or, for purposes of Section 4.4 hereof, if there shall be no Manager Member, the Liquidating Trustee) with the consent of the Management Committee (which consent shall not be unreasonably withheld) or, in the absence of such determination and consent, as determined by an appraiser jointly selected by the Manager Member and the Management Board.

"For Cause" shall mean, with respect to the termination of an Employee Stockholder's employment with the LLC, or his removal from the Management Committee or from his position as an Officer, any of the following:

(a) The Employee Stockholder has engaged in (i) any criminal offense which is classified as a felony (or its equivalent under the laws or regulations of any country or political subdivision thereof), or (ii) any other criminal offense which involves

a violation of federal or state securities laws or regulations (or equivalent laws or regulations of any country or political subdivision thereof), embezzlement, fraud, wrongful taking or misappropriation of property, theft, or any other crime involving dishonesty and has been convicted (whether or not subject to appeal) or pled nolo contendere (or any similar plea) to any criminal offense in connection with or relating to such act;

(b) The Employee Stockholder has persistently and willfully failed to perform his or her duties or failed to devote substantially all of his or her working time to the performance of such duties (except, in the case of an Employee Stockholder who is a party to an Employment Agreement or a Non-Solicitation Agreement, as may be specifically permitted by the terms of such Employment Agreement or a Non-Solicitation Agreement); or

(c) The Employee Stockholder has (i) engaged in a Prohibited Competition Activity, (ii) violated or breached any material provision of his or her Employment Agreement or Non Solicitation Agreement or (iii) engaged in any of the activities prohibited by Section 3.9 hereof.

"Free Cash Flow" shall mean, for any period, the Free Cash Flow Percentage multiplied by the Revenues From Operations of the LLC for such period.

"Free Cash Flow Expenditure" shall have the meaning specified in Section 3.5(a) hereof.

"Free Cash Flow Percentage" shall mean fifty-two percent (52%).

"Governmental Authority" shall mean any foreign, federal, state or local court, governmental authority or regulatory body.

"Holders" shall have the meaning specified in Section 7.3(a) hereof.

"Immediate Family" shall mean, with respect to any natural person, (a) such person's spouse, parents, grandparents, children, grandchildren and siblings and (b) such person's former spouse(s) and current spouses of such person's children, grandchildren and siblings and (c) estates, trusts, partnerships and other entities of which substantially all of the interest is held directly or indirectly by the foregoing.

"Incentive Program" shall mean the Essex Investment Management Company, LLC Incentive Program in the form attached hereto as Exhibit A. On the Effective Date, there are the sixty eight (68) LLC Points held by the Manager Member that are designated as available for transfer pursuant to the Incentive Program.

"Indebtedness" shall mean, with respect to a Person, (a) all indebtedness of such Person for borrowed money or for the deferred purchase price of property or services (other than current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (b) any other indebtedness of such Person which is evidenced by a note,

bond, debenture or similar instrument, (c) all obligations of such Person under any financing leases, (d) all obligations of such person in respect of acceptances issued or created for the account of such Person, (e) all obligations of such Person under noncompetition agreements reflected as liabilities on a balance sheet of such Person in accordance with generally accepted accounting principles, (f) all liabilities secured by any Lien on any property owned by such Persons even though such Person has not assumed or otherwise become liable for the payment thereof, and (g) all net obligations of such Person under interest rate, commodity, foreign currency and financial markets swaps, options, futures and other hedging obligations.

"Independent Public Accountants" shall mean any independent certified public accountant satisfactory to the Manager Member and retained by the LLC.

"Initial Members" shall mean those Persons which are Members on the Effective Date.

"Initial LLC Points" means, with respect to a Non-Manager Member (including his (or its) Related Non-Manager Members) and their respective Permitted Transferees, those LLC Points held by such Non-Manager Member and his (or its) Related Non-Manager Members in the LLC on the Effective Date, provided that LLC Points shall cease to be Initial LLC Points from and after the date on which they are acquired by the Manager Member (or its assignee).

"Initial Put LLC Points" shall have the meaning specified in Section 7.1(d) hereof.

"Intellectual Property" shall have the meaning specified in Section 3.9(d) hereof.

"Investment Management Services" shall mean any services which involve (a) the giving of advice with respect to the investment and/or reinvestment of assets or funds (or any group of assets or funds, other than services provided on an isolated basis without receipt of compensation for such isolated services, or (b) the management of an investment account or fund (or portions thereof or a group of investment accounts or funds).

"IRS" shall mean the Internal Revenue Service of the United States Department of the Treasury.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, restriction, claim, lien (statutory or other), charge or other security interest or any preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement and any financing lease having substantially the same economic effect as any of the foregoing).

"Liquidating Trustee" shall have the meaning specified in Section 8.4 hereof.

"LLC" means Essex Investment Management Company, LLC, the limited liability company heretofore formed and continued under and pursuant to the Act and this Agreement, as the same may be amended and/or restated from time to time.

"LLC Contribution" shall have the meaning ascribed thereto in the Merger Agreement.

"LLC Contribution Agreement" shall have the meaning ascribed thereto in the Merger Agreement.

"LLC Interest" means a Member's limited liability company interest in the LLC, which includes such Member's LLC Points as well as such Member's Capital Account and other rights under this Agreement and the Act.

"LLC Points" shall mean, as of any date, with respect to a Member, the number of LLC Points of such Member as set forth on Schedule A hereto, as amended from time to time in accordance with the terms hereof, and as in effect on such date.

"LLC Repurchase" shall have the meaning specified in Section 3.11(a) hereof.

"Maintenance Fees"shall mean, for any period, the product of (a) the Revenues From Operations for that period minus the Performance Fees for that period and (b) the Free Cash Flow Percentage.

"Majority Vote" shall mean the affirmative approval, by vote or written consent, of Non-Manager Members holding a majority of the outstanding Vested LLC Points then held by all Non-Manager Members.

"Management Committee" shall have the meaning specified in Section 3.2(a) hereof.

"Manager Member" shall mean Essex Investment Management Company, Inc., and any Person who becomes a successor Manager Member as provided herein.

"Members" shall mean any Person admitted to the LLC as a "member" within the meaning of the Act, which includes the Manager Member and the Non-Manager Members, unless otherwise indicated, and includes any Person admitted as an Additional Non-Manager Member or a substitute Non-Manager Member pursuant to the provisions of this Agreement, in such Person's capacity as a member of the LLC, unless otherwise indicated. For purposes of the Act, the Members shall constitute one (1) class or group of members.

"Merger Agreement" shall mean that certain Agreement and Plan of Reorganization dated as of January 15, 1998, as amended, by and among Affiliated Managers Group, Inc., Merger Sub, Essex Investment Management Company, Inc. and certain stockholders of Essex Investment Management Company, Inc., as the same has been amended from time to time.

"NASD" shall have the meaning specified in Section 7.3(d) hereof.

"Net Assets" shall mean, with respect to a Performance Account the assets in such Performance Account, net of the liabilities of such Performance Account (if any), on the

measurement date, with such assets and liabilities valued in accordance with the valuation rules applicable to the calculation of the Earned Performance Fee for such Performance Account.

"Non-Manager Member" shall mean any Person who is or becomes a Non-Manager Member pursuant to the terms hereof, unless otherwise indicated.

"Non Solicitation Agreement" shall have the meaning set forth in Section 3.8 hereof.

"Notice Deadline" shall have the meaning specified in Section 7.1(d) hereof.

"Notices" shall have the meaning specified in Section 11.1 hereof.

"Officers" shall have the meaning specified in Section 3.3(a) hereof.

"Operating Cash Flow" shall mean, for any period, an amount equal to the positive difference, if any, between Revenues From Operations of the LLC for such period and Free Cash Flow for such period.

"Option Exercise" shall have the meaning specified in Section 7.1(c) hereof.

"Option Put LLC Points" shall have the meaning specified in Section 7.1(d) hereof.

"Past Client" shall mean at any particular time, any Person who at any point prior to such time had been an advisee or investment advisory customer of, or recipient of Investment Management Services from, the LLC (including, without limitation, its predecessor, Essex Investment Management Company, Inc.) or a Controlled Affiliate of the LLC but at such time is not an advisee or investment advisory customer or client of, or recipient of Investment Management Services from, the LLC or a Controlled Affiliate of the LLC.

"Performance Account" shall mean any contract or agreement (including, without limitation, a partnership or limited liability company or other similar agreement) pursuant to which the LLC or a Controlled Affiliate of the LLC provides investment advice, directly or indirectly, and pursuant to which the LLC or such an Affiliate is or becomes entitled to receive a Performance Fee.

"Performance Account Adjustment" shall mean, for each Performance Account, and with respect to a calendar quarter, an amount equal to the sum for all months in that calendar quarter, of an amount equal to (i) the Performance Fee which the LLC or a Controlled Affiliate would have been entitled to if the Net Assets in such Performance Account on the first business day of the month had increased ten percent (10%) over a twelve (12) month period due solely to market performance, and assuming that there were no offsets or other adjustments (whether on account of additions, withdrawals, historic under performance of the Performance Account (including so-called "high-water" marks) or otherwise), divided by (ii) twelve (12), with appropriate adjustments being made for any partial quarter (or other period) with respect to which a calculation of Performance Account Adjustment must be made.

"Performance Fee" shall mean (i) any "carried interest", special performance allocation or other gain (net of losses) allocated (directly or indirectly) to the LLC or a Controlled Affiliate (other than allocations that are made pro-rata based on capital to all partners, members, beneficiaries or other holders of similar economic interests in the Person), or (ii) any "performance fee" or other payment based, in whole or in part, on the investment performance of a Client or Client's account

"Permanent Incapacity" shall mean, with respect to an Employee Stockholder, that such Employee Stockholder has been permanently and totally unable, by reason of injury, illness or other similar cause (determined pursuant to the process set forth in the following sentence) to have performed his or her substantial and material duties and responsibilities for a period of three hundred sixty-five (365) consecutive days, which injury, illness or similar cause (as determined pursuant to such process) would render such Employee Stockholder incapable of operating in a similar capacity in the future. The foregoing determination shall be made by a licensed physician selected by the Manager Member; provided, however, that if the LLC has purchased lump-sum key-man disability insurance with respect to such Employee Stockholder, which policy is then in effect, then such determination shall be made either (i) by an agreement between such physician and a physician selected by the insurance company with which the LLC has entered into a lump-sum key-man disability policy with respect to such Employee Stockholder, or, if the two physicians cannot arrive at an agreement, a third physician will be chosen by the first two physicians, and the majority decision of the three physicians will then be binding), or (ii) if the LLC has entered into a lump-sum key-man disability policy with respect to such Employee Stockholder, and a different procedure is then required under such policy, then by using such other procedure as may then be required by such insurance company.

"Permitted Transferee" shall mean, with respect to any Non-Manager Member, its transferees pursuant to the provisions of Sections 5.1(b) and 5.1(c) hereof and, to the extent set forth in any consent of the Manager Member pursuant to Section 5.1(a), its transferees pursuant to Section 5.1(a) hereof.

"Person" means any individual, partnership (limited or general), corporation, limited liability company, limited liability partnership, association, trust, joint venture, unincorporated organization or any similar entity.

"Potential Client" shall mean, at any particular time, any Person to whom the LLC (including, without limitation, its predecessor, Essex Investment Management Company, Inc.) or any of its Controlled Affiliates, through any of their officers, employees, agents or consultants (or persons acting in any similar capacity), has, within five years prior to such time, offered (whether by means of a personal meeting or written proposal) to serve as investment adviser or otherwise provide Investment Management Services, but who is not at such time an advisee or investment advisory customer of, or recipient of Investment Management Services from, the LLC or any of its Controlled Affiliates. The preceding sentence is meant to exclude form letters, blanket mailings, cold calls and initial marketing efforts that do not result in a request by the recipient for further information or a presentation.

"Present Client" shall mean, at any particular time, any Person who is at such time an advisee or investment advisory customer of, or recipient of Investment Management Services from, the LLC or any of its Controlled Affiliates.

"Prohibited Competition Activity" shall mean any of the following activities:

(a) directly or indirectly, whether as owner, part owner, member, director, officer, trustee, employee, agent or consultant for or on behalf of any Person other than the LLC or any Affiliate of the LLC: (i) diverting or taking away any funds or investment accounts with respect to which the LLC or any Controlled Affiliate of the LLC is performing investment management or advisory services; or (ii) soliciting any Person to divert or take away any such funds or investment accounts; or

(b) directly or indirectly, whether as owner, part owner, partner, member director, officer, trustee, employee, agent or consultant, for or on behalf of any Person other than the LLC or any Controlled Affiliate of the LLC, performing any Investment Management Services (provided that an Employee Stockholder who directly performs Investment Management Services for his or her own account or a member of his or her Immediate Family without a fee or other remuneration, shall not be considered to have engaged in a Prohibited Competition Activity);

"Purchase Date" shall have the meaning specified in Section 7.1(b) hereof.

"Put" shall have the meaning specified in Section 7.1(a) hereof.

"Put LLC Points" shall have the meaning specified in Section 7.1(d) hereof.

"Put Notice" shall have the meaning specified in Section 7.1(d) hereof.

"Put Price" shall have the meaning specified in Section 7.1(e) hereof.

"Receipts Account" shall have the meaning specified in Section 4.3(b) hereof.

"Registrable Securities" shall have the meaning specified in Section 7.3(b) hereof.

"Registration" shall have the meaning specified in Section 7.3(a) hereof.

"Registration Expenses" shall have the meaning specified in Section 7.3(d) hereof.

"Registration Statement" shall have the meaning specified in Section 7.3(a) hereof.

"Related Non-Manager Member" shall mean, with respect to any Non-Manager Member who is also an employee of the LLC, any member of his Immediate Family that is a Transferee or Non-Manager Member, which member of the Immediate Family is not also a full-time employee of the LLC.

"Repurchase" shall mean a purchase or repurchase of LLC Interests made pursuant to Section 3.11(a).

"Repurchase Closing Date" shall have the meaning specified in Section 3.11(b) hereof.

"Repurchased Member" shall have the meaning specified in Section 3.11(a).

"Repurchase Price" shall have the meaning specified in Section 3.11(c).

"Retirement" shall mean, with respect to an Employee Stockholder, the termination by such Employee Stockholder of such Employee Stockholder's employment with the LLC and its Affiliates: (a) after the date such Employee Stockholder shall have been continuously employed by the LLC for a period of fifteen (15) years commencing with the later of the Effective Date or the date such Employee Stockholder commenced his or her employment with the LLC (including its predecessor, Essex Investment Management Company, Inc.), as applicable, and (b) pursuant to a written notice given to the LLC and the Manager Member not less than one (1) year prior to the date of such termination. Notwithstanding the foregoing, with respect to Joseph C. McNay, Stephen R. Clark or Stephen D. Cutler, the term "Retirement" shall mean the termination by him of his employment with the LLC after the tenth (10) anniversary of the Effective Date and pursuant to a written notice given to the LLC and the Manager Member not less than one (1) year prior to the date of such termination.

"Revenues From Operations" shall mean, for any period, the gross revenues of the LLC (except as set forth herein), determined on an accrual basis in accordance with generally accepted accounting principles consistently applied (but including other income such as interest, dividend income and gains on the sale of assets); provided, however, that Revenues From Operations shall be determined without regard to (a) proceeds during such period from the sale, exchange or other disposition of all, or a substantial portion of, the assets of the LLC, (b) revenues from the issuance by the LLC of additional LLC Points, other LLC Interests, or other securities issued by the LLC, and (c) payments received pursuant to any insurance policies other than with respect to business interruption insurance.

"SEC" shall mean the Securities and Exchange Commission, and any successor Governmental Authority thereto.

"Securities Act" shall mean the Securities Act of 1933, as it may be amended from time to time, and any successor thereto.

"Suspension Period" shall have the meaning specified in Section 7.4(c) hereof.

"Transfer" shall have the meaning specified in Section 5.1 hereof.

"Unanimous Termination Decision" shall mean a determination with the prior written consent of the Manager Member and the unanimous vote of the Management Committee (including any member(s) thereof who may be the subject of the determination), that an Employee shall be

terminated from employment by the LLC for any reason (including unsatisfactory performance) or for no reason.

"Vested LLC Points" shall mean, at any time and with respect to any Member, the number of LLC Points held by such Member which have vested at such time, as determined pursuant to an agreement among the LLC, the Manager Member and such Member in connection with the issuance of such LLC Points. The number of Vested LLC Points held by each member and the vesting schedule with respect to LLC Points which are not vested, shall be indicated on Schedule A hereto, which Schedule shall be updated by the Manager member as additional LLC Points are issued and/or vest from time to time.

In addition to the foregoing, other capitalized terms used in this Agreement shall have the meaning ascribed thereto in the text of this Agreement.

ARTICLE II -- ORGANIZATION AND GENERAL PROVISIONS.

Section 2.1 Continuation.

(a) The Members hereby agree to continue the LLC as a limited liability company under and pursuant to the provisions of the Act, and agree that the rights, duties and liabilities of the Members shall be as provided in the Act, except as otherwise provided herein.

(b) Upon the execution of this Agreement or a counterpart of this Agreement, the Initial Members shall continue as members of the LLC.

(c) The name, LLC Points and Capital Contribution of each Member (including the agreed value of such Capital Contribution) shall be listed on Schedule A attached hereto. The Manager Member shall update Schedule A from time to time as it deems necessary, to accurately reflect the information to be contained therein. Any amendment or revision to Schedule A shall not be deemed an amendment to this Agreement. Any reference in this Agreement to Schedule A shall be deemed to be a reference to Schedule A as amended and in effect from time to time.

(d) The Manager Member, as an authorized person within the meaning of the Act, shall execute, deliver and file any certificates required or permitted by the Act to be filed in the office of the Secretary of State of the State of Delaware.

Section 2.2 Name. The name of the LLC heretofore formed and continued hereby is Essex Investment Management Company, LLC. At any time, the Management Committee may, with the prior consent of the Manager Member, change the name of the LLC. The business of the LLC may be conducted upon compliance with all applicable laws under any other name designated by the Management Committee with the prior written consent of the Manager Member.

Section 2.3 Term. The term of the LLC commenced on the date the Certificate was filed in the Office of the Secretary of State of the State of Delaware and shall continue until the LLC is dissolved in accordance with the provisions of this Agreement.

Section 2.4 Registered Agent and Registered Office. The LLC's registered agent and registered office in Delaware shall be The Corporation Trust Company, Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801. At any time, the Manager Member may designate another registered agent and/or registered office.

Section 2.5 Principal Place of Business. The principal place of business of the LLC shall be at 125 High Street, Boston, Massachusetts. At any time, the Management Committee may change the location of the LLC's principal place of business; provided, however, that if the principal place of business is to be located outside of Boston, Massachusetts, such action must be approved by the Manager Member.

Section 2.6 Qualification in Other Jurisdictions. The Management Committee shall cause the LLC to be qualified or registered (under assumed or fictitious name if necessary) in any jurisdiction in which the LLC transacts business or in which such qualification, formation or registration is required.

Section 2.7 Purposes and Powers. The principal business activity and purposes of the LLC shall initially be to engage in the investment advisory and investment management business and any businesses related thereto or useful in connection therewith. In addition, the LLC shall have the authority to engage in any other lawful business, purpose or activity permitted by the Act that is agreed upon in writing by the Manager Member and the Management Committee. The LLC shall possess and may exercise all of the powers and privileges granted by the Act or which may be exercised by any Person, together with any powers incidental thereto, so far as such powers or privileges are necessary or convenient to the conduct, promotion or attainment of the business purposes or activities of the LLC, including without limitation the following powers:

(a) to conduct its business and operations and to have and exercise the powers granted to a limited liability company by the Act in any state, territory or possession of the United States or in any foreign country or jurisdiction;

(b) to purchase, receive, take, lease or otherwise acquire, own, hold, improve, maintain, use or otherwise deal in and with, sell, convey, lease, exchange, transfer or otherwise dispose of, mortgage, pledge, encumber or create a security interest in all or any of its real or personal property, or any interest therein, wherever situated;

(c) to borrow or lend money or obtain or extend credit and other financial accommodations, to invest and reinvest its funds in any type of security or obligation of or interest in any public, private or governmental entity, and to give and receive interests in real and personal property as security for the payment of funds so borrowed, loaned or invested;

(d) to make contracts, including contracts of insurance, incur liabilities and give guaranties, including without limitation, guaranties of obligations of other Persons who are interested in the LLC or in whom the LLC has an interest;

(e) to employ Officers, employees, agents and other persons, to fix the compensation and define the duties and obligations of such personnel, to establish and carry out retirement, incentive and benefit plans for such personnel, and to indemnify such personnel to the extent permitted by this Agreement and the Act;

(f) to make donations irrespective of benefit to the LLC for the public welfare or for community, charitable, religious, educational, scientific, civic or similar purposes;

(g) to institute, prosecute, and defend any legal action or arbitration proceeding involving the LLC, and to pay, adjust, compromise, settle, or refer to arbitration any claim by or against the LLC or any of its assets;

(h) to indemnify any Person in accordance with the Act and to obtain any and all types of insurance;

(i) to negotiate, enter into, renegotiate, extend, renew, terminate, modify, amend, waive, execute, acknowledge or take any other action with respect to any lease, contract or security agreement in respect of any assets of the LLC;

(j) to form, sponsor, organize or enter into joint ventures, general or limited partnerships, limited liability companies, trusts and any other combinations or associations formed for investment purposes;

(k) to make, execute, acknowledge and file any and all documents or instruments necessary, convenient or incidental to the accomplishment of the purposes of the LLC; and

(l) to cease its activities and cancel its Certificate.

Section 2.8 Title to Property. All property owned by the LLC, real or personal, tangible or intangible, shall be deemed to be owned by the LLC as an entity, and no Member, individually, shall have any ownership of such property.

ARTICLE III -- MANAGEMENT OF THE LLC.

Section 3.1 Management in General.

(a) The management and control of the business of the LLC shall be vested exclusively in the Manager Member, and the Manager Member shall have exclusive power and authority, in the name of and on behalf of the LLC, to perform all acts and do all things which,

in its sole discretion, it deems necessary or desirable to conduct the business of the LLC; with or without the vote or consent of the Members in their capacity as such, except as specifically provided in this Agreement. Members, in their capacity as such, shall have no right to amend or terminate this Agreement or to appoint, select, vote for or remove the Manager Member, the Officers or their agents or to exercise voting rights or call a meeting of the Members, except as specifically provided in this Agreement. No Member other than the Manager Member shall have the power to sign for or bind the LLC to any agreement or document in its capacity as a Member, but the Manager Member may delegate the power to sign for or bind the LLC.

(b) The Manager Member shall, subject to all applicable provisions of this Agreement and the Act, be authorized in the name of and on behalf of the LLC: (i) to enter into, execute, amend, supplement, acknowledge and deliver any and all contracts, agreements, leases or other instruments for the operation of the LLC's business; and (ii) in general to do all things and execute all documents necessary or appropriate to conduct the business of the LLC as set forth in Section 2.7 hereof, or to protect and preserve the LLC's assets. The Manager Member may delegate any or all of the foregoing powers.

(c) The Manager Member is required to be a Member, and shall hold office until its resignation in accordance with the provisions hereof. The Manager Member is a "manager" (within the meaning of the Act) of the LLC. The Manager Member shall devote such time to the business and affairs of the LLC as it deems necessary, in its sole discretion, for the performance of its duties, but in any event, shall not be required to devote full time to the performance of such duties and may delegate its duties and responsibilities as provided in Section 3.3.

(d) Any action taken by the Manager Member, and the signature of the Manager Member (or an authorized representative thereof) on any agreement, contract, instrument or other document on behalf of the LLC, shall be sufficient to bind the LLC and shall conclusively evidence the authority of the Manager Member and the LLC with respect thereto.

(e) Any Person dealing with the LLC, the Manager Member or any Member may rely upon a certificate signed by the Manager Member as to (i) the authority of the Manager Member or any Member; (ii) any factual matters relevant to the affairs of the LLC; (iii) the Persons who are authorized to execute and deliver any document on behalf of the LLC; or (iv) any action taken or omitted by the LLC or the Manager Member.

(f) Notwithstanding the foregoing, the Manager Member shall have no power or authority whatsoever to make investment recommendations to Clients on behalf of the LLC, to execute or cause the execution of any transaction in, or exercise any powers with respect to securities or other instruments or assets held in the accounts of Clients of the LLC, or determine the terms, timing or other conditions on which any such transaction may be recommended or executed into.

(g) In addition to, and not in limitation of, the Manager Member's powers and authority under this Agreement (including without limitation, pursuant to Section 3.1(a) hereof),

the Manager Member shall also have the power, in its reasonable discretion (after consultation with at least one member of the Management Committee to the extent such prior consultation is feasible), to take any or all of the following actions whether or not they involve day-to-day operations, business and activities of the LLC:

(i) any action it deems reasonably necessary or appropriate to cause the LLC or any Controlled Affiliate of the LLC, or any officer, employee, member, partner, or agent thereof, to comply with applicable laws, rules or regulations, or any such action required by the Manager Member in accordance with its duties hereunder;

(ii) any action it deems reasonably necessary or appropriate to coordinate any initiative which involves the LLC (or a Controlled Affiliate of the LLC) and the Manager Member, AMG and/or any of their respective Affiliates, but only on such terms and conditions as the participation of the LLC in such initiative has been approved by the Management Committee;

(iii) any action it deems necessary or appropriate to cause the LLC to fulfill its obligations and exercise its rights under the Merger Agreement;

(iv) any action it deems necessary or appropriate to cause the LLC to participate in employee benefit plans that are subject to ERISA or require qualification under Section 401 of the Internal Revenue Code in order to make the expenses of such plans deductible and establish or modify the terms of any such plan and any action necessary or desirable in connection therewith, but only to the extent that the Manager Member reasonably believes that such participation or modification is required for the continued qualification of such plan under Section 401(a) of the Code or to make the expense by the LLC under such plans deductible or to comply with ERISA, as the case may be, provided that the Manager Member's power under this paragraph (iv) shall not impair the Management Committee's power and authority to establish or modify any employee benefit arrangement not intended to qualify under Section 401 of the Code or subject to ERISA (excluding Title I, Subtitle A and Title I, Subtitle B, Part 1 thereof, to the extent that the establishment or modification of such arrangement does not adversely affect the ability of the Manager Member (or any of its Affiliates) to offer the same or similar employee benefit arrangements to its similarly situated employees;

(v) any other action that the Manager Member is authorized to take pursuant to the terms of this Agreement (subject to having obtained any required Management Committee approval) and any other action necessary or appropriate to prevent actions that require the Manager Member's consent pursuant to the terms of this Agreement if such consent has not then been given.

Section 3.2 Management Committee of the LLC.

(a) The LLC shall have a Management Committee (the "Management Committee"). Subject (i) to the specific rights and powers expressly reserved to the Manager Member in this Agreement (including, without limitation, in Sections 3.1(g) and 3.5(b) hereof), (ii) to the agreement, consent or determination of the Manager Member in any circumstances where such agreement, consent or determination is expressly provided for in this Agreement and (iii) to the provisions of Section 3.1 to the extent necessary or appropriate to effectuate the foregoing, the Manager Member hereby delegates irrevocably, to the greatest extent permitted by applicable law, to the Management Committee all powers and authority of the Manager Member, in the name of and on behalf of the LLC, to perform all acts and do all things necessary or desirable to conduct the business of the LLC. Without in any way limiting the scope of the foregoing delegation, the Management Committee shall have the sole and exclusive power and authority to make recommendations with respect to and to determine which transactions Clients of the LLC shall enter into (and the time at which, the parties with which and the terms on which all such transactions shall be entered into and to exercise any rights, powers and privileges of the LLC with respect to accounts of Clients or any of the securities or other instruments in accounts of Clients) and shall have the power and authority to further delegate any or all of the powers and authorities delegated to it to Officers and employees of the LLC (provided that any such delegation shall be revocable), and to also include, subject to Sections 3.1(g) and 3.5(b) hereof, the power and the authority, in the name of and on behalf of the LLC, to:

(i) determine the use of the Operating Cash Flow as set forth in Section 3.5(a) below;

(ii) execute such documents and do such acts as are necessary to register (or provide or qualify for exemptions from any such registrations) or qualify the LLC under applicable Federal and state securities laws;

(iii) enter into contracts and other agreements with respect to the provision of Investment Management Services and execute other instruments, documents or reports on behalf of the LLC in connection therewith;

(iv) enter into contracts, agreements and commitments with respect to the operation of the business of the LLC as are consistent with the other provisions of this Agreement and the Act; and

(v) act for and on behalf of the LLC in all matters incidental to the foregoing and other day-to-day matters.

To effectuate the foregoing, the Management Committee shall have the power ascribed to the Manager Member in Section 3.1(b) (subject to Sections 3.1(g) and 3.5(b) hereof) and Section 3.1(d) and Section 3.1(e) hereof to the extent related thereto.

(b) The Management Committee shall consist of Non-Manager Members determined as follows:

(i) The Management Committee shall initially have six (6) members and shall initially consist of Joseph C. McNay, Stephen D. Cutler, Stephen R. Clark, Christopher P. McConnell, R. Daniel Beckham and Colin McNay. The Management Committee may appoint annually a Secretary and/or one or more Assistant Secretaries of the Management Committee. The number of members of the Management Committee may be increased by the Management Committee at any time with notice to the Manager Member. No Person who is not both an active employee or the LLC and a Non-Manager Member (an "Eligible Person") may be, become or remain a member of the Management Committee.

(ii) Any vacancy in the Management Committee however occurring (including a vacancy resulting from the increase in size of the Management Committee) may be filled by any other Eligible Person elected by a Committee Vote, provided, however, that if more than one Non-Manager Member is available to fill such vacancy, the Manager Member shall have the right to consent as to which Non-Manager Member shall fill such vacancy. In lieu of filling any such vacancy, the Management Committee may determine to reduce the number of members of the Management Committee, but not to a number less than three (3).

(iii) Members of the Management Committee shall remain members of the Management Committee until their resignation, removal or death. Any member of the Management Committee may resign by delivering his or her written resignation to any member of the Management Committee and the Manager Member. At any time that there are more than three (3) members of the Management Committee, any member of the Management Committee may be removed from such position with or without cause, by the Management Committee acting by a unanimous vote of the Management Committee (with such vote being calculated for all purposes as if the member of the Management Committee whose removal is being considered were not a member of the Management Committee), with the prior written consent of the Manager Member. A Non-Manager Member shall be deemed to have resigned from the Management Committee and shall no longer be a member of the Management Committee immediately upon such Non-Manager Member ceasing to be an active employee of the LLC or otherwise ceasing to be a Non-Manager Member, in each case, for whatever reason.

(iv) At any meeting of the Management Committee, presence in person or by telephone (or other electronic means) of a majority of the members of the Management Committee shall constitute a quorum. At any meeting of the Management Committee at which a quorum is present, a majority of the members of the Management Committee may take any action on behalf of the Management Committee (any such action taken by such members of the Management Committee being referred to herein as a "Committee Vote"). In the event that the Management Committee is deadlocked and unable to resolve any issue for a period of five days, then the secretary of the Management Committee shall present the issue either (x) to the Non-Manager Members to Vote on such issue and a Majority Vote shall resolve such dispute or, (y) if determined by a Committee Vote, to the Manager Member for resolution. Any action required or permitted to be taken at any meeting of the Management Committee may be taken without a meeting of the Management Committee, if (A) a written consent thereto is signed by all the members of the Management Committee and (B) the Manager Member has been given a copy of such written consent not less than forty-eight (48) hours prior to such action. Notice of the time, date and place of all meetings of the Management Committee shall be given to all members of the Management Committee and the Manager Member at least forty-eight (48) hours in advance of the meeting. A representative of the Manager Member shall be entitled to attend each meeting of the Management Committee. Notice need not be given to any member of the Management Committee or the Manager Member if a waiver of notice is given (orally or writing) by such member of the Management Committee or the Manager Member (as applicable), before, at or after the meeting. Members of the Management Committee are not "managers" (within the meaning of the Act) of the LLC.

(v) Notwithstanding any other provision hereof to the contrary, the Manager Member shall have full power and authority at any time in its sole discretion (and without the consent or approval of the Management Committee or the Non-Manager Members) to remove, with or without cause, one or more members of the Management Committee or to increase the number of members of the Management Committee and to fill the vacancies created by any such removal or increase with one or more other Non-Manager Members, provided that such removal or increase may only be effected by written notice from the Manager Member to the LLC, which written notice must expressly reference this Section of this Agreement.

Section 3.3 Officers of the LLC. The Management Committee may designate employees of the LLC as officers of the LLC (the "Officers") as it deems necessary or desirable to carry on the business of the LLC. Any two or more offices may be held by the same Person. New offices may be created and filled by the Management Committee. Each Officer shall hold office until his or her successor is designated by the Management Committee or until his or her earlier death, resignation or removal. Any Officer may resign at any time upon written notice to the LLC and the Manager Member. Any Officer designated by the Management Committee may be removed from his or her office (with or without a concurrent termination of employment) (i) For Cause or not For Cause by the Management Committee (excluding the Person being considered) or (ii) For Cause by the Manager Member, in each case, at any time subject to the terms of such Officer's Employment Agreement with the LLC, if any, and subject to Section 3.1(g) and 3.5(b) hereof. A vacancy in any office occurring because of death, resignation, removal or otherwise may be filled by the Management Committee. Any designation of Officers, a description of any duties delegated to such Officers, and any removal of such Officers by the Management Committee shall be approved by the Management Committee in writing, which shall be delivered to the Manager Member. The Officers are not "managers" (within the meaning of the Act) of the LLC.

Section 3.4 Employees of the LLC.

(a) The terms of employment of any employee of the LLC who is not a Non-Manager Member (including, without limitation, with respect to the hiring, promoting, demoting and terminating of such employees), shall be determined by the Management Committee or such Person or Persons to whom the Management Committee may delegate such power and authority (subject, in all instances, to the power of the Management Committee to revoke such delegation in whole or in part (by a Committee Vote that excludes any Person to whom such power and authority has been delegated)), subject, in all cases, to compliance with all applicable laws, rules and regulations and with the provisions of Section 3.5 hereof. Notwithstanding the foregoing, the Manager Member may terminate the employment by the LLC of any employee who has engaged in any activity included in the definition of "For Cause," provided, however, that (i) the Manager Member may not terminate the employment of any such employee without having first consulted with the Management Committee and given written notice to the Management Committee specifying the reasons for such decision and (ii) the Manager Member may not terminate the employment of an employee on account of any activity specified in clause (b) of the definition of "For Cause" without either (A) obtaining the prior consent of the Management Committee or (B) complying with the provisions of the following sentence. If the Manager Member and the Management Committee (excluding the Person whose termination is being considered) cannot, after good faith efforts, agree with respect to the termination of the employment of an employee in the circumstances described in clause (b) of the definition of "For Cause," then such issue shall be finally determined by binding arbitration in accordance with the provisions of Section 11.6 of this Agreement, provided, that such arbitration shall take place no later than fourteen (14) days following the receipt by the Management Committee of written notice from the Manager Member that the Manager Member desires to submit such issue to arbitration, and a final decision with respect to such issue shall be issued within five (5) business days after such arbitration.

(b) The granting or Transferring of the LLC Interests in connection with any hiring or promotion of any employee shall be subject to the terms and conditions set forth in Articles V and VI hereof.

(c) Any Person who is a Non-Manager Member may have his or her employment with the LLC terminated by the LLC only: (i) in the case of a termination For Cause, either by the Manager Member or by the Management Committee (excluding the Person whose termination is being considered), with the prior written consent of the Manager Member, or (ii) in the case of any other termination by the LLC, by the Management Committee (excluding for all purposes the Person whose termination is being considered), with the prior written consent of the Manager Member.

Section 3.5 Operation of the Business of the LLC.

(a) The Operating Cash Flow of the LLC for any period shall be used by the LLC to provide for and pay its business expenses and expenditures as determined by the Management Committee; including, without limitation, compensation and benefits to its employees (including the Officers) and expenses and compensation of consultants, vendors and service providers selected by or pursuant to the authority of the Management Committee. Without the prior written consent of the Manager Member (which written consent makes specific reference to this Section 3.5(a)), the LLC shall not incur (and the Employee Stockholders shall use commercially reasonable efforts to prevent the LLC from incurring) any expenses or take any action to incur other obligations, which expenses and obligations exceed the ability of the LLC to pay or provide for them out of its Operating Cash Flow on a current or previously reserved basis. Except to the extent otherwise required by applicable law, the LLC shall only make payments of compensation (including bonuses) to its employees (including any Officers) out of the balance of its Operating Cash Flow remaining after the payment (or reservation for payment) of all the other business expenses and expenditures for the applicable period and subject to the availability of cash to pay such other business expenses and expenditures for such period. Any excess Operating Cash Flow remaining for any fiscal year following the payment (or reservation for payment) of all business expenses and expenditures may be used by the LLC in such fiscal year and/or in future fiscal years for any lawful purpose. Free Cash Flow may be used to provide for and pay the business expenses of the LLC only to the extent specified in Section 3.5(c) with respect to key-man life insurance and disability insurance, Section 4.3 with respect to certain extraordinary expenses and as otherwise agreed to in writing by the Manager Member and the Management Committee (any such use being referred to herein as a "Free Cash Flow Expenditure").

(b) The LLC shall not do, and the Employee Stockholders and Non Manager Members shall use commercially reasonable efforts to prevent the LLC from doing, any of the following without the prior written consent of the Manager Member (which written consent makes specific reference to this Section 3.5(b)):

(i) enter into, amend, modify or terminate any contract, agreement or understanding (written or oral) if such action or the resulting contract, agreement

or understanding could reasonably be expected to conflict with the provisions of this Section 3.5;

(ii) enter into, amend, modify or terminate any contract, agreement or understanding (written or oral) if such action or the resulting contract, agreement or understanding (individually or in the aggregate) could (A) materially reduce the percentage of Operating Cash Flow available in the current or future periods or effect a material reduction in the availability of Free Cash Flow for distribution by the LLC (directly or in the form of bonuses to employees) in the current or future periods or (B) have a material adverse effect on the condition (financial or otherwise), properties, assets, liabilities, business or prospects of the LLC; provided, however, that no consent of the Manager Member shall be required for decisions by the Management Committee in the exercise of its good faith judgment relating to the commencement, termination or modification of any agreement for the provision by the LLC or any of its Controlled Affiliates of Investment Management Services, including rates and other terms and conditions with respect to the Investment Management Services, unless such decision directly or indirectly benefits a Non-Manager Member or a member of the Immediate Family of a Non-Manager Member to the detriment of the LLC or the Manager Member;

(iii) enter into, amend, modify or terminate any contract, agreement or understanding (written or oral) if such action or the resulting contract, agreement or understanding has the effect of creating a Lien either (A) upon any of the assets of the LLC (other than Liens securing indebtedness of the LLC incurred to finance the acquisition of fixed or capital assets (whether pursuant to a deferred purchase agreement with a vendor, a loan, a financing lease or otherwise), provided that (1) such Liens shall be created substantially simultaneously with the acquisition of such fixed or capital assets, (2) such Liens do not at any time encumber any property other than property financed by such indebtedness, (3) the amount of indebtedness secured thereby is not increased and (4) the principal amount of indebtedness secured by such Lien shall at no time exceed the purchase price of such property) or (B) upon any of that portion of the revenues of the LLC which is included in Free Cash Flow (other than with respect to permitted Free Cash Flow Expenditures hereunder);

(iv) either (A) take any action (or omit to take any action) if such action (or omission) could reasonably be expected to result in termination of the employment (including, without limitation, a so-called constructive termination under applicable law) by the LLC of any Employee Stockholder (provided, that the foregoing shall not impose any limitation on the ability of an Employee Stockholder to terminate his or her employment with the LLC in accordance with the provisions hereof) or (B) enter into, amend, modify or terminate any Employment Agreement or other employment commitment or binding understanding with respect to employment matters with any Non-Manager Member or members of the Immediate Family of a Non-Manager Member or waive any rights of the LLC thereunder;

(v) create, incur, assume, or suffer to exist any Indebtedness of the LLC or its Controlled Affiliates (to the extent such Indebtedness will be required to be included in the consolidated balance sheet of the LLC in accordance with generally accepted accounting principles), except Indebtedness of the LLC incurred to finance the acquisition of fixed capital assets (whether pursuant to a deferred purchase agreement with a vendor, a loan, a financing lease or otherwise) in the amount outstanding at any time not to exceed $250,000 (which by its terms shall be repaid solely out of Operating Cash Flow);

(vi) establish or modify any significant compensation arrangement (other than salary and cash bonuses in the ordinary course) or program (whether cash or non-cash benefits) applicable to any employee, which is subject to ERISA, which requires qualification under the Code, or which otherwise (A) requires the Manager Member or any of its Affiliates (other than the LLC) to take any action which the Manager Member in good faith views as being contrary to the interests of the Manager Member or the interests of any of its Affiliates (other than LLC) or which it would not take but for the action contemplated by the LLC or the Employee Stockholders or Officers or (B) prevents the Manager Member or any of its Affiliates (other than the LLC) from taking any action which the Manager Member in good faith views as being in the interest of the Manager Member or any of its Affiliates (other than the LLC) it would otherwise have been able to take but for the action contemplated by the LLC or the Employee Stockholders or Officers (and in addition, each Employee Stockholder will use his or her commercially reasonable efforts to cause the LLC to give the Manager Member not less than thirty (30) days prior written notice before the LLC establishes or modifies any significant compensation arrangement (other than salary and cash bonuses in the ordinary course) or program); provided that, for purposes of this paragraph, an action will not be viewed as adversely affecting the Manager Member's interests solely because the contributions or benefits payable under such compensation arrangement or program are paid from Operating Cash Flow.

(vii) enter into, amend, modify or terminate any contract, agreement or understanding (written or oral) containing severance or termination pay arrangements or which could cause the LLC or the Manager Member to be liable for termination or severance payments or other contractual payments upon a termination of any employee's employment with the LLC;

(viii) enter into any line of business other than the provision of Investment Management Services;

(ix) establish or modify any plan subject to ERISA; or

(x) (A) take any action which may be taken only by the Manager Member (with or without the consent of the Management Committee, Non-Manager Members or the Employee Stockholders), or (B) take any action

which requires the approval or consent of the Manager Member pursuant to any provision of this Agreement.

(c) The LLC will maintain (and the Employee Stockholders shall use commercially reasonable efforts to cause the LLC to maintain), in full force and effect, such insurance as is customarily maintained by companies of similar size in the same or similar businesses (including, without limitation, errors and omissions liability insurance), the premiums on which will be paid out of Operating Cash Flow. The LLC will maintain such key-man life insurance and disability insurance policies on each Employee Stockholder as the Manager Member shall deem necessary or desirable, from time to time, and the Employee Stockholders will use commercially reasonable efforts to effectuate the foregoing. The LLC will receive the proceeds of the above-referenced insurance policies, and the Members agree with each other and the LLC that the LLC will pay the premiums on such key-man life and disability policies, as well as any reasonable additional insurance policies that the Manager Member deems necessary, out of Free Cash Flow.

(d) Notwithstanding any of the provisions of this Agreement to the contrary, all accounting, financial reporting and bookkeeping procedures of the LLC shall be established in conjunction with policies and procedures determined under the supervision of the Manager Member. The LLC shall have a continuing obligation to keep AMG's chief financial officer informed of material financial developments with respect to the LLC. Notwithstanding any of the provisions of this Agreement to the contrary, all legal, compliance and regulatory matters of the LLC shall be coordinated with the Manager Member and/or its Affiliates, and the LLC's legal compliance activities shall be conducted and established in conjunction with policies and procedures determined under the supervision of the Manager Member.

(e) Notwithstanding any of the provisions of this Agreement to the contrary, the Management Committee and Employee Stockholders of the LLC will cooperate with the Manager Member and its Affiliates in implementing any initiative generally involving a number of such Affiliates, but only on such terms and conditions as the participation of the LLC in such initiative has been approved by the Management Committee.

Section 3.6 Compensation and Expenses of the Members. The Manager Member may receive compensation for services provided to the LLC to the extent approved by the Management Committee. The LLC shall, however, pay and/or reimburse the Manager Member for all reasonable travel expenses incurred by the Manager Member or AMG in accordance with Section 9.4 as well as (i) any expenses incurred by the Manager Member in connection with the operation of the LLC as approved or directed by the Management Committee or any duly authorized Officer, (ii) the applicable portion of any expenses incurred by the Manager Member in connection with any initiative which involves the LLC and/or one or more of the other Affiliates of the Manager Member or AMG, but only on such terms and conditions as the participation of the LLC in such initiative has been approved by the Management Committee, and (iii) any expenses incurred by the Manager Member in connection with its exercise of its powers under Section 3.1(g) of this Agreement. Without limiting the generality of the foregoing, the Manager Member's general overhead items and expenses (including, without limitation, salaries and rent) shall not be

reimbursed by the LLC. Stockholders, officers, directors, Members and agents of Members may serve as employees of the LLC and be compensated therefor out of Operating Cash Flow as determined by the Management Committee (or its delegate(s)) pursuant to Section 3.5(a), subject to the availability of cash therefor. Except in respect of their provision of services as employees of the LLC for which they may be compensated out of Operating Cash Flow as contemplated by the preceding sentence, Non-Manager Members and members of their Immediate Family may not receive compensation on account of the provision of services to the LLC.

Section 3.7 Other Business of the Manager Member and its Affiliates. The Manager Member, AMG and their respective Affiliates may engage, independently or with others, in other business ventures of every nature and description, including the acquisition, creation, financing, trading in, and operation and disposition of interests in, investment managers and other businesses that may be competitive with the LLC's business. Neither the LLC nor any of the Non-Manager Members shall have any right in or to any other such ventures by virtue of this Agreement or the limited liability company created or continued hereby, nor shall any such activity by the Manager Member, AMG or such Affiliates be deemed wrongful or improper or result in any liability of the Manager Member, AMG or such Affiliates. None of the Manager Member, AMG or any of their Affiliates shall be obligated to present any opportunity to the LLC even if such opportunity is of such a character which, if presented to the LLC, would be suitable for the LLC.

Section 3.8 Non-Manager Members and Non Solicitation Agreements. Each Employee Stockholder and, if there is one, the Non-Manager Member of which it is a stockholder (its Non-Manager Member), has provided the LLC with either (a) an Employment Agreement with the LLC, or (b) a Non Solicitation/Non Disclosure Agreement in form and substance substantially similar to Exhibit B hereto (the "Non Solicitation Agreement") (and, in the case of any substitute Non-Manager Member (pursuant to Section 5.2 hereof) or Additional Non-Manager Member (as defined in Section 5.5 hereof) which is not already bound by a Non Solicitation Agreement, it shall, prior to and as a condition precedent to becoming a Non-Manager Member, provide the LLC with such an agreement (together with any changes or modifications thereto as the Manager Member may deem necessary or desirable) and such agreements do and shall, at all times, provide that each of the LLC and the Manager Member shall be entitled to enforce the provisions of such agreements on its own behalf and that the Manager Member shall be entitled to enforce the provisions of such agreements on behalf of the LLC.

Section 3.9 Non Solicitation and Non Disclosure by Non-Manager Members and Employee Stockholders.

(a) Each Non-Manager Member and each Employee Stockholder agrees, for the benefit of the LLC and the other Members, that such Non-Manager Member and such Employee Stockholder shall not, while employed by the LLC or any of its Affiliates, engage in any Prohibited Competition Activity.

(b) In addition to, and not in limitation of, the provisions of Section 3.9(a) hereto, each Non-Manager Member and each Employee Stockholder agrees, for the benefit of the LLC and the other Members, that such Non-Manager Member and such Employee Stockholder

shall not, during the period beginning on the date such Non-Manager Member becomes a Non-Manager Member, and until the date which is two (2) years after the termination of such Employee Stockholder's employment with the LLC and its Affiliates, without the express written consent of the Manager Member and the Management Committee, directly or indirectly, whether as owner, part-owner, shareholder, partner, member, director, officer, trustee, employee, agent or consultant, or in any other capacity, on behalf of himself or any firm, corporation or other business organization other than the LLC and its Controlled Affiliates:

(i) provide Investment Management Services to:

(A) any Person that is a Client of the LLC (as defined herein, which includes Past, Present and Potential Clients) for whom the Non-Manager Member or Employee Stockholder provided, directly or indirectly, in whole or in part, Investment Management Services for the LLC, or whom the Non-Manager Member or Employee Stockholder solicited or otherwise had contact with through or on behalf of the LLC; or

(B) any other Person that is a Client of the LLC (as defined herein, which includes Past, Present and Potential Clients);

provided, however, that this clause (i) shall not be applicable to clients of the LLC who are also members of the Immediate Family of the Employee Stockholder.

(ii) solicit or induce, whether directly or indirectly, any Person for the purpose (which need not be the sole or primary purpose) of (A) causing any funds with respect to which the LLC provides Investment Management Services to be withdrawn from such management, or (B) causing any Client of the LLC not to engage the LLC or any of its Affiliates to provide Investment Management Services for any or additional funds;

(iii) contact or communicate with, in either case in connection with Investment Management Services, whether directly or indirectly, any Past, Present or Potential Clients of the LLC; provided, however, that this clause (iii) shall not be applicable to clients of the LLC who are also members of the Immediate Family of the Employee Stockholder; or

(iv) solicit or induce, or attempt to solicit or induce, directly or indirectly, any employee or agent of, or consultant to, the LLC or any of its Controlled Affiliates to terminate its, his or her relationship therewith, hire any such employee, agent or consultant, or former employee, agent or consultant, or work in any enterprise involving investment advisory services with any employee, agent or consultant or former employee, agent or consultant, of the LLC or its Controlled Affiliates who was employed by or acted as an agent or consultant to the LLC (or its predecessor Essex Investment Management Company, Inc.) or its Controlled Affiliates at any time during the two (2) year period preceding the

termination of the Employee Stockholder's employment (excluding for all purposes of this sentence, secretaries and persons holding other similar positions).

For purposes of this Section 3.9(b), (x) the term "Past Client" shall be limited to those past Clients who were advisees or investment advisory customers of, or recipients of Investment Management Services, directly or indirectly, from, the LLC (including its predecessor, Essex Investment Management Company, Inc.) and its Controlled Affiliates at the date of termination of the Employee Stockholder's employment or at any time during the two (2) years immediately preceding the date of such termination; and (y) the term "Potential Client" shall be limited to those Persons to whom an offer was made within two (2) years prior to the date of termination of the Employee Stockholder's employment.

Notwithstanding the provisions of Sections 3.9(a) and 3.9(b), any Employee Stockholder may make passive investments in an enterprise which is competitive with AMG or the LLC the shares or other equity interests of which are publicly traded provided his holding therein together with any holdings of his Affiliates and members of his Immediate Family, are less than five percent (5%) in the aggregate of the outstanding shares or comparable interests in such entity.

(c) Each Member and each Employee Stockholder agrees that any and all presently existing investment advisory businesses of the LLC and its Controlled Affiliates (including its predecessor, Essex Investment Management Company, Inc.), and all businesses developed by the LLC and its Controlled Affiliates, including by such Employee Stockholder or any other employee of the LLC (including, without limitation, employees of its predecessor, Essex Investment Management Company, Inc.), including without limitation, all investment methodologies, all investment advisory contracts, fees and fee schedules, commissions, records, data, client lists, agreements, trade secrets, and any other incident of any business developed by the LLC (or its predecessor, Essex Investment Management Company, Inc.) or its Controlled Affiliates or earned or carried on by the Employee Stockholder for the LLC or its predecessor, Essex Investment Management Company, Inc. or their respective Controlled Affiliates, and all trade names, service marks and logos under which the LLC or its Affiliates do business, and any combinations or variations thereof and all related logos, are and shall be the exclusive property of the LLC or such Controlled Affiliate, as applicable, for its or their sole use, and (where applicable) shall be payable directly to the LLC or such Controlled Affiliate. In addition, each Member and each Employee Stockholder acknowledges and agrees that the investment performance of the accounts managed by the LLC (and its predecessor, Essex Investment Management Company, Inc.) was attributable to the efforts of the team of professionals of the LLC (or its predecessor, Essex Investment Management Company, Inc., as applicable) and not to the efforts of any single individual or subset of such team of professionals, and that therefore, the performance records of the accounts managed by the LLC (and its predecessor, Essex Investment Management Company, Inc.) are and shall be the exclusive property of the LLC.

(d) Each Member and each Employee Stockholder acknowledges that, in the course of performing services hereunder and otherwise (including, without limitation, for the LLC's predecessor, Essex Investment Management Company, Inc.), such Member and Employee Stockholder has had, and will from time to time have, access to information of a confidential or

proprietary nature, including without limitation, all confidential or proprietary investment methodologies, trade secrets, proprietary or confidential plans, client identities and information, client lists, service providers, business operations or techniques, records and data ("Intellectual Property") owned or used in the course of business by the LLC or its Controlled Affiliates. Each Non-Manager Member and each Employee Stockholder agrees always to keep secret and not ever publish, divulge, furnish, use or make accessible to anyone (otherwise than in the regular business of the LLC and its Controlled Affiliates) any Intellectual Property of the LLC or any Controlled Affiliate thereof unless such information can be shown to be in the public domain through no fault of such Non-Manager Member or Employee Stockholder. At the termination of the Employee Stockholder's services to the LLC, all data, memoranda, client lists, notes, programs and other papers, items and tangible media, and reproductions thereof relating to the foregoing matters in the Non-Manager Member's or Employee Stockholder's possession or control, shall be returned to the LLC and remain in its possession (except where the return of such items shall be unreasonable or impractical in relation to the importance or confidentiality of such items).

(e) Each Non-Manager Member and each Employee Stockholder acknowledges that, in the course of entering into this Agreement, the Non-Manager Member and the Employee Stockholder have had and, in the course of the operation of the LLC, the Non-Manager Member and Employee Stockholder will from time to time have, access to Intellectual Property owned by or used in the course of business by AMG. Each Non-Manager Member and each Employee Stockholder agrees, for the benefit of the LLC and its Members, and for the benefit of the Manager Member and AMG, always to keep secret and not ever publish, divulge, furnish, use or make accessible to anyone (otherwise than at the Manager Member's request) any knowledge or information regarding Intellectual Property (including, by way of example and not of limitation, the transaction structures utilized by AMG) of AMG unless such information can be shown to be in the public domain through no fault of such Non-Manager Member or Employee Stockholder. At the termination of the Employee Stockholder's service to the LLC, all data, memoranda, documents, notes and other papers, items and tangible media, and reproductions thereof relating to the foregoing matters in the Non-Manager Member's or Employee Stockholder's possession or control shall be returned to AMG and remain in its possession.

(f) The provisions of this Section 3.9 shall not be deemed to limit any of the rights of the LLC or the Members under any of the Employment Agreements, Non Solicitation Agreements or under applicable law, but shall be in addition to the rights set forth in each of the Employment Agreements and Non Solicitation Agreements, and those which arise under applicable law.

Section 3.10 Remedies Upon Breach.

(a) In the event that a Non-Manager Member or its Employee Stockholder (i) breaches any of the provisions of Section 3.9 hereof, or (ii) breaches any of the provisions of the Employment Agreement or Non Solicitation Agreement to which it or he is a party (in each case, including, without limitation, following the termination of his or her employment with the LLC), then (A) such Non-Manager Member shall forfeit its right to receive any payment for its LLC Interests under Section 3.11, although it shall cease to be a Non-Manager Member in accordance

with the provisions of Section 3.11(e), and (B) AMG (or its assignees) shall have no further obligations under any promissory note theretofore issued to such Non-Manager Member pursuant to Section 3.11(f).

(b) Each Non-Manager Member and each Employee Stockholder agrees that any breach of the provisions of Section 3.9 of this Agreement or of the provisions of the Employment Agreement or Non Solicitation Agreement by such Non-Manager Member or Employee Stockholder could cause irreparable damage to the LLC and the other Members. The LLC and/or the Manager Member, shall have the right to an injunction or other equitable relief (in addition to other legal remedies) to prevent any violation of a Member's or Employee Stockholder's obligations hereunder or thereunder.

Section 3.11 Repurchase Upon Termination of Employment or Transfer by Operation of Law.

(a) In the event that the employment by the LLC of any Employee Stockholder terminates for any reason, then:

(i) if the termination of the Employee Stockholder occurred because of the death or Permanent Incapacity of such Employee Stockholder, the LLC shall purchase and the Non-Manager Member (or the Non-Manager Member of which such Employee Stockholder was the owner, as applicable) (as indicated on Schedule A hereto) and his (or its) Related Non-Manager Members (and their respective Permitted Transferees, if any) (each a "Repurchased Member") shall sell to the LLC for cash, LLC Points up to the portion of the Repurchase Price (as such term is defined in Section 3.11(c) below) which is equal to the cash proceeds of any key-man life insurance policies or lump-sum disability insurance policies, as applicable, maintained by the LLC on the life or health of such Employee Stockholder for the benefit of the LLC (an "LLC Repurchase"), and

(ii) in each other such case (and, in the case of the death or Permanent Incapacity of an Employee Stockholder, to the extent the Repurchase Price exceeds the insurance proceeds described in clause (i) of this Section 3.11(a) (determined after all such proceeds have been collected)), AMG shall purchase and the Non-Manager Member (or the Non-Manager Member of which such Employee Stockholder was the owner, as applicable) (as indicated on Schedule A hereto) and his (or its) Related Non-Manager Members (and their respective Permitted Transferees) (each a "Repurchased Member") shall sell (each a "Manager Member Repurchase") all (or, in the case of the death or Permanent Incapacity of an Employee Stockholder, such portion as is not required to be purchased by the LLC under clause (i) of this Section 3.11(a)) of the LLC Interests held by the Repurchased Member, in each case, pursuant to the terms of this Section 3.11. For purposes hereof, each LLC Repurchase and each Manager Member Repurchase together with the related LLC Repurchase, if any, is referred to as a "Repurchase."

(b) The closing of the Repurchase will take place on a date set by the Manager Member (the "Repurchase Closing Date") which shall be after the last day of the calendar quarter in which the Employee Stockholder's employment with the LLC is terminated but which is not more than ninety (90) days after the date on which the termination of the employment by the LLC of the relevant Employee Stockholder occurred; provided, however, that (i) if the employment by the LLC of such Employee Stockholder is terminated because of the death or Permanent Incapacity of such Employee Stockholder, then the Repurchase Closing Date shall be a date set by the Manager Member which is as soon as reasonably practicable after the later of (A) ninety (90) days after the death or Permanent Incapacity, as applicable, of such Employee Stockholder or (B) thirty (30) days after the LLC has received the proceeds of all key-man life insurance policies or disability insurance policies, as applicable, maintained by the LLC on the life or health of such Employee Stockholder.

(c) The purchase price for the Repurchase (the "Repurchase Price") shall be determined as follows:

(i) If the Employee Stockholder's employment with the LLC is terminated because of the death, Permanent Incapacity or Retirement of the Employee Stockholder or if such Employee Stockholder's employment with the LLC was terminated by the LLC on such date other than For Cause and other than upon a Unanimous Termination Decision, then the Repurchase Price shall equal:

(A) six and three tenths (6.3) times the positive difference, if any, of (x) the sum of (I) fifty percent (50%) of the LLC's Maintenance Fees for the twenty-four (24) months ending on the last day of the calendar quarter in which the termination of such Employee Stockholder's employment occurs and (II) thirty three and thirty three one hundredths percent (33.33%) of the LLC's Earned Performance Fees for the thirty-six (36) months ending on the last day of the calendar year prior to the calendar year in which the termination of such Employee Stockholder's employment occurs minus (y) the amount by which the actual expenses of the LLC (determined on a basis consistent with the calculation of Operating Cash Flow) exceeded the Operating Cash Flow of the LLC (including previously reserved Operating Cash Flow) during the twelve (12) months ending the last day of the calendar quarter in which the termination of such Employee Stockholder's employment occurs, multiplied by

(B) a fraction, the numerator of which is the number of Vested LLC Points being purchased in the Repurchase, and the denominator of which is the number of Vested LLC Points outstanding on the date of the closing of the Repurchase (before giving effect to any issuance, redemption or vesting of LLC Points on such date) (which is intended to be a proxy for fair market value).

(ii) In all other cases, (including, without limitation, the resignation of an Employee Stockholder or the termination of such Employee Stockholder For Cause or upon a Unanimous Termination Decision), the Repurchase Price shall equal:

(A) three and fifteen one-hundredths (3.15) times the positive difference, if any, of (x) the sum of (I) fifty percent (50%) of the LLC's Maintenance Fees for the twenty-four (24) months ending on the last day of the calendar quarter in which the termination of such Employee Stockholder's employment occurs and (II) thirty three and thirty three one hundredths percent (33.33%) of the LLC's Earned Performance Fees for the thirty-six (36) months ending on the last day of the calendar year prior to the calendar year in which the termination of such Employee Stockholder's employment occurs minus (y) the amount by which the actual expenses of the LLC (determined on a basis consistent with the calculation of Operating Cash Flow) exceeded the Operating Cash Flow of the LLC (including previously reserved Operating Cash Flow) during the twelve (12) months ending the last day of the calendar quarter in which the termination of such Employee Stockholder's employment occurs, multiplied by

(B) a fraction, the numerator of which is the number of Vested LLC Points being purchased in the Repurchase, and the denominator of which is the number of Vested LLC Points outstanding on the date of the closing of the Repurchase (before giving effect to any issuance, redemption or vesting of LLC Points on such date);

provided, however, that for any such Repurchase described in this Section 3.11(c)(ii) prior to the fifth anniversary of the Effective Date, the Repurchase Price shall equal the Capital Account which the Repurchased Member would have if the LLC had sold all its assets for a price equal to three and fifteen one-hundredths (3.15) times the positive difference, if any, of (x) the sum of (I) fifty percent (50%) of the LLC's Maintenance Fees for the twenty-four (24) months ending on the last day of the calendar quarter in which the termination of such Employee Stockholder's employment occurs and (II) thirty three and thirty three one hundredths percent (33.33%) of the LLC's Earned Performance Fees for the thirty-six (36) months ending on the last day of the calendar quarter in which the termination of such Employee Stockholder's employment occurs minus (y) the amount by which the actual expenses of the LLC (determined on a basis consistent with the calculation of Operating Cash Flow) exceeded the Operating Cash Flow of the LLC (including previously reserved Operating Cash Flow) during the

twelve (12) months ending the last day of the calendar quarter in which the termination of such Employee Stockholder's employment occurs, and the gain or loss therefrom (in excess of the sum of the Members Capital Accounts on such day without giving effect to any such allocation) was allocated in accordance with Section 4.2(e) and 4.2(f) hereof. A sample calculation under this Section 3.11(c)(ii) is attached as Schedule B hereto.

If a Repurchase Price must be determined prior to thirty-six (36) months after the Effective Date, then the amount of the LLC's Maintenance Fees and Earned Performance Fees for the portion of the relevant period before the Effective Date shall be calculated on a pro-forma basis, as if the LLC's predecessor, Essex Investment Management Company, Inc. had operated under the provisions of this Agreement but with the resulting Maintenance Fees and Earned Performance Fees multiplied by the lesser of (x) one (1) or (y) a fraction, the numerator of which is the sum of the Contract Values of each investment advisory agreement of Essex Investment Management Company, Inc. (which was not terminated at or prior to the Closing or the LLC Contribution and was contributed to the LLC and with respect to which the Client of the LLC gave its Consent to the transactions contemplated by the Merger Agreement), and the denominator of which shall be the Base Fees. Capitalized terms used in this paragraph and not otherwise defined herein shall have the meaning ascribed to such terms in Section 8.3 of the Merger Agreement.

(d) The rights of AMG, the Manager Member, the LLC and their assignees hereunder are in addition to and shall not affect any other rights which AMG, the Manager Member, the LLC or their assigns may otherwise have to repurchase LLC Interests (including, without limitation, pursuant to any agreement entered into by a Non-Manager Member or an Additional Non-Manager Member which provides for the vesting of LLC Points).

(e) On the Repurchase Closing Date, AMG and/or the LLC or their respective assignees (as applicable) shall pay to the Repurchased Member the Repurchase Price for the LLC Interests repurchased in the manner set forth in this Section 3.11, and upon such payment the Repurchased Member shall cease to hold any LLC Interests, and such Repurchased Member shall be deemed to have withdrawn from the LLC and shall cease to be a Member of the LLC and shall no longer have any rights hereunder; provided, however, that the provisions of this Article III shall continue as set forth in Section 3.11 below. On the Repurchase Closing Date, the Repurchased Member and the LLC (and if AMG is purchasing LLC Interests from the Repurchased Member, AMG) (or their assignees) shall, if AMG so requests, execute an agreement reasonably acceptable to the Manager Member in which the Repurchased Member represents and warrants to the Manager Member and/or AMG and/or the LLC, as applicable (or their assignees), that it has sole record and beneficial title to the Repurchased Interest, free and clear of any Liens as of the date of the transaction other than those imposed by this Agreement. Payment of the Repurchase Price shall be made on the Repurchase Closing Date as follows: (i) in the case of termination of employment because of death or Permanent Incapacity (to the extent of the collected proceeds of any disability insurance policies under which the LLC is the beneficiary upon the permanent incapacity of such Employee Stockholder), by wire-transfer of immediately available funds to an account designated by the Repurchased Member at least three (3) business days prior to the

Repurchase Closing Date, and (ii) in the case of any other termination of employment (including a termination of employment because of Permanent Incapacity to the extent the obligation exceeds the proceeds of any key-man disability insurance policies described above), (A) in the case of a termination by the LLC other than For Cause and other than a Unanimous Termination Decision, on the Repurchase Date; and (B) in the case of any other termination, on the later to occur of (x) the Repurchase Date or (y) the date which is the first business day after the fifth anniversary of the Effective Date.

(f) If an Employee Stockholder's employment with the LLC is terminated because such Employee Stockholder has resigned (other than a resignation which is included in the definition of "Retirement") or was terminated For Cause or upon a Unanimous Termination Decision, then, at the sole discretion of the Manager Member, the payment required by this Section 3.11 may be made with a promissory note in the form attached hereto as Exhibit C, with an initial principal amount equal to the Repurchase Price, and the principal of which promissory note would be paid in four (4) equal annual installments, with the first installment to be paid on the date Payment of the Repurchase Price would be required under Section 3.11(e) above (in each case, subject to the terms and conditions of this Agreement and such note).

(g) AMG may assign and/or delegate any or all of its rights and obligations under this Section 3.11, in one or more instances, to the Manager Member; provided, however, that no such assignment or delegation shall relieve AMG of its obligation to make payment of a Repurchase Price. AMG may, with the consent of the Management Committee, assign any or all of its rights and obligations under this Section 3.11, in one or more instances, to the LLC; provided, that the foregoing limitation shall have no effect on the LLC's obligation set forth in Section 3.11(a)(i) regarding the use of the proceeds of a key-man life or disability insurance policy.

(h) In the event that a Non-Manager Member or Employee Stockholder (or other holder of LLC Points, other than the Manager Member) (i) has filed a voluntary petition under the bankruptcy laws or a petition for the appointment of a receiver or makes any assignment for the benefit of creditors, (ii) is subject involuntarily to such a petition or assignment or to an attachment or other legal or equitable interest with respect to any of its LLC Interests or, in the case of an Employee Stockholder which is not a Non-Manager Member, its interests in the Non-Manager Member which it owns, and such involuntary petition or assignment or attachment is not discharged within sixty (60) days after its effective date, or (iii) is subject to a transfer of any of its LLC Interests or, in the case of an Employee Stockholder which is not a Non-Manager Member, its interests in the Non-Manager Member which it owns, by court order or decree or by operation of law, then AMG shall purchase all the LLC Interests held by such Non-Manager Member (or other holder of LLC Points, other than the Manager Member) (including the Non-Manager Member through which such Employee Stockholder holds his or her interest in the LLC) pursuant to the terms of this Section 3.11 as if such Non-Manager Member was a Repurchased Member with the purchase price determined pursuant to Section 3.11(c)(ii) and the date of the closing to take place within thirty (30) days following written notice delivered by the Manager Member. In order to give effect to clause (iii) of the foregoing, if any of the interests of a Non-Manager Member in the LLC, or of an Employee Stockholder in a Non-Manager

Member, become subject to transfer (or purport to be or have been transferred) by a court order or decree or by operation of law, the Non-Manager Member (or other holder of LLC Points, other than the Manager Member) (whose interest in the LLC or the interests in which are subject to such transfer) shall cease to be a Member of the LLC, and the transferee by court order or decree or by operation of law shall not become a Member, and AMG shall have the right to purchase from the Non-Manager Member which has ceased to be a Non-Manager Member, all his, her or its interest in the LLC as set forth in the preceding sentence.

(i) In the event that a Non-Manager Member is required to sell its LLC Interests pursuant to the provisions of this Section 3.11, and in the further event that such Non-Manager Member refuses to, is unable to, or for any reason fails to, execute and deliver the agreements required by this Section 3.11, the LLC or AMG, as applicable (or their respective assigns) may deposit the purchase price, if any, therefor (including cash and/or promissory notes) with any bank doing business within fifty (50) miles of the LLC's principal place of business, as agent or trustee, or in escrow, for the Non-Manager Member, to be held by such bank for the benefit of and for delivery to such Non-Manager Member. Upon such deposit by the LLC or AMG (or their respective assigns) and upon notice thereof given to the Non-Manager Member (or other holder of LLC Points, other than the Manager Member), such Non-Manager Member's LLC Interests shall be deemed to have been sold, transferred, conveyed and assigned to the LLC or AMG (or their assigns), as applicable, the Non-Manager Member shall have no further rights with respect thereto (other than the right to withdraw the payment therefor, if any, held in escrow), and the Manager Member shall record such transfer or repurchase on Schedule A hereto.

Section 3.12 No Employment Obligation. Each Non-Manager Member and each Employee Stockholder acknowledges that neither this Agreement nor the provisions of the Non Solicitation Agreement creates an obligation on the part of the LLC to continue the employment of an Employee Stockholder with the LLC, and that such Employee Stockholder, unless he or she is a party to an Employment Agreement, is an employee at will of the LLC.

Section 3.13 Capitalization of Excess Operating Cash Flow. At any time the Management Committee reasonably believes that the Operating Cash Flow of the LLC will exceed the actual expenses of the LLC (taking into account business conditions at the time and including both a reasonable allowance for executive compensation increases, and a reasonable allowance for either a loss of business or a change in margins in the business), at the request of the Management Committee, representatives of the Manager Member shall meet with the Management Committee to discuss the extent of such excess and the Management Committee and the Manager Member shall reasonably and in good faith agree upon the amount of (if any) such excess. Upon such agreement, the Management Committee and the Manager Member shall negotiate in good faith for the purpose of determining a reasonable and appropriate means to permit the Non-Manager Members to utilize such excess Operating Cash Flow. Subject to such agreement, such means may include (but shall not be limited to) the following examples: an increase in the percentage of Revenues from Operations that constitutes Free Cash Flow (together with the grant of put rights applicable to such adjusted Free Cash Flow on terms comparable to those set forth in Article VII), the purchase of all or a portion of any excess by AMG or the Manager Member (or its designee(s))

on terms comparable to the terms set forth in Article VII with respect to Puts or Section 3.10 with respect to Repurchases or any combination of the foregoing.

Section 3.14 Miscellaneous. Each Member and each Employee Stockholder agrees that the enforcement of the provisions of Sections 3.8, 3.9, 3.10 and 3.11 hereof, and the enforcement of the provisions of the Employment Agreements and Non Solicitation Agreements are necessary to ensure the protection and continuity of the business, goodwill and confidential business information of the LLC for the benefit of each of the Members. Each Member and each Employee Stockholder agrees that, due to the proprietary nature of the LLC's business, the restrictions set forth in Section 3.9 hereof and in the Employment Agreements and the Non Solicitation Agreements are reasonable as to duration and scope. If any provision contained in this Article III shall for any reason be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Article III. It is the intention of the parties hereto that if any of the restrictions or covenants contained herein is held to cover a geographic area or to be for a length of time that is not permitted by applicable law, or is any way construed to be too broad or to any extent invalid, such provision shall not be construed to be null, void and of no effect, but to the extent such provision would then be valid or enforceable under applicable law, such provision shall be construed and interpreted or reformed to provide for a restriction or covenant having the maximum enforceable geographic area, time period and other provisions as shall be valid and enforceable under applicable law.

Each Member and Employee Stockholder acknowledges that the obligations and rights under Sections 3.8, 3.9, 3.10 and 3.11 and this Section 3.14 shall survive the termination of the employment of an Employee Stockholder with the LLC and/or the withdrawal or removal of a Member from the LLC, regardless of the manner of such termination, withdrawal or removal in accordance with the provisions hereof and of the relevant Employment or Non Solicitation Agreement. Moreover, each Member agrees that the remedies provided herein, are reasonably related to the anticipated loss that the LLC and the Members (including, without limitation, the Manager Member which would be purchasing LLC Interests from a Non-Manager Member) would suffer upon a breach of such provisions. Except as agreed to by the Manager Member, in advance, in a writing making specific reference to this Article III, no Employee Stockholder or Non-Manager Member shall enter into any agreement or arrangement which is inconsistent with the terms and provisions hereof.

ARTICLE IV - CAPITAL CONTRIBUTIONS; CAPITAL ACCOUNTS AND ALLOCATIONS; DISTRIBUTIONS.

Section 4.1 Capital Contributions.

(a) On the Effective Date, Essex Investment Management Company, Inc. contributed to the LLC certain of its assets, properties, rights, powers, privileges and business (and the goodwill associated therewith), and the Members agree that such Capital Contribution had a value of $100,816,673. On the Effective Date but following the LLC Contribution (as such term is defined in the Merger Agreement), the Non-Manager Members will contribute to the LLC

certain properties having a value of $213,839 in the aggregate. Except as may be agreed to in connection with the issuance of additional LLC Points, as specifically set forth herein, or as may be required under applicable law, the Members shall not be required to make any further contributions to the LLC.

No Member shall make any contribution to the LLC without the prior consent of the Manager Member except that Messrs. McNay, Cutler and Clark may contribute cash in an aggregate amount of up to $500,000 within seven (7) days following the Effective Date. In addition, the Management Committee shall have the right, from time to time, to make capital calls on the Non-Manager Members in an aggregate amount per quarter of not more than the aggregate amount of all distributions made in the previous quarter, in any such event pro-rata to the Non-Manager Members' Vested LLC Points, by giving written notice thereof prior to such capital call. In the event of any such capital call, each Non-Manager Member shall make prompt payment to the LLC, in accordance with such written instructions as may be approved by the Management Committee, of cash in the amount of such additional capital contribution.

(b) No Member shall have the right to withdraw any part of his, her or its (or their predecessors in interest) Capital Contribution until the dissolution and winding up of the LLC, except as distributions pursuant to this Article IV may represent returns of capital, in whole or in part. No Member shall be entitled to receive any interest on any Capital Contribution made by it (or its predecessors in interest) to the LLC. No Member shall have any personal liability for the repayment of any Capital Contribution of any other Member.

Section 4.2 Capital Accounts; Allocations.

(a) There shall be established for each Member a Capital Account (a "Capital Account") which, in the case of each Member, shall initially be equal to the Capital Contribution of such Member as set forth on Schedule A hereto.

(b) The Capital Account of each Member shall be adjusted in the following manner. Each Capital Account shall be increased by such Member's allocable share of income and gain, if any, of the LLC (as well as the Capital Contributions made by a Member after the Effective Date) and shall be decreased by such Member's allocable share of deductions and losses, if any, of the LLC and by the amount of all distributions made to such Member. The amount of any distribution of assets other than cash shall be deemed to be the Fair Market Value of such assets (net of any liabilities encumbering such property that the distributee Member is considered to assume or take subject to). Capital Accounts shall also be adjusted upon the issuance of additional LLC Interests as set forth in Section 5.5(c) and upon the transfer of LLC Interests as set forth in Section 5.1.

(c) Subject to Sections 4.2(e), 4.2(g) and 4.5 hereof, all items of LLC income and gain shall be allocated among the Members' Capital Accounts at the end of every quarter as follows:

(i) first, items of income and gain shall be allocated to the Manager Member in an amount equal to:

(A) the Free Cash Flow for such quarter (net of Free Cash Flow Expenditures for such quarter) multiplied by a fraction, (1) the numerator of which is the sum of the number of LLC Points held by the Manager Member on the first day of such quarter and (2) the denominator of which is the number of LLC Points outstanding on the first day of such quarter, plus

(B) the product of (1) the sum of all Performance Account Adjustments for such quarter, (2) the Free Cash Flow Percentage, and (3) a fraction, the numerator of which is the number of LLC Points held by the Manager Member on the first day of such quarter, and the denominator of which is the sum of the number of LLC Points outstanding, minus

(C) for each Performance Account that has an Earned Performance Fee in that quarter, the product of (1) that Earned Performance Fee, (2) the Free Cash Flow Percentage, and (3) a fraction, the numerator of which is the number of LLC Points held by the Manager Member on the first day of such quarter, and the denominator of which is the number of LLC Points outstanding on the first day of such quarter; and

(D) only for the last quarter of each fiscal year, if the sum of all amounts previously subtracted under Section 4.2(c)(i)(C) for that quarter and the three (3) previous quarters of such fiscal year exceeds the sum of all amounts previously added under Section 4.2(c)(i)(B) for that quarter and the three previous quarters of such fiscal year, then plus the aggregate amount of such excess.

(ii) second, the Manager Member shall be allocated items of income and gain until the Manager Member has been allocated cumulative income and gain under this Section 4.2(c)(ii) equal to the cumulative amount of losses and deductions allocated to the Manager Member under Sections 4.2(d)(ii) and 4.2(d)(iii), if any;

(iii) third, items of income and gain, if any, shall be allocated among all Non-Manager Members in accordance with (and in proportion to) each Non-Manager Member's respective number of Vested LLC Points on the first day of such quarter, until the aggregate amount of such items allocated to the Members (including both the Manager Member and the Non-Manager Members) pursuant to Sections 4.2(c)(i) and 4.2(c)(ii) and this 4.2(c)(iii) for such quarter equal the aggregate amount of (A) Free Cash Flow (net of Free Cash Flow Expenditures) for such quarter, and (B) only for the first three quarters of the fiscal year, if the

amount determined under Section 4.2(c)(i)(C) for such quarter exceeds the amount determined under Section 4.2(c)(i)(B) for such quarter, then minus the amount of such excess; and

(iv) fourth, items of income and gain, if any, shall be allocated to the Manager Member in an amount equal to $96,000 per quarter, for each quarter beginning on or after April 1, 1998 through and including the quarter ended December 31, 2000; and an additional amount equal to $22,500 per quarter, for each quarter beginning on or after April 1, 1998 through and including the quarter ended March 31, 1999; and

(v) fifth, items of LLC income and gain shall be allocated among the Non-Manager Members in accordance with (and in proportion to) each Non-Manager Member's respective number of Vested LLC Points on the first day of such quarter until the cumulative aggregate amount of such items of income and gain allocated to the Non-Manager Members pursuant to this Section 4.2(c)(v) for such quarter and all prior quarters in that fiscal year equals the cumulative aggregate amount of items of deduction and loss allocated to the Non-Manager Members for such quarter and all prior quarters in that fiscal year pursuant to the provisions of Section 4.2(d) hereof.

(d) Subject to Sections 4.2(f), 4.2(g) and 4.5, all items of LLC loss and deduction shall be allocated among the Members' Capital Accounts at the end of every quarter as follows:

(i) first, all items of LLC loss and deduction for such quarter shall be allocated among the Non-Manager Members in accordance with (and in proportion to) their respective numbers of Vested LLC Points on the first day of such quarter after giving effect to the allocation of the items of income and gain for such quarter under Section 4.2(c), until all such Capital Accounts have been reduced to zero (0), provided that no additional loss or deduction shall be allocated to any Non-Manager Member once its Capital Account has been reduced to zero (0);

(ii) second, all items of LLC loss and deduction for such quarter not allocated to the Non-Manager Members under Section 4.2(d)(i) shall be allocated to the Manager Member until its Capital Account shall have been reduced to zero (0); and

(iii) finally, all items of LLC loss and deduction for such quarter not allocated to the Members under Sections 4.2(d)(i) and 4.2(d)(ii) shall be allocated among all Members in accordance with (and in proportion to) each Members' respective number of LLC Points on the first day of such quarter.

(e) If the LLC has a net gain from any sale, exchange or disposition of all, or substantially all, of the assets of the LLC, then that net gain shall be allocated among the Members as follows:

(i) first, gain shall be allocated to the Manager Member until the Manager Member has been allocated cumulative gain which, together with income and gain previously allocated to the Manager Member under Section 4.2(c)(ii) hereof, equals the cumulative amount of losses and deductions allocated to the Manager Member under Sections 4.2(d)(ii) and 4.2(d)(iii);

(ii) thereafter, gain shall be allocated between the Manager Member, on the one hand, and the Non Manager Members, on the other hand, in accordance with (and in proportion to) their respective number of LLC Points as of the date of the transaction, and among the Non Manager Members in accordance with (and in proportion to) their respective number of Vested LLC Points as of the date of the transaction.

(f) If the LLC has a net loss from any sale, exchange or other disposition of all, or substantially all, of the assets of the LLC, then that net loss shall be allocated between the Manager Member, on the one hand, and the Non Manager Members, on the other hand, in accordance with (and in proportion to) their respective number of LLC Points as of the date of the transaction, and among the Non Manager Members in accordance with (and in proportion to) their respective number of Vested LLC Points as of the date of the transaction provided that no additional losses shall be allocated to a Member once its Capital Account has been reduced to zero (0), unless all Members' Capital Accounts have then been reduced to zero (0).

(g) In the event that during any calendar quarter (or any fiscal year) there is any change of Members or LLC Points (whether as a result of the admission of an Additional Non-Manager Member, the redemption by the LLC of all (or any portion of) any Non-Manager Member's LLC Points, a transfer of any LLC Points or otherwise), the following shall apply: (i) such transfer shall be deemed to have occurred as of the end of the last day of the quarter in which such change occurred, (ii) the books of account of the LLC shall be closed effective as of the close of business on the effective date of any such change as set forth in clause (i) and such fiscal year shall thereupon be divided into two or more portions, (iii) each item of income, gain, loss and deduction shall be determined (on the closing of the books basis) for the portion of such fiscal year ending with the date on which the books of account of the LLC are so closed, and (iv) each such item for such portion of such fiscal year shall be allocated (pursuant to the provisions of Sections 4.2(c) and (d) hereof) to those persons who were Members during such portion of such fiscal year in accordance with their respective LLC Points during such period.

Section 4.3 Distributions.

(a) Subject to Section 4.4 hereof, from and after the date hereof, within thirty (30) days after the end of each calendar quarter, the Manager Member shall, to the extent cash is available therefor, and based on the unaudited financial statements for such calendar quarter

prepared in accordance with Section 9.3 hereof (after approval thereof by the Manager Member), cause the LLC to:

(i) distribute to the Manager Member an amount equal to the allocations to the Manager Member pursuant to Section 4.2(c)(i) for such calendar quarter and any previous calendar quarter to the extent not then distributed (less the Manager Member's pro-rata portion of any reservation from Free Cash Flow pursuant to the last sentence of the second to last paragraph of this Section 4.3(a)), and then

(ii) upon receipt of a Committee Vote, distribute to the Non-Manager Members (and each Person who was a Non-Manager Member for such calendar month) an amount equal to (A) the portion of the Free Cash Flow allocated to such Non-Manager Member pursuant to Section 4.2(c)(iii) for such calendar quarter and any previous calendar quarter to the extent not then distributed (less each such Person's pro-rata portion of any reservation from Free Cash Flow pursuant to the last sentence of the second to last paragraph of this Section 4.3(a)) minus (B) the amount, if any, by which the operating expenses for the LLC for the calendar quarter exceeded the Operating Cash Flow of the LLC for such calendar quarter multiplied by a fraction, the numerator of which is the number of Vested LLC Points held by such Non-Manager Member, and the denominator of which is the number of Vested LLC Points held by all the Non-Manager Members, in accordance with (and in proportion to) their respective number of Vested LLC Points for such preceding calendar quarter, in each case, if and to the extent each such Member (and each Person who was a Non-Manager Member for any portion of any applicable portion of any applicable calendar quarter) has a positive balance in its Capital Account.

After the end of each fiscal year of the LLC, the Manager Member shall, based on the audited financial statements prepared in accordance with Section 9.3 hereof, cause the LLC to make a distribution of the remaining Free Cash Flow, if any, for the preceding fiscal year which was allocated pursuant to Sections 4.2(c)(i) and 4.2(c)(iii) but not previously distributed in accordance with the foregoing clauses (i) and (ii) whenever, and to the extent, cash is available therefor. The Manager Member may, with a Committee Vote, from time to time, reserve and not distribute portions of Free Cash Flow for LLC purposes; including, without limitation, to increase the net worth of the LLC, to make capital expenditures (such as the creation of or investment in a Controlled Affiliate) or to create a reserve for anticipated repurchases of Vested LLC Interests; provided, that any such reservation would be made from all Members pro-rata in proportion to Vested LLC Points, and that such funds shall be maintained in the Receipts Account (as defined below) pending expenditure thereof.

Within ninety-five (95) days after the end of each fiscal year of the LLC (or such earlier date as may be agreed to by the Manager Member with a Committee Vote, the Manager Member shall, to the extent cash is available therefor, and based on the audited financial statements prepared in accordance with Section 9.3 hereof, cause the LLC to make a distribution to each Non-Manager Member of the amount, if any, which was allocated to such Non-Manager Member for the previous fiscal year pursuant to the provisions of Section 4.5(d).

(b) To give effect to the foregoing, the LLC shall have two (2) bank accounts. The first account (the "Receipts Account") shall have as its authorized signatures such representatives of the LLC and the Manager Member as the Management Committee and the Manager Member shall deem appropriate or desirable. All the LLC's receipts shall be paid into the Receipts Account; provided, however, that on a weekly basis, the LLC shall transfer fifty-two percent (52%) of receipts paid into this account to a second account (the "Free Cash Flow Account") which shall have as its authorized signatories such representatives of the Manager Member and the LLC as the Manager Member shall deem appropriate or desirable. The Manager Member shall use the Free Cash Flow Account to make all distributions of Free Cash Flow pursuant to Section 4.3(a) above and to fund all Free Cash Flow Expenditures. The Manager Member shall retain in the Free Cash Flow Account any amount which gives rise to the right to make distributions pursuant to Section 4.3(c) hereof (including, without limitation, the proceeds of sales of assets, insurance proceeds and the proceeds of issuance of additional LLC Interests) and shall distribute such amounts in accordance with the provisions of such Section 4.3(c). The Receipts Account shall be used by the Management Committee to make all operating expense payments (including payments of salaries and bonuses) out of Operating Cash Flow.

Within thirty (30) days after the end of each calendar quarter, based on the unaudited financial statements for such calendar quarter prepared in accordance with Section 9.3 hereof, and within ninety-five (95) days after the end of each fiscal year of the LLC, based on the audited financial statements prepared in accordance with Section 9.3 hereof, the Manager Member and the LLC shall cause such transfers between the accounts to be made as may be necessary to reconcile the accounts with the amounts of revenue designated as Operating Cash Flow and Free Cash Flow and other amounts excluded from the definition of Revenues From Operations hereunder.

(c) Except as otherwise set forth herein, all other amounts or proceeds available for distribution, if any, shall be distributed to the Members at such time as may be determined by the Manager Member; provided that any such distribution shall be made among the Members (i) if attributable to a sale of all, or substantially all, of the assets of the LLC, in accordance with (and in proportion to) in their respective Capital Accounts (as determined immediately prior to such distribution) until all Capital Account balances have been reduced to zero, and (ii) if otherwise attributable, between the Manager Member, on the one hand, and the Non Manager Members, on the other hand, in accordance with (and in proportion to) their respective number of LLC Points as of the date of dissolution, and among the Non Manager Members in accordance with (and in proportion to) their respective number of Vested LLC Points at the time of such distribution; provided, however, that if a Member makes a Capital Contribution after the Effective Date, the Manager Member may cause the LLC to make a priority return of such Capital Contribution.

(d) Notwithstanding any other provision of this Agreement, neither the LLC, nor the Manager Member on behalf of the LLC, shall make a distribution to any Member on account of its LLC Interest if such distribution would violate the Act or other applicable law.

Section 4.4 Distributions Upon Dissolution; Establishment of a Reserve Upon Dissolution. Upon the dissolution of the LLC, after payment (or the making of reasonable

provision for the payment) of all liabilities of the LLC owing to creditors, the Manager Member, or if there is none, the Liquidating Trustee appointed as set forth in Section 8.4 hereof, shall set up such reserves as it deems reasonably necessary for any contingent, conditional or unmatured liabilities or other obligations of the LLC. Such reserves may be paid over by the Manager Member or Liquidating Trustee to a bank (or other third party), to be held in escrow for the purpose of paying any such contingent, conditional or unmatured liabilities or other obligations. At the expiration of such period(s) as the Manager Member or Liquidating Trustee may deem advisable, such reserves, if any (and any other assets available for distribution), or a portion thereof, shall be distributed to the Members (i) in accordance with (and in proportion to) the positive balance (if any) in their respective Capital Accounts (as determined immediately prior to each such distribution) until all such positive Capital Account balances have been reduced to zero, and (ii) thereafter, between the Manager Member, on the one hand, and the Non Manager Members, on the other hand, in accordance with (and in proportion to) their respective number of LLC Points as of the date of dissolution, and among the Non Manager Members in accordance with (and in proportion to) their respective number of Vested LLC Points as of the date of dissolution. If any assets of the LLC are to be distributed in kind in connection with such liquidation, such assets shall be distributed on the basis of their Fair Market Value net of any liabilities encumbering such assets and, to the greatest extent possible, shall be distributed pro-rata in accordance with the total amounts to be distributed to each Member. Immediately prior to the effectiveness of any such distribution-in-kind, each item of gain and loss that would have been recognized by the LLC had the property being distributed been sold at Fair Market Value shall be determined and allocated to those persons who were Members immediately prior to the effectiveness of such distribution in accordance with Section 4.2(d).

Section 4.5 Proceeds from Capital Contributions and the Sale of Securities; Insurance Proceeds; Certain Special Allocations.

(a) Capital Contributions made by any Member after the Effective Date, and other proceeds from the issuance of securities by the LLC may, in the sole discretion of the Manager Member, be used for the benefit of the LLC (including, without limitation, the repurchase or redemption of LLC Interests), or, may be distributed by the LLC, in which case, any such proceeds shall be allocated and distributed between the Manager Member, on the one hand, and the Non Manager Members, on the other hand, in accordance with (and in proportion to) their respective number of LLC Points immediately prior to the date of such contribution or issuance of securities, and among the Non Manager Members in accordance with (and in proportion to) their respective number of Vested LLC Points immediately prior to the date of such contribution or issuance of securities; it being understood that in the case the proceeds are a note receivable, any such distribution shall only occur, if at all, upon receipt by the LLC of any cash in respect thereof.

(b) In the event of the death or Permanent Incapacity of an Employee Stockholder covered by key-man life or disability insurance, as applicable, the premiums on which have been paid by the LLC as Free Cash Flow Expenditures, the proceeds of any such policy shall first be used by the LLC to fund (to the extent thereof) the Repurchase of LLC Interests from the Employee Stockholder or Non-Manager Member through which such Employee Stockholder holds or held his or her interest in the LLC in accordance with Section 3.11 hereof and, if the proceeds exceed the

amounts so required to effect such Repurchase, then the amount of such excess proceeds may, as determined by the Manager Member with the consent of the Management Committee, be used for the benefit of the LLC, or, may be distributed by the LLC, in which case, any such proceeds shall be allocated and distributed between the Manager Member, on the one hand, and the Non Manager Members, on the other hand, in accordance with (and in proportion to) their respective number of LLC Points immediately following the Repurchase of the LLC Interests from such Non-Manager Member, and among the Non Manager Members in accordance with (and in proportion to) their respective number of Vested LLC Points immediately following the Repurchase of the LLC Interests from such Non-Manager Member.

(c) Items of depreciation or amortization (as calculated for book purposes in accordance with generally accepted accounting principles, consistently applied) on account of the property of the LLC on the Effective Date, shall be specially allocated to the Manager Member; provided, however, that items of depreciation, amortization, loss or deduction (as calculated for book purposes in accordance with generally accepted accounting principles, consistently applied) on account of the property contributed to the LLC by Non-Manager Members as contemplated by the second sentence in Section 4.1(a), shall be specially allocated among such Non-Manager Members in proportion to such contribution. All items of depreciation or amortization (as calculated for book purposes in accordance with generally accepted accounting principles, consistently applied) on account of property purchased out of Operating Cash Flow shall be allocated as set forth in Section 4.2(c)(iii), and all items of depreciation or amortization (as calculated for book purposes in accordance with generally accepted accounting principles, consistently applied) on account of property purchased out of Free Cash Flow shall be allocated among the Members in accordance with their respective numbers of LLC Points on the date the property was purchased. All items of depreciation, amortization, loss or deduction (as calculated for book purposes in accordance with generally accepted accounting principles, consistently applied) on account of expenses and expenditures paid for with the contribution made by Messrs. McNay, Cutler and Clark as contemplated by the first sentence of the second paragraph of Section 4.1(a), shall be specially allocated among Messrs. McNay, Cutler and Clark in accordance with their proportionate amounts of such contribution.

(d) If, at the end of a fiscal year, (i) the aggregate amount of items of income and gain allocated to the Non-Manager Members pursuant to the provisions of Section 4.2(c)(v) equals the aggregate amount of items of deduction and loss for such fiscal year, and (ii) there are additional items of income and gain for such fiscal year which are available to be, but have not been allocated pursuant to the provisions of Section 4.2 hereof, then such additional items of income and gain (i.e., the unallocated items of income and gain in excess of the aggregate amount of items of deduction and loss attributable to such fiscal year) which were not previously allocated shall be allocated to the Non-Manager Members and in the amounts as may be selected by a Committee Vote or, if there is no Committee, then by Majority Vote; provided, that if no determination is made within ninety-five (95) days after the end of a fiscal year, such items of income and gain shall be allocated among the Non-Manager Members in proportion to each Non-Manager Member's respective number of Vested LLC Points as of the end of such fiscal year.

Section 4.6 Federal Tax Allocations. The Manager Member shall, in its sole discretion, allocate the ordinary income and losses and capital gains and losses of the LLC as determined for U.S. Federal income tax purposes (and each item of income, gain, loss, deduction or credit entering into the computation thereof), as the case may be, among the Members for tax purposes in a manner that, to the greatest extent possible: (a) reflects the economic arrangement of the Members under this Agreement (determined after taking into account the allocation provisions of Sections 4.2, 4.4 and 4.5 hereof, and the distribution provisions of Sections 4.3, 4.4 and 4.5 hereof), (b) is consistent with the principles of Sections 704(b) and 704(c) of the Code and (c) incorporates a "qualified income offset," a "minimum gain chargeback" and a "partner nonrecourse debt minimum gain chargeback" as those terms are defined in the Treasury Regulations under Section 704 of the Code. "Nonrecourse deductions," as defined in such Treasury Regulations, shall be allocated among the Members in accordance with their LLC Points. Deductions attributable to "partner nonrecourse debt" shall be allocated as provided in such Treasury Regulations. The Members understand and agree that, with respect to any item of property (other than cash) contributed (or deemed to be contributed for U.S. federal income tax purposes) by a Member to the capital of the LLC, the initial tax basis of such property in the hands of the LLC will be the same as the tax basis of such property in the hands of such Member at the time so contributed. The Members further understand and agree that the taxable income and taxable loss of the LLC is to be computed for Federal income tax purposes by reference to the initial tax basis to the LLC of any assets and properties contributed by the Members (and not by reference to the fair market value of such assets and properties at the time contributed). The Members also understand that, pursuant to Section 704(c) of the Code, all taxable items of income, gain, loss and deduction with respect to such assets and properties shall be allocated among the Members for Federal income tax purposes so as to take account of any difference between the initial tax basis of such assets and properties to the LLC and their fair market values at the time contributed, using any method authorized by the Income Tax Regulations under Section 704(c) and selected by the Manager Member, in its sole discretion. For purposes of maintaining the Capital Accounts of the Members, items of income, gain, loss and deduction relating to any asset or property contributed to the LLC that are required to be allocated for tax purposes pursuant to Section 704(c) of the Code shall not be reflected in the Capital Accounts of the Members. Without limiting the generality of the foregoing, all deductions with respect to the amortization or depreciation of property contributed to the LLC by a Member shall be allocated to the contributing member for all (state, foreign and Federal) income tax purposes and all deductions with respect to the amortization or depreciation of property purchased out of Operating Cash Flow or Free Cash Flow shall be allocated in accordance with the provisions of Section 4.5(c) hereof.

ARTICLE V - TRANSFER OF LLC INTERESTS BY NON-MANAGER MEMBERS; RESIGNATION, REDEMPTION AND WITHDRAWAL BY NON-MANAGER MEMBERS; ADMISSION OF ADDITIONAL NON-MANAGER MEMBERS.

Section 5.1 Assignability of Interests. No interest of a Non-Manager Member in the LLC may be sold, assigned, transferred, gifted or exchanged, nor may any Non-Manager Member offer to do any of them (each, a "Transfer"), nor may any interest in any Non-Manager Member

be Transferred, nor may any stockholder in any Non-Manager Member which is not an individual offer to do any of them, and no Transfer by a Non-Manager Member or stockholder of a Non-Manager Member shall be binding upon the LLC or any Non-Manager Member unless it is expressly permitted by this Article V and the Manager Member receives an executed copy of the documents effecting such Transfer, which shall be in form and substance reasonably satisfactory to the Manager Member. The assignee of such interest in the LLC may become a substitute Non-Manager Member only upon the terms and conditions set forth in Section 5.2. If an assignee or transferee of an interest of a Non-Manager Member in the LLC does not become (and until any such assignee or transferee becomes) a substitute Non-Manager Member, in accordance with the provisions of Section 5.2, such Person shall not be entitled to exercise or receive any of the rights, powers or benefits of a Non-Manager Member other than the right to receive distributions which the assigning Non-Manager Member has sold, transferred or assigned to such Person in compliance with this Section 5.1. No Non-Manager Member's interest in the LLC or, in the case of a Non-Manager Member which is not an individual, none of the direct and indirect interests of a beneficial owner of such Non-Manager Member, may be Transferred except:

(a) with the prior written consent of the Manager Member, which consent may be granted or withheld by the Manager Member in its sole discretion except that the Manager Member may not unreasonably withhold its consent in the case of a Transfer of less than ten (10%) of the Initial LLC Points held by a Non-Manager Member to a bona fide charitable organization;

(b) upon the death of such beneficial owner, their interests in the LLC or in the Non-Manager Member may be Transferred by will or the laws of descent and distribution (subject, in all cases, to the provisions of Section 3.11 hereof); and

(c) a Non-Manager Member (and its beneficial owners) may Transfer interests in the LLC or in such Non-Manager Member to individuals described in clause (a) of the definition of such Non-Manager Member's Immediate Family (or trusts for their benefit and of which the beneficial owner is the settlor and/or trustee, provided that any such trust does not require or permit distribution of such interests).

provided, that in the case of (b) or (c) above, (i) the transferee enters into an agreement with the LLC agreeing to be bound by the provisions hereof (and if such transferee is or is becoming an employee of the LLC and is not already a party to a Non Solicitation Agreement, the transferee enters into a Non Solicitation Agreement), and (ii) whether or not the transferee enters into such an agreement, such LLC Interests, and interests in such Non-Manager Member, shall thereafter remain subject to this Agreement (and, if applicable, the relevant Non Solicitation Agreement) to the same extent they would be if held by such Non-Manager Member or beneficial owner, as applicable; provided, however, that the provisions of Sections 3.8, 3.9 and 3.10 will not apply unless such Transferee is or is becoming an employee of the LLC or any of its Controlled Affiliates or is a Controlled Affiliate of any such employee. Notwithstanding the foregoing, no Non-Manager Member's interest in the LLC may be Transferred if, giving effect to such Transfer, the total number of Members of the LLC would exceed one hundred (100) (as determined in accordance with Treasury Regulation Section 1.7704-1(h)(3), which provides, in general, that under certain circumstances a Person owning an interest in (A) a partnership for federal income tax purposes,

(B) a "grantor trust," any portion of which is treated as owned by the grantor(s) or other person(s) under sections 671-679 of the Code, or (C) an "S corporation" within the meaning of section 1361(a) of the Code (each, a "flow-through entity") that owns, directly or through other flow-through entities, an interest in the LLC shall be treated as a Member), unless either such Transfer is a Transfer described in Treasury Regulation Section 1.7704-1(e) or such Transfer is pursuant to a Put right under Article VII and the sum of the percentage interests in profits or capital of the LLC Transferred during the taxable year of the LLC (other than in Transfers described in Treasury Regulation Section 1.7704-1(e)) would, taking the Transfer in question into account and assuming the maximum exercise of the Non-Manager Members' Put rights under Article VII, exceed ten percent (10%) of the total interests in profits or capital of the LLC.

For all purposes of this LLC Agreement, any Transfers of LLC Interests shall be deemed to occur as of the end of the last day of the calendar quarter in which any such Transfer would otherwise have occurred. Upon any Transfer of LLC Interests, the Manager Member shall make the appropriate revisions to Schedule A hereto.

Each time LLC Interests are Transferred (including, without limitation, additional LLC Points), the Manager Member may, in its reasonable discretion, elect to revalue the Capital Accounts of all Members. If the Manager Member so elects, then the Capital Accounts of all the Members shall be adjusted as follows: (i) the Manager Member shall determine the proceeds which would be realized if the LLC sold all its assets at such time for a price equal to the Fair Market Value of such assets, and (ii) the Manager Member shall allocate amounts equal to the gain or loss which would have been realized upon such a sale to the Capital Accounts of all the Members immediately prior to such Transfer in accordance with Section 4.2(d) hereof.

No interests of a Non-Manager Member in the LLC may be pledged, hypothecated, optioned or encumbered, nor may any interests in a Non-Manager Member be pledged, hypothecated, optioned or encumbered, nor may any offer to do any of the foregoing be made without the prior written consent of the Management Committee and the Manager Member; provided the consent of the Manager Member will not be unreasonably withheld if the purpose of any such pledge or encumbrance is to secure financing to enable the Transferee to purchase LLC Interests from other Non-Manager Members and are subordinated to the satisfaction of the Manager Member to all other rights of the Manager Member and all other claims and encumbrances hereunder.

Section 5.2 Substitute Non-Manager Members. No transferee of interests of a Non-Manager Member shall become a Member except in accordance with this Section 5.2. The Manager Member may, in its sole discretion, admit as a substitute Non-Manager Member (with respect to all or a portion of the LLC Interests held by a Person), any Person that acquires an LLC Interest by Transfer from another Non-Manager Member pursuant to Section 5.1 hereof, or that acquires an LLC Interest from the Manager Member pursuant to Section 6.1 hereof. The admission of an assignee as a substitute Non-Manager Member shall, in all events, be conditioned upon the execution of an instrument satisfactory to the Manager Member whereby such assignee becomes a party to this Agreement as a Non-Manager Member as well as compliance by such assignee with the provisions of Section 3.8 hereof if such Transferee is or is becoming an employee of the LLC

or any of its Controlled Affiliates or is a Controlled Affiliate of any such employee. Upon the admission of a substitute Non-Manager Member, the Manager Member shall make the appropriate revisions to Schedule A hereto.

Section 5.3 Allocation of Distributions Between Assignor and Assignee; Successor to Capital Accounts. Upon the Transfer of an LLC Interest pursuant to this Article V, distributions pursuant to Article IV shall be made to the Person owning the LLC Interest at the date of distribution, unless the assignor and assignee otherwise agree and so direct the LLC and the Manager Member in a written statement signed by both the assignor and assignee. In connection with a Transfer by a Member of LLC Points, the assignee shall succeed to a pro-rata (based on the percentage of such Person's LLC Points transferred) portion of the assignor's Capital Account, unless the assignor and assignee otherwise agree and so direct the LLC and the Manager Member in a written statement signed by both the assignor and assignee and consented to by the Manager Member.

Section 5.4 Resignation, Redemptions and Withdrawals. No Non-Manager Member shall have the right to resign, to cause the redemption of its interest in the LLC, in whole or in part, or to withdraw from the LLC, except (a) with the consent of the Manager Member, (b) as is expressly provided for in Section 3.11 hereof; or (c) as is expressly provided for in Section 7.1 hereof. Upon any resignation, redemption or withdrawal, the Non-Manager Member shall only be entitled to the consideration, if any, provided for by Section 3.11 or Section 7.1 hereof, if and to the extent that one of such Sections is applicable. Upon the resignation, redemption or withdrawal, in whole or in part, by a Non-Manager Member, the Manager Member shall make the appropriate revisions to Schedule A hereto.

Section 5.5 Issuance of Additional LLC Interests.

(a) Additional Non-Manager Members (the "Additional Non-Manager Members" and each an "Additional Non-Manager Member") may be admitted to the LLC and such Additional Non-Manager Members may be issued LLC Points, only upon receipt of a Committee Vote and the consent of the Manager Member and upon such terms and conditions as may be established by the Manager Member with the consent of Management Committee (including, without limitation, upon such Additional Non-Manager Member's execution of an instrument satisfactory to the Manager Member whereby such Person becomes a party to this Agreement as a Non-Manager Member as well as, in the case of employees of the LLC (or its Controlled Affiliates or Controlled Affiliates of such employees, such Person's compliance with the provisions of Section 3.8 hereof).

(b) Existing Non-Manager Members may be issued additional LLC Points (or other LLC Interests), only by the LLC with the consent of, and upon such terms and conditions as may be established by, the Management Committee with the consent of the Manager Member. The Manager Member or its Affiliates (other than the LLC and its Controlled Affiliates) may only be issued new additional LLC Points (or other LLC Interests) upon the receipt of a Committee Vote.

(c) Each time additional LLC Interests are issued (including, without limitation, additional LLC Points), the Capital Accounts of all the Members shall be adjusted as follows: (i)

the Manager Member shall determine the proceeds which would be realized if the LLC sold all its assets at such time for a price equal to the Fair Market Value of such assets, and (ii) the Manager Member shall allocate amounts equal to the gain or loss which would have been realized upon such a sale to the Capital Accounts of all the Members immediately prior to such issuance in accordance with Section 4.2(d) hereof.

(d) Upon the issuance of additional LLC Interests, the Manager Member shall make the appropriate revisions to Schedule A hereto.

(e) Notwithstanding anything in this Agreement to the contrary, (i) no additional LLC Interests may be issued if, giving effect to such Transfer, the total number of Members would exceed one hundred (100) as determined in accordance with Treasury Regulation Section 1.7704-1(h)(3)) and (ii) no LLC Interests may be issued (A) in a transaction that is required to be registered under the Securities Act or (B) in a transaction that is not required to be registered under the Securities Act by reason of Regulation S thereunder unless the offering and sale of the LLC Interests would not have been required to be registered under the Securities Act if the LLC Interests had been offered and sold within the United States.

Section 5.6 Additional Requirements to Transfer or Issuance. As additional conditions to the validity of (x) any Transfer of a Non-Manager Member's interest in the LLC (or, in the case of a Non-Manager Member which is not an individual, the interests of the direct and indirect beneficial owners of such Non-Manager Member) (pursuant to Section 5.1 above), or (y) the issuance of additional LLC Interests (pursuant to Section 5.5 above), such Transfer or issuance shall not: (i) violate the registration provisions of the Securities Act or the securities laws of any applicable jurisdiction, (ii) cause the LLC to become subject to regulation as an "investment company" under the 1940 Act, and the rules and regulations of the SEC thereunder, (iii) result in the termination of any contract to which the LLC is a party and which individually or in the aggregate are material (it being understood and agreed that any contract pursuant to which the LLC provides Investment Management Services is material), or (iv) result in the treatment of the LLC as an association taxable as a corporation or as a "publicly traded partnership" for Federal income tax purposes.

The Manager Member may require reasonable evidence as to the foregoing, including, without limitation, a favorable opinion of counsel, which expense shall be borne by the parties to such transaction (and to the extent the LLC is such a party, shall be paid from Operating Cash Flow).

To the fullest extent permitted by law, any Transfer or issuance that violates the conditions of this Section 5.6 shall be null and void.

Section 5.7 Representation of Members. Each Member (including each Additional Non-Manager Member) hereby represents and warrants to the LLC and each other Member, and acknowledges, that (a) it has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of an investment in the LLC and making an informed investment decision with respect thereto, (b) it is able to bear the economic and financial risk of

an investment in the LLC for an indefinite period of time, (c) it is acquiring an interest in the LLC for investment only and not with a view to, or for resale in connection with, any distribution to the public or public offering thereof, (d) the equity interests in the LLC have not been registered under the securities laws of any jurisdiction and cannot be disposed of unless they are subsequently registered and/or qualified under applicable securities laws and the provisions of this Agreement have been complied with, and (e) the execution, delivery and performance of this Agreement by such Member do not require it to obtain any consent or approval that has not been obtained and do not contravene or result in a default under any provision of any existing law or regulation applicable to it, any provision of its charter, by-laws or other governing documents or any agreement or instrument to which it is a party or by which it is bound.

ARTICLE VI - TRANSFER OF LLC INTERESTS BY THE MANAGER MEMBER; REDEMPTION, REMOVAL AND WITHDRAWAL

Section 6.1 Assignability of Interest.

(a) Except as set forth in this Section 6.1, without a Committee Vote the Manager Member's interest in the LLC may not be Transferred; provided, however, (i) it is understood and agreed that, in connection with the operation of the business of AMG and the Manager Member (including, without limitation, the financing of its interest herein and direct or indirect interests in additional investment management companies), the Manager Member's interest in the LLC will be pledged and encumbered and lien holders of the Manager Member's interest shall have and be able to exercise the rights of secured creditors with respect to such interest, (ii) the Manager Member may Transfer some (but not a majority) of its LLC Interests to a Person who is not a Member but who is an Officer or employee of the LLC or who becomes an Officer or employee of the LLC in connection with such issuance, or a Person wholly owned by any such Person, provided that such Transferee shall not become a Member unless the Management Committee has consented thereto, (iii) the Manager Member may sell some (but not all) of its LLC Interests to existing Non-Manager Members, and (iv) the Manager Member may sell all or any portion of its LLC Interests to an Affiliate of the Manager Member which shall thereafter be subject to the provisions contained herein with respect to the Manager Member. Notwithstanding anything else set forth herein, the Manager Member may, with a Majority Vote, sell or transfer as a result of a merger or consolidation all its interests in the LLC in a single transaction or a series of related transactions, and, in any such case, each of the Non-Manager Members shall be required to sell or transfer, in the same transaction or transactions, all their interests in the LLC; provided, that the price to be received by all the Members shall be allocated among the Members as follows: (a) an amount equal to the sum of the positive balances, if any, in positive Capital Accounts shall be allocated among the Members having such Capital Accounts in proportion to such positive balances, and (b) the excess, if any, shall be allocated among all Members in accordance with their respective number of LLC Points at the time of such sale. Upon any of the foregoing transactions, the Manager Member shall make the appropriate revisions to Schedule A hereto.

(b) In the case of any Transfer upon foreclosure pursuant to Section 6.1(a)(i) above, each Transferee shall sign a counterpart signature page to this Agreement agreeing thereby to become either a Non-Manager Member or a Manager Member (provided, however, that once one such other Transferee elects to become a Manager Member, no transferee (other than a subsequent Transferee of such new Manager Member) may elect to be a Manager Member hereunder). If the transferees pursuant to Section 6.1(a)(i) above receive all the Manager Member's LLC Interests, and none of such transferees elects to become a Manager Member, then that shall be deemed to be an event of withdrawal by the Manager Member. If, however, one of the Transferees elects to become a Manager Member, and executes a counterpart signature page to this Agreement agreeing thereby to become a Manager Member, then notwithstanding any other provision hereof to the contrary, the old Manager Member shall thereupon be permitted to withdraw from the LLC as Manager Member.

(c) In the case of a transfer pursuant to the penultimate sentence of Section 6.1(a) above, the Manager Member shall be deemed to have withdrawn, and its transferee shall be deemed to have become the Manager Member.

Section 6.2 Resignation, Redemption, and Withdrawal. To the fullest extent permitted by law, except as set forth in Section 6.1, without a prior Majority Vote, the Manager Member shall not have the right to resign or withdraw from the LLC as Manager Member. With a prior Majority Vote, the Manager Member may resign or withdraw as Manager Member upon prior written notice to the LLC. Without a prior Majority Vote, the Manager Member shall have no right to have all or any portion of its interest in the LLC redeemed. Any resigned or withdrawn Manager Member shall retain its interest in the capital of the LLC and its other economic rights under this Agreement as a Non-Manager Member having the number of LLC Points and Vested LLC Points held by the Manager Member prior to its resignation or withdrawal. If a Manager Member who has resigned or withdrawn no longer has any economic interest in the LLC, then upon such resignation or withdrawal such Person shall cease to be a Member of the LLC.

ARTICLE VII - PUT OF LLC INTERESTS

Section 7.1 Puts.

(a) Each Non-Manager Member may, at such Non-Manager Member's option, subject to the terms and conditions set forth in this Section 7.1, cause AMG to purchase portions of the LLC Points held by such Non-Manager Member in the LLC (a "Put").

(b) Each Non-Manager Member may, subject to the terms and conditions set forth in this Agreement, cause AMG to purchase up to ten percent (10%) of the Initial LLC Points of such Non-Manager Member from such Non-Manager Member (and/or any Permitted Transferee of such Non-Manager Member), on the last business day in March (each a "Purchase Date") (but only up to an aggregate of fifty (50%) of such Non-Manager Member's Initial LLC Points) starting with the last business day in March, 2003 and ending with the last business day in March, 2012. On any Purchase Date starting with the Purchase Date in March 2003, Mr. Joseph C. McNay may

cause AMG to purchase from Mr. McNay (and/or any Transferee of Mr. McNay pursuant to the provisions of Section 5.1(b) or 5.1(c) hereof (and, to the extent set forth in any consent of the Manager Member pursuant to Section 5.1(a), his Transferees pursuant to Section 5.1(a))) a number of LLC Points of Mr. McNay and such Transferees that is equal to or less than the difference between the number of LLC Points then held by Mr. McNay and such Transferees and twenty-five percent (25%) of the greatest total number of Initial LLC Points issued to Mr. McNay; provided that in the event Mr. McNay exercises his rights under this sentence, he shall thereafter not be entitled to cause any Puts under this Section 7.1; provided, however, that the exercise of the rights set forth in the first sentence of this paragraph shall not be deemed to be an exercise pursuant to this sentence. On any Purchase Date starting with the Purchase Date in March 2006, Mr. Stephen Cutler may cause AMG to purchase from Mr. Cutler (and/or any Transferee of Mr. Cutler pursuant to the provisions of Section 5.1(b) or 5.1(c) hereof (and, to the extent set forth in any consent of the Manager Member pursuant to Section 5.1(a), his Transferees pursuant to Section 5.1(a))) a number of LLC Points of Mr. Cutler and such Transferees that is equal to or less than the difference between the number of Initial LLC Points then held by Mr. Cutler and such Transferees and twenty-five percent (25%) of the greatest total number of LLC Points issued to Mr. Cutler; provided that in the event Mr. Cutler exercises his rights under this sentence, he shall thereafter not be entitled to cause any Puts under this Section 7.1; provided, however, that the exercise of the rights set forth in the first sentence of this paragraph shall not be deemed to be an exercise pursuant to this sentence.

(c) Each Non-Manager Member may, subject to the terms and conditions set forth in this Agreement, cause AMG to purchase a number of LLC Points as is equal to up to ten percent (10%) of the LLC Points issued to such Non-Manager Member pursuant to the Incentive Program or upon the exercise of an option issued pursuant thereto (each such issuance or issuance upon the exercise of an option, being referred to herein as an "Option Exercise") from such Non-Manager Member (and/or any Permitted Transferee of such Non-Manager Member), on any five (5) separate Purchase Dates (but only up to an aggregate of a number of LLC Points as is equal to fifty percent (50%) of the LLC Points issued in each such Option Exercise) starting on the first Purchase Date which is at least five (5) years following the date of each such Option Exercise and ending on the first Purchase Date which is at least fifteen (15) years following the date of such Option Exercise.

(d) If a Non-Manager Member desires to exercise its rights under Section 7.1(b) or 7.1(c) above, it and its Employee Stockholder shall give the Manager Member, AMG, each other Employee Stockholder and the LLC irrevocable written notice (a "Put Notice") on or prior to the preceding December 31 (the "Notice Deadline"), stating that it is electing to exercise such rights and the number of LLC Points (the "Put LLC Points") to be sold in the Put and whether or to what extent such Put is a Put of Initial LLC Points (the "Initial Put LLC Points") or LLC Points issued pursuant to an Option Exercise (together, the "Option Put LLC Points") and, if Option Put LLC Points, what Option Exercise they are associated with. Puts in any given calendar year for which Put Notices are received before the Notice Deadline for that calendar year shall be completed as follows: AMG shall purchase from each Non-Manager Member (and his (or its) Related Non-Manager Members) and their respective Permitted Transferees that number of Put LLC Points as is equal to the sum of (i) the number of Initial Put LLC Points designated as such in the Put Notice,

up to the maximum number permitted by Section 7.1(b) above with respect to that year and the aggregate number of Initial LLC Points that may be Put by the Non-Manager Member (and his (or its) Related Non-Manager Members) and their respective Permitted Transferees, and (ii) the number of Option Put LLC Points designated as such in the Put Notice, up to the maximum number permitted by Section 7.1(c) above with respect to the Option Exercise and that year and the aggregate number of LLC Points that may be put by the Non-Manager Member (and his (or its) Related Non-Manager Members) and their respective Permitted Transferees, with respect to the Option Exercise.

(e) The purchase price for a Put (the "Put Price") shall be an amount (which is intended to be a proxy for fair market value) equal to (i) six and three tenths (6.3) times the positive difference, if any, of (x) the sum of (I) fifty percent (50%) of the LLC's Maintenance Fees for the twenty-four (24) months ending on the last day of the calendar quarter in which the closing of the Put occurs and (II) thirty three and thirty three one hundredths percent (33.33%) of the LLC's Earned Performance Fees for the thirty-six (36) months ending on the last day of the calendar year prior to the calendar year in which the Put occurs minus (y) the amount by which the actual expenses of the LLC (determined on a basis consistent with the calculation of Operating Cash Flow) exceeded the Operating Cash Flow of the LLC (including previously reserved Operating Cash Flow) during the twelve (12) months ending on the last day of the calendar quarter prior to the date of the closing of such Put (in each case determined by reference to the most recent financial statements with respect to the applicable period supplied to the Manager Member pursuant to Section 9.3) multiplied by (ii) a fraction, the numerator of which is the number of Vested LLC Points to be purchased from such Non-Manager Member on the Purchase Date and the denominator of which is the number of LLC Points outstanding on the Purchase Date before giving effect to any Puts, Calls or any issuances or redemptions of LLC Points on such date. Notwithstanding the foregoing, if the Non-Manager Member exercising a Put has made an election contemplated in Section 7.2 then the "Put Price" shall be (i) the product of percentage of Vested LLC Points being Put by such Non-Manager Member to which such election does not apply, and the Put Price calculated in the foregoing sentence with respect to all LLC Points being Put by such Non-Manager Member, plus (ii) the number of shares of AMG Stock resulting from the calculation set forth in Section 7.2(c) upon such election.

(f) In the case of any Put, the Put Price shall be paid by AMG (or, if AMG shall have assigned its obligation to the Manager Member or the LLC pursuant to paragraph (h) below, the Manager Member or the LLC) (or their respective assigns) on the relevant Purchase Date by wire transfer or certified check issued to such Non-Manager Member, in each case, against delivery of such documents or instruments of transfer as may reasonably be requested by AMG, the Manager Member or the LLC, as applicable, and in each case including representations that at the effective time of such transfer the transferring Non-Manager Member is the record and beneficial owner of the LLC Interests being Put, free and clear of any Liens other than those imposed by this Agreement.

(g) Notwithstanding any other provision of this Section 7.1 to the contrary, no purchase by AMG pursuant to this Section 7.1 (or, upon assignment of any of AMG's obligations to the Management Member or the LLC pursuant to paragraph (h) hereof, purchase by the Manager

Member or redemption by the LLC) shall occur if it would result in the Manager Member and AMG (taken together) owning, directly or indirectly, in excess of eighty percent (80%) of the LLC Points outstanding after giving effect to any such sale or redemption. If some, but not all, of the LLC Points which Non-Manager Members have requested be purchased can be so purchased without the Manager Member's and AMG's (taken together) ownership, directly or indirectly, exceeding eighty percent (80%) of the outstanding LLC Points, then AMG or the Manager Member shall purchase, or shall assign their obligations to the LLC, and the LLC shall redeem, LLC Points from the Non-Manager Members having Put LLC Interests in proportion to the LLC Points then held by such Non-Manager Members up to the maximum extent that would not cause the Manager Member and AMG (taken together) to own, directly or indirectly, in excess of eighty percent (80%) of the outstanding LLC Points (in each case, subject to the maximum amount set forth in Sections 7.1(b) and 7.1(c) hereof).

(h) AMG may assign and/or delegate any or all of its rights and obligations to purchase LLC Points under this Section 7.1, in one or more instances, to the Manager Member; provided that no such assignment or delegation shall relieve AMG of its obligation to make the payment for a Put as required by this Section 7.1. The Manager Member may, only with a Majority Vote, assign any or all of its rights and obligations to purchase LLC Points under this Section 7.1, in one or more instances, to the LLC.

(i) In the case of any Put, as of any Purchase Date, the Non-Manager Member shall cease to hold the LLC Points purchased on the Purchase Date, and shall cease to hold a pro-rata portion of such Non-Manager Member's Capital Account (which shall have been transferred to AMG (or, upon assignment of any of AMG's obligations to the Management Member or the LLC pursuant to paragraph (h) hereof, transferred to the Manager Member or canceled by the LLC)) and shall no longer have any rights with respect to such portion of its LLC Interests.

Section 7.2 Election Rights of Non-Manager Members to Receive AMG Stock.

(a) The Non-Manager Member exercising a Put or with respect to whom a Call is exercised (as contemplated by Section 7.7. hereof) may elect to request that AMG pay up to one-half (50%) of the LLC Points being Put by such Non-Manager Member (or being Called from such Non-Manager Member) to be paid for by AMG in shares of AMG's Common Stock, $.01 par value per share (the "AMG Stock") in accordance with the provisions of this Section 7.2. If a Non-Manager Member makes the request set forth in Section 7.2(a), AMG may, in its sole discretion, elect by written notice (the "Election Notice") to such Non-Manager Member within ten (10) days after receiving such Non-Manager Member's request to make the payment for the Put or Call as contemplated by the succeeding provisions of this Section 7.2, or may, in lieu thereof, pay an amount in cash as is equal to the Number of Shares of AMG Stock such Non-Manager Member is entitled to receive pursuant to the calculation set forth below, multiplied by AMG's Average Stock Price, calculated as set forth below.

(b) An election under this Section 7.2 must be made by the Non-Manager Member at least sixty (60) days prior to the relevant Purchase Date, by giving written notice to the

LLC, AMG and the Manager Member of such election, which election, once made, shall be irrevocable without the prior written consent of AMG.

(c) The number of shares of AMG Stock to be issued upon exercise of the Put or Call (as applicable) shall be determined in accordance with the following formula:

$$\text{Number of Shares of AMG Stock} = \frac{\text{FCF} \times \text{Percentage Put/Called} \times \text{AMG's EBITDA Multiple} \times .75}{\text{AMG's Average Stock Price}}$$

Where:

FCF	=	an amount equal to (x) the sum of (I) fifty percent (50%) of the LLC's Maintenance Fees for the twenty-four (24) months ending on the last day of the calendar quarter in which the Put or Call (as applicable) occurs and (II) thirty three and thirty three one hundredths percent (33.33%) of the LLC's Earned Performance Fees for the thirty-six (36) months ending on the last day of the calendar year prior to the calendar year in which the Put or Call (as applicable) occurs minus (y) the amount by which the actual expenses of the LLC (determined on a basis consistent with the calculation of Operating Cash Flow) exceeded the Operating Cash Flow of the LLC (including previously reserved Operating Cash Flow) during the twelve (12) months ending on the last day of the calendar quarter prior to the date of the closing of such Put or Call (as applicable) (in each case determined by reference to the most recent financial statements with respect to the applicable period supplied to the Manager Member pursuant to Section 9.3)
Percentage Put/Called	=	a fraction, the numerator of which is the number of Vested LLC Points to be purchased from the Non-Manager Member on the Purchase Date, and the denominator of which is the number of LLC Points outstanding on the Purchase Date before giving effect to any Puts, Calls or any issuances or redemptions of LLC Points on such date.
AMG's EBITDA Multiple	=	a fraction, the numerator of which is (a) the number of shares of AMG Stock issued and outstanding immediately prior to the closing of the Put or Call (as applicable), multiplied by AMG's Average Stock Price, plus (b) the long-term indebtedness (including the current

portion thereof) of AMG as of the date of its most recent public financial reports prior to the closing of the Put or Call (as applicable), and the denominator of which is AMG's earnings before interest, taxes, depreciation and amortization for the twelve (12) month period ending on the last day of the calendar quarter prior to the date of the closing of the Put or Call (as applicable). Notwithstanding the foregoing, AMG's EBITDA Multiple shall be calculated giving pro-forma effect to any investments or other similar transactions consummated (or which AMG became contractually obligated to consummate) rpior to the closing of the Put or Call (as applicable), in each case, as calculated in good faith by the Manager Member.

AMG's Average Stock Price	=	the average (arithmetic mean) Stock Price of AMG Stock during the forty (40) trading days prior to the date of the closing of the Put or Call (as applicable). The term "Stock Price" shall mean the closing price for each day for the AMG Stock which shall be the last sale price or, in the case no such sale takes place on such day, the average of the closing bid and asked prices in either case as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the AMG Stock is listed or admitted to trading; or, if not listed or admitted to trading on any national securities exchange, the last quoted price (or, if not so quoted, the average of the last quoted high bid and low asked prices) in the over-the-counter market, as reported by NASDAQ or such other system then in use; or, if on any such date no bids are quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in such security reasonably selected by the Board of Directors of AMG. In the event that there is any stock split (or reverse stock split), stock dividend or other similar event, equitable and appropriate adjustments shall be made in the application of the foregoing calculation of AMG's Average Stock Price to take account of such event.

Section 7.3 Registration Rights.

(a) If at any time or times AMG shall determine to file a registration statement ("Registration Statement") (which excludes a registration on Form S-8 (or its then equivalent form) or a registration statement filed solely to implement an employee benefit plan, a transaction under Rule 145 or to which any other similar rule of the SEC under the Securities Act is applicable or registration statement on a form not available for registering securities for sale to the public) other than on Form S-4 (or its then equivalent form) and other than with respect to securities to be issued solely in connection with any acquisition of any securities or assets of any entity or business, then AMG will give written notice thereof to the Non-Manager Members which are holders of Registrable Securities (as hereinafter defined) then outstanding (the "Holders") at least twelve (12) days prior to the filing of a registration statement with the SEC, and, subject to the terms and conditions of this Section 7.3, will use commercially reasonable efforts to effect the registration under the Securities Act (a "Registration") of all Registrable Securities which the Holders request in a writing delivered to AMG within ten (10) days after the notice given by AMG. AMG shall have the right to postpone or withdraw any Registration without any obligation to any Holder.

(b) For the purposes of this Section 7.3, the term "Registrable Securities" shall mean (i) any AMG Stock held by a Non-Manager Member which was acquired by such Non-Manager Member pursuant to the Merger Agreement, (ii) any AMG Stock held by a Non-Manager Member which was acquired by such Non-Manager Member pursuant to the provisions of Section 7.2 above, and (iii) and any equity securities issued or issuable with respect to the AMG Stock described in clauses (i) or (ii) of this Section 7.3(b) by way of a stock dividend or stock split or in connection with a combination of shares.

(c) Whenever under the preceding provisions of this Section 7.3, AMG is required hereunder to register Registrable Securities, AMG agrees that it shall also do the following:

(i) use commercially reasonable efforts to prepare diligently for filing with the SEC a Registration Statement and such amendments and supplements to such Registration Statement and the prospectus used in connection therewith as may be necessary for the duration of such Registration;

(ii) use commercially reasonable efforts to maintain the effectiveness of any Registration Statement pursuant to which any of the Registrable Securities are being sold on a delayed or continuous basis under Rule 415 (or any successor or similar rule) under the Securities Act (other than a registration statement in connection with an underwritten offering) until the earlier of (A) the completion of the distribution of all Registrable Securities offered pursuant thereto or (B) ninety (90) days after the effective date of such Registration Statement, provided that if a Suspension Period (as defined below) has occurred during the pendency of a Registration, AMG shall in good faith use reasonable efforts to extend the effectiveness of such Registration so that there are ninety (90) days during which such Registration is effective and a Suspension Period is not in effect; and

(iii) furnish to each selling Holder such copies of each preliminary and final prospectus and such other documents as such Holder may reasonably request to facilitate the public offering of its Registrable Securities in accordance with customary practices.

(d) All reasonable expenses incident to AMG's performance of or compliance with this Section 7.3, including SEC and securities exchange or National Association of Securities Dealers, Inc. ("NASD") registration and filing fees, fees and expenses of compliance with securities or blue sky laws, printing expenses, fees and disbursements of counsel for AMG and its independent certified public accountants incurred in connection with each registration hereunder (excluding any fees or disbursements of counsel for the Holders, or any underwriting fees, discounts or commissions attributable to the sale of Registrable Securities, which shall be borne by each applicable Holder) (all such included expenses being herein called "Registration Expenses"), will be borne by AMG; provided, however, that if AMG is not selling securities in such offering, then each Holder shall bear a portion of such expenses equal to such expenses multiplied by a fraction, the numerator of which is the number of shares sold by such Holder and the denominator of which is the total number of shares sold in the offering.

(e) (i) Incident to any registration statement referred to in this Section 7.3(e), and subject to applicable law, AMG will indemnify each underwriter, each Holder of Registrable Securities so registered, and each person controlling any of them ("Controlling Person") against all claims, losses, damages and liabilities, including legal and other expenses reasonably incurred in investigating or defending against the same, arising out of any untrue statement of a material fact contained therein, or any omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, or arising out of any violation by AMG of the Securities Act, any other federal securities laws, any state securities or "blue-sky" laws or any rule or regulation thereunder in connection with such registration, except insofar as the same may have been caused by an untrue statement or omission based upon information furnished to AMG by or on behalf of such underwriter, Holder or Controlling Person expressly for use therein, and with respect to such untrue statement or omission in the information furnished to AMG by or on behalf of such underwriter, Holder or Controlling Person, such underwriter, Holder or Controlling Person so providing such information to AMG (or on whose behalf such information was so provided) will indemnify AMG, its directors and officers, and the other underwriters, Holders and Controlling Persons against any losses, claims, damages, expenses or liabilities to which any of them may become subject to the same extent.

(ii) If the indemnification provided for in this Section 7.3(e) from the indemnifying party is unavailable to an indemnified party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified parties in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified parties shall be determined by

reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact, has been made by, or relates to information supplied by, such indemnifying party or indemnified parties, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include any reasonable legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 7.3(e) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 7.3(e)(ii), no Holder shall be required to contribute any amount in excess of the amount by which the total price at which the Registrable Securities of such Holder were offered to the public exceeds the amount of any damages which such Holder has otherwise been required to pay by reason of such untrue statement or omission. No Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation.

If indemnification is available under this Section 7.3(e), the indemnifying parties shall indemnify each indemnified party to the full extent provided in Section 7.3(e)(i) without regard to the relative fault of said indemnifying party or indemnified party or any other equitable consideration provided for in this Section 7.3(e)(ii).

Section 7.4 Restrictions. Notwithstanding anything herein to the contrary, the parties agree as follows:

(a) In the event that in connection with an underwritten public offering, the managing underwriter(s) shall in good faith impose a limitation on the number of securities which may be included in such Registration for marketing purposes, AMG shall not be required to register Registrable Securities in excess of such limitation, provided that the reduction in the number of securities which may be included in such Registration to comply with such limitation is imposed pro rata (based either (as determined by AMG, in its sole discretion) on relative number of securities held or relative number of securities sought to be included in such Registration) with respect to the Holders and all managers of companies providing Investment Management Services in which AMG may invest after the date hereof and which have so-called incidental or piggyback registration rights (it being understood that such limitation may be imposed as to all holders of such securities and the Holders prior to the imposition of any limitation on other holders of AMG securities).

(b) If requested in writing by the managing underwriter(s), if any, of any underwritten public offering of AMG Stock, each Non-Manager Member and each Employee Stockholder (and their respective Permitted Transferees) agrees not to offer, sell, contract to sell or otherwise dispose of any shares of AMG Stock (or any securities convertible into or exchangeable for AMG Stock) except as part of such underwritten public offering within thirty (30) days before or one hundred and eighty (180) days after the effective date of the registration statement filed with respect to said offering.

(c) Following the effectiveness of a Registration (including, without limitation a Registration for sale on a delayed or continuous basis under Rule 415 under the Securities Act), each Holder and each Employee Stockholder agrees not to effect any sales of AMG Stock after they have received notice from AMG to suspend sales as a result of the commencement of any Suspension Period. Each Holder may recommence effecting sales of AMG Stock following further notice to such effect from AMG, which shall be given by AMG not later than five (5) business days after the conclusion of each Suspension Period. For purposes hereof, a "Suspension Period" shall mean the pendency or occurrence of an event that would make it impractical or inadvisable (i) to cause a Registration Statement to remain in effect or (ii) to permit the sale of AMG Stock by Holders and by limited partners, members or management employees of other entities in which AMG is a general partner or manager member (without prejudice to any particular holder), and shall include, without limitation, pending negotiations relating to, or consummation of, a transaction or the pendency or occurrence of any other event that would require additional disclosure of material information by AMG in a registration statement as to which AMG has a bona fide business purpose for preserving confidentiality or which renders AMG unable to comply with applicable legal requirements.

Section 7.5 Limitation of Registration Rights. Notwithstanding the foregoing, AMG shall not be required to effect a Registration of Registrable Securities under this Agreement if, in the written opinion of counsel for AMG, the Holders of Registrable Securities may then sell all the Registrable Securities proposed to be sold without registration under the Securities Act.

Section 7.6 Option of Receiving Future Piggyback Registration Rights. Notwithstanding any provisions of this Section 7, if AMG offers to any Person engaged in the business of providing Investment Management Services in which AMG may invest pursuant to an acquisition or investment transaction closing after the date hereof any form of piggyback registration rights ("New Registration Rights"), AMG agrees that at each such occasion it shall provide Holders of Registrable Securities with the option of either retaining the registration rights then in force for such Registrable Securities or replacing such registration rights with the New Registration Rights, subject to the limitation set forth in Section 7.5.

Section 7.7 Calls.

(a) The Manager Member may, subject to the terms and conditions set forth in this Section 7.2, cause any or all of Joseph C. McNay, Stephen R. Clark and Steven D. Cutler to sell portions of the LLC Interests held by each such Non-Manager Member in the LLC (each a "Call").

(b) The Manager Member may cause each of the Non-Manager Members set forth in Section 7.7(a) above (and any Transferee thereof) to sell up to five percent (5%) of the highest total number of LLC Points held by such Non-Manager Member at any time, to the Manager Member on any Purchase Date (but only up to an aggregate of fifteen percent (15%) of the highest total number of LLC Points held by such Non-Manager Member at any time), starting with the first Purchase Date which is after the sixth (6th) anniversary of the Effective Date.

(c) If the Manager Member desires to exercise its rights under Section 7.7(b), it shall give each Non-Manager Member and the LLC irrevocable written notice (a "Call Notice") on

or prior to the immediately preceding Notice Deadline, stating that it is electing to exercise such rights, the Non-Manager Member with respect to whom the Call is being exercised and the number of LLC Points to be purchased in the Call.

(d) The purchase price for a Call (the "Call Price") shall be an amount (which is intended to be a proxy for fair market value) equal to (i) seven and nine-tenths (7.9) times the positive difference, if any, of (x) fifty percent (50%) of the sum of (I) the LLC's Maintenance Fees for the twenty-four (24) months ending on the last day of the calendar quarter prior to the date of the closing of such Call and (II) thirty three and thirty three one hundredth percent (33.33%) of the LLC's Earned Performance Fees for the thirty-six (36) months ending on the last day of the calendar year prior to the date of the closing of such Call minus (y) the amount by which the actual expenses of the LLC (determined on a basis consistent with the calculation of Operating Cash Flow) exceeded the Operating Cash Flow of the LLC (including previously reserved Operating Cash Flow) during the twelve (12) months ending on last day of the calendar quarter prior to the date of the closing of such Call (in each case determined by reference to the most recent financial statements with respect to the applicable period supplied to the Manager Member pursuant to Section 9.3) multiplied by (ii) a fraction, the numerator of which is the number of LLC Points to be purchased from such Non-Manager Member pursuant to such Call on the Purchase Date and the denominator of which is the number of LLC Points outstanding on the Purchase Date before giving effect to any Puts, Calls or any issuances or redemptions of LLC Points on such date. Notwithstanding the foregoing, if a Non-Manager Member with respect to whom a Call is exercised has made an election contemplated in Section 7.2 then the "Call Price" shall be (i) the product of the percentage of LLC Points being Called from such Non-Manager Member to which such election does not apply, and the Call Price calculated in the foregoing sentence with respect to all LLC Points being Called from such Non-Manager Member, plus (ii) the number of shares of AMG Stock resulting from the calculation set forth in Section 7.2(c) upon such election.

(e) As of any Purchase Date, the Non-Manager Member (and its Transferees to the extent applicable) selling LLC Points under this Section 7.2 shall cease to hold the LLC Interests purchased on the Purchase Date, and shall cease to hold a pro-rata portion of such Non-Manager Member's Capital Account and shall no longer have any rights with respect to such portion of its LLC Interests.

ARTICLE VIII - DISSOLUTION AND TERMINATION.

Section 8.1 No Dissolution. The LLC shall not be dissolved by the admission of Additional Non-Manager Members or substitute Non-Manager Members or substitute Manager Members in accordance with the Act and the provisions of this Agreement.

Section 8.2 Events of Dissolution. The LLC shall be dissolved and its affairs wound up upon the occurrence of any of the following events:

(a) a date designated in writing by the holders of a majority of the then outstanding Vested LLC Points; or

(b) upon the entry of a decree of judicial dissolution under Section 18-802 of the Act.

Section 8.3 Notice of Dissolution. Upon the dissolution of the LLC, the Manager Member shall promptly notify the Members of such dissolution.

Section 8.4 Liquidation. Upon the dissolution of the LLC, the Manager Member, or if there is none, the Person or Persons approved by the holders of more than fifty percent (50%) of the Vested LLC Points then outstanding (including the Person that was the Manager Member) shall carry out the winding up of the LLC (in such capacity, the "Liquidating Trustee"), shall immediately commence to wind up the LLC's affairs; provided, however, that a reasonable time shall be allowed for the orderly liquidation of the assets of the LLC and the satisfaction of liabilities to creditors so as to enable the Members to minimize the normal losses attendant upon a liquidation. The Members shall continue to share in allocations and distributions during liquidation in the same proportions, as specified in Article IV hereof, as before liquidation. The proceeds of liquidation shall be distributed as set forth in Section 4.4 hereof.

Section 8.5 Termination. The LLC shall terminate when all of the assets of the LLC, after payment of or due provision for all debts, liabilities and obligations of the LLC, shall have been distributed to the Members in the manner provided for in Section 4.4 and the Certificate shall have been canceled in the manner required by the Act.

Section 8.6 Claims of the Members. The Members and former Members shall look solely to the LLC's assets for the return of their Capital Contributions and Capital Accounts, and if the assets of the LLC remaining after payment of or due provision for all debts, liabilities and obligations of the LLC are insufficient to return such Capital Contributions or Capital Accounts, the Members and former Members shall have no recourse against the LLC or any other Member (including, without limitation, the Manager Member).

ARTICLE IX - RECORDS AND REPORTS.

Section 9.1 Books and Records. The Officers and the Members shall cause the LLC to keep complete and accurate books of account with respect to the operations of the LLC, prepared in accordance with generally accepted accounting principles, using the accrual method of accounting, consistently applied. Such books shall reflect that the interests in the LLC have not been registered under the Securities Act, and that the interests may not be sold or transferred without registration under the Securities Act or exemption therefrom and without compliance with Article V or Article VI of this Agreement. Such books shall be maintained at the principal office of the LLC in Boston or at such other place as the Manager Member shall determine.

Section 9.2 Accounting. The LLC's books of account shall be kept on the accrual method of accounting, or on such other method of accounting as the Manager Member may from time to time determine, with the advice of the Independent Public Accountants, and shall be closed and balanced at the end of each LLC fiscal year and shall be maintained for each fiscal year in a manner consistent with the generally accepted accounting principles and with the principles and/or policies of AMG

applied consistently with respect to its Controlled Affiliates. The taxable year of the LLC shall be the twelve months ending December 31 or such other taxable year as the Manager Member may designate, with the advice of the Independent Public Accountants.

Section 9.3 Financial and Compliance Reports. The LLC shall, and each of the Non-Manager Members and each of the Employee Stockholders who is a member of the Management Committee shall use all commercially reasonable efforts to cause the LLC to, furnish to the Manager Member each of the following:

(a) Within ten (10) days after the end of each month and each fiscal quarter, an unaudited financial report of the LLC, which report shall be prepared in accordance with generally accepted accounting principles using the accrual method of accounting, consistently applied (except that the financial report may (i) be subject to normal year-end audit adjustments which are neither individually nor in the aggregate material and (ii) not contain all notes thereto which may be required in accordance with generally accepted accounting principles) and shall be certified by the most senior financial officer of the LLC to have been so prepared, and which shall include the following:

(i) Statements of operations, changes in members' capital and cash flows for such month or quarter, together with a cumulative income statement from the first day of the then-current fiscal year to the last day of such month or quarter;

(ii) a balance sheet as of the last day of such month or quarter; and

(iii) with respect to the quarterly financial report, a detailed computation of Free Cash Flow for such quarter.

(b) Within fifteen (15) days after the end of each fiscal year of the LLC, audited financial statements of the LLC, which shall include statements of operations, changes in members' capital and cash flows for such year and a balance sheet as of the last day thereof, each prepared in accordance with generally accepted accounting principles, using the accrual method of accounting, consistently applied, certified by the Independent Public Accountants.

(c) If requested by the Manager Member, within twenty-five (25) days after the end of each calendar quarter, the LLC's operating budget for each of the next four (4) fiscal quarters, in such form and containing such estimates as may be requested by the Manager Member from time to time, certified by the most senior financial officer of the LLC.

(d) If requested by the LLC, copies of all financial statements, reports, notices, press releases and other documents released to the public.

(e) As promptly as is reasonably possible following request by the Manager Member from time to time, such financial, operations, performance or other information or data as may be requested.

Section 9.4 Meetings.

(a) The LLC and its Officers shall hold such regular meetings at the LLC's principal place of business with representatives of the Manager Member as may be reasonably requested by the Manager Member from time to time. These meetings shall be attended (either in person or by telephone) by such members of the Management Committee, Officers and other employees of the LLC as may be requested by the Manager Member or any of the Officers.

(b) At each meeting, the Officers and other employees of the LLC shall discuss such matters regarding the LLC and its performance, operations and/or budgets as may be reasonably requested by the Manager Member, and each of the attendees (whether in person or by telephone) at such meeting shall have the right to submit proposals and suggestions regarding the LLC, and the attendees at the meeting shall, in good faith, discuss and consider such proposals and suggestions.

Section 9.5 Tax Matters.

(a) The Manager Member shall cause to be prepared and filed on or before the due date (or any extension thereof) Federal, state, local and foreign tax or information returns required to be filed by the LLC. The Manager Member, to the extent that LLC funds are available, shall cause the LLC to pay any taxes payable by the LLC (it being understood that the expenses of preparation and filing of such tax returns, and the amounts of such taxes, are to be treated as operating expenses of the LLC to be paid from Operating Cash Flow); provided that the Manager Member shall not be required to cause the LLC to pay any tax so long as the Manager Member or the LLC is in good faith and by appropriate legal proceedings contesting the validity, applicability or amount thereof and such contest does not materially endanger any right or interest of the LLC and adequate reserves therefor have been set aside by the LLC. Neither the LLC nor any Employee Stockholder or Non-Manager Member shall do anything or take any action which would be inconsistent with the foregoing or with the Manager Member's actions as authorized by the foregoing provisions of this Section 9.5(a). Each Non-Manager Member shall cooperate with Manager Member in causing the LLC to make an election under Section 754 of the Code with respect to its fiscal year ended on the Effective Date. Upon the agreement of the Management Committee and the Manager Member, the LLC will use commercially reasonable efforts to cause an election under Section 754 of the Code to be made by investment funds in which it holds an interest as a manager or general partner.

(b) The Manager Member shall be the tax matters partner for the LLC pursuant to Sections 6221 through 6233 of the Code.

ARTICLE X - LIABILITY, EXCULPATION AND INDEMNIFICATION.

Section 10.1 Liability. Except as otherwise provided by the Act, the debts, obligations and liabilities of the LLC, whether arising in contract, tort or otherwise, shall be solely the debts, obligations and liabilities of the LLC, and no Covered Person shall be obligated personally for any such debt, obligation or liability of the LLC solely by reason of being a Covered Person.

Section 10.2 Exculpation.

(a) No Covered Person shall be liable to the LLC or any other Covered Person for any loss, damage or claim incurred by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the LLC and in a manner reasonably believed to be within the scope of authority conferred on such Covered Person by this Agreement, except that a Covered Person shall be liable for any such loss, damage or claim incurred by reason of any action or inaction of such Covered Person which constituted fraud, gross negligence, willful misconduct or a breach of this Agreement, the Merger Agreement or, in the case of a Non-Manager Member or Employee Stockholder, the Non Solicitation Agreement to which he, she or it is a party.

(b) A Covered Person shall be fully protected in relying in good faith upon the records of the LLC and upon such information, opinions, reports or statements presented to the Covered Person by any Person as to matters the Covered Person reasonably believes are within such other Person's professional or expert competence and who has been selected with reasonable care by or on behalf of the LLC of such Covered Person.

Section 10.3 Fiduciary Duty.

(a) To the extent that, at law or in equity, a Covered Person has duties (including fiduciary duties) and liabilities relating thereto to the LLC or to any Member, a Covered Person acting under this Agreement shall not be liable to the LLC or to any Member for its good faith reliance on the provisions of this Agreement. The provisions of this Agreement, to the extent that they restrict the duties and liabilities of a Covered Person otherwise existing at law or in equity, are agreed by the parties hereto to replace such other duties and liabilities of such Covered Person.

(b) Unless otherwise expressly provided herein, (i) whenever a conflict of interest exists or arises between the Manager Member and any other Member, or (ii) whenever this Agreement or any other agreement contemplated herein or therein provides that the Manager Member shall act in a manner that is, or provides terms that are, fair and reasonable to the LLC or any Member, the Manager Member shall resolve such conflict of interest, take such action or provide such terms, considering in each case the relative interest of each party (including its own interest) to such conflict, agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable generally accepted accounting practices or principles. The resolution, action or term so made, taken or provided by the Manager Member shall not constitute a breach of this Agreement or any other agreement contemplated herein or of any duty or obligation of the Manager Member at law or in equity or otherwise unless the Managing Member did not act in good faith.

(c) Whenever in this Agreement the Manager Member is permitted or required to make a decision (i) in its "discretion" or under a grant of similar authority or latitude, the Manager Member shall be entitled to consider such interests and factors as it desires, including its own interests, and shall have no duty or obligation to give any consideration to any interest of or factors affecting the LLC or any other Person, or (ii) in its "good faith" or under another express standard,

the Manager Member shall act under such express standard and shall not be subject to any other or different standard imposed by this Agreement or other applicable law.

(d) Wherever in this Agreement a factual determination is called for and the applicable provision of this Agreement does not indicate what party or parties are to make the applicable factual determination, and/or the applicable standard to be used in making the factual determination, such determination shall be made by the Manager Member in the exercise of reasonable discretion.

Section 10.4 Indemnification. To the fullest extent permitted by applicable law, a Covered Person shall be entitled to indemnification from the LLC for any loss, damage or claim (including any amounts paid in settlement of any such claims) including expenses, fines, penalties and counsel fees and expenses incurred by such Covered Person by reason of any act or omission performed or omitted by such Covered Person in good faith on behalf of the LLC and in a manner reasonably believed to be within the scope of authority conferred on such Covered Person by this Agreement, except that no Covered Person shall be entitled to be indemnified in respect of any loss, damage or claim incurred by such Covered Person by reason of any action or inaction of such Covered Person which constituted fraud, [gross] negligence, willful misconduct or a breach of this Agreement, the Merger Agreement or, in the case of the Non-Manager Member or Employee Stockholder, the Non Solicitation Agreement to which he, she or it is a party; provided, however, that any indemnity under this Section 10.4 shall be provided out of and to the extent of LLC assets only, and no Member or Covered Person shall have any personal liability to provide indemnity on account thereof.

Section 10.5 Notice; Opportunity to Defend and Expenses.

(a) Promptly after receipt by any Covered Person from any third party of notice of any demand, claim or circumstance that, immediately or with the lapse of time, would reasonably be expected to give rise to a claim or the commencement (or threatened commencement) of any action, proceeding or investigation (an "Asserted Liability") that could reasonably be expected to result in any loss, damage or claim with respect to which the Covered Person might be entitled to indemnification from the LLC under Section 10.4, the Covered Person shall give notice thereof (the "Claims Notice") to the LLC; provided, however, that a failure to give such notice shall not prejudice the Covered Person's right to indemnification hereunder except to the extent that the LLC is actually prejudiced thereby. The Claims Notice shall describe the Asserted Liability in such reasonable detail as is practicable under the circumstances, and shall, to the extent practicable under the circumstances, indicate the amount (estimated, if necessary) of the loss or damage that has been or may be suffered by the Covered Person.

(b) The LLC may elect to compromise or defend, at its own expense and by its own counsel, any Asserted Liability; provided, however, that if the named parties to any action or proceeding include (or could reasonably be expected to include) both the LLC and a Covered Person, or more than one Covered Persons, and the LLC is advised by counsel that representation of both parties by the same counsel would be inappropriate under applicable standards of professional conduct, the Covered Person may engage separate counsel at the expense of the LLC. If the LLC elects to compromise or defend such Asserted Liability, it shall within twenty (20) business days (or sooner,

if the nature of the Asserted Liability so requires) notify the Covered Person of its intent to do so, and the Covered Person shall cooperate, at the expense of the LLC, in the compromise of, or defense against, such Asserted Liability. If the LLC elects not to compromise or defend the Asserted Liability, fails to notify the Covered Person of its election as herein provided, contests its obligation to provide indemnification under this Agreement, or fails to make or ceases making a good faith and diligent defense, the Covered Person may pay, compromise or defend such Asserted Liability all at the expense of the Covered Person (in accordance with the provisions of Section 10.5(c) below). Except as set forth in the preceding sentence, neither the LLC nor the Covered Person may settle or compromise any claim over the objection of the LLC or the Manager Member; provided, however, that consent to settlement or compromise shall not be unreasonably withheld. In any event, the LLC and the Covered Person may participate at their own expense, in the defense of such Asserted Liability. If the Covered Person chooses to defend any claim, the Covered Person shall make available to the LLC any books, records or other documents within its control that are necessary or appropriate for such defense, all at the expense of the LLC.

(c) If the LLC elects not to compromise or defend an Asserted Liability, or fails to notify the Covered Person of its election as above provided, then, to the fullest extent permitted by applicable law, expenses (including legal fees) incurred by a Covered Person in defending any Asserted Liability, shall, from time to time, be advanced by the LLC prior to the final disposition of such claim, demand, action, suit or proceeding upon receipt by the LLC of an undertaking by or on behalf of the Covered Person to repay such amount if it shall be determined that the Covered Person is not entitled to be indemnified as authorized in Section 10.4 hereof. The LLC may, if the Manager Member deems it appropriate, require any Covered Person for whom expenses are advanced, to deliver adequate security to the LLC for his or her obligation to repay such indemnification.

Section 10.6 Miscellaneous.

(a) The right of indemnification hereby provided shall not be exclusive of, and shall not affect, any other rights to which a Covered Person may be entitled. Nothing contained in this Article X shall limit any lawful rights to indemnification existing independently of this Article X.

(b) The indemnification rights provided by this Article X shall also inure to the benefit of the heirs, executors, administrators, successors and assigns of a Covered Person and any officers, directors, partners, shareholders, employees and Affiliates of such Covered Person (and any former officer, director, member, shareholder or employee of such Covered Person, if the loss, damage or claim was incurred while such person was an officer, director, member, shareholder or employee of such Covered Person). The Manager Member may extend the indemnification called for by Section 10.4 to non-employee agents of the LLC, the Manager Member or its Affiliates.

ARTICLE XI - MISCELLANEOUS.

Section 11.1 Notices. All notices, requests, elections, consents or demands permitted or required to be made under this Agreement ("Notices") shall be in writing, signed by the Person or Persons giving such notice, request, election, consent or demand and shall be delivered personally or

by confirmed facsimile, or sent by registered or certified mail, or by commercial courier to the other Members, at their addresses set forth on the signature pages hereof or on Schedule A hereto, or at such other addresses as may be supplied by written notice given in conformity with the terms of this Section 11.1. All Notices to the LLC shall be made to the Manager Member at the address set forth on the signature pages hereof or on Schedule A hereto, with a copy (which shall not constitute notice) to the President of the LLC at the principal offices of the LLC. The date of any such personal or facsimile delivery or the date of delivery by an overnight courier or the date five (5) days after the date of mailing by registered or certified mail, as the case may be, shall be the date of such notice.

Section 11.2 Successors and Assigns. Subject to the restrictions on transfer set forth herein, this Agreement shall be binding upon and shall inure to the benefit of the Members, their respective successors, successors-in-title, heirs and assigns, and each and every successors-in-interest to any Member, whether such successor acquires such interest by way of gift, purchase, foreclosure or by any other method, and each shall hold such interest subject to all of the terms and provisions of this Agreement.

Section 11.3 Amendments. No amendments may be made to this Agreement without the prior written consent of (i) the Manager Member and (ii) a vote of the Non-Manager Members owning of record two-thirds of the outstanding LLC Points then held by all Non-Manager Members, and, with respect to Sections 3.9, and 3.11 and Article VII and Article XI hereof, AMG; provided, however, that, without the vote, consent or approval of any other Member, the Manager Member shall make such amendments and additions to Schedule A hereto as are required by the provisions hereof; and, provided further, that the Manager Member may amend this Agreement to correct any printing, stenographic or clerical errors or omissions.

Section 11.4 No Partition. No Member nor any successor-in-interest to any Member, shall have the right while this Agreement remains in effect to have the property of the LLC partitioned, or to file a complaint or institute any proceeding at law or in equity to have the property of the LLC partitioned, and each Member, on behalf of himself, his successors, representatives, heirs and assigns, hereby waives any such right. It is the intent of the Members that during the term of this Agreement, the rights of the Members and the Employee Stockholders and their successors-in-interest, as among themselves, shall be governed by the terms of this Agreement, and that the right of any Member or successors-in-interest to assign, transfer, sell or otherwise dispose of his interest in the LLC shall be subject to the limitations and restrictions of this Agreement.

Section 11.5 No Waiver; Cumulative Remedies. The failure of any Member to insist upon strict performance of a covenant hereunder or of any obligation hereunder, irrespective of the length of time for which such failure continues, shall not be a waiver of such Member's right to demand strict compliance in the future. No consent or waiver, express or implied, to or of any breach or default in the performance of any obligation hereunder, shall constitute a consent or waiver to or of any other breach or default in the performance of the same or any other obligation hereunder. The rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any party shall not preclude or waive its right to use any or all other remedies. Said rights and remedies are given in addition to any other rights the parties may have by law, statute, ordinance or otherwise.

Section 11.6 Dispute Resolution. The parties agree that any and all disputes, claims, or controversies arising out of or relating to this Agreement, the Employment Agreements, the Non Solicitation Agreements, the Incentive Program or any Promissory Note for Repurchase shall be resolved by binding arbitration in accordance with the applicable rules of the American Arbitration Association. The arbitration shall be held in Massachusetts before a single arbitrator selected in accordance with Section 12 of the American Arbitration Association Commercial Arbitration Rules who shall have substantial business experience in the investment advisory industry, and shall otherwise be conducted in accordance with the American Arbitration Association Commercial Arbitration Rules. The parties covenant that they will participate in the arbitration in good faith and that they will share equally its costs except as otherwise provided herein. The provisions of this Section 11.6 shall be enforceable in any court of competent jurisdiction, and the parties shall bear their own costs in the event of any proceeding to enforce this Agreement except as otherwise provided herein. The arbitrator may in his or her discretion assess costs and expenses (including the reasonable legal fees and expenses of the prevailing party) against any party to a proceeding. Any party unsuccessfully refusing to comply with an order of the arbitrators shall be liable for costs and expenses, including attorneys' fees, incurred by the other party in enforcing the award. The parties may proceed to any court to obtain relief that is solely equitable in nature and for which no adequate remedy is available at law or to enforce arbitration decisions rendered in accordance with procedures set forth in this Section 11.6.

Section 11.7 Prior Agreements Superseded. This Agreement and the schedules and exhibits hereto supersede the prior understandings and agreements among the parties with respect to the subject matter hereof and thereof.

Section 11.8 Captions. Titles or captions of Articles or Sections contained in this Agreement are inserted as a matter of convenience and for reference, and in no way define, limit, extend or describe the scope of this Agreement or the intent of any provision hereof.

Section 11.9 Counterparts. This Agreement may be executed in a number of counterparts, all of which together shall for all purposes constitute one Agreement, binding on all the Members notwithstanding that all Members have not signed the same counterpart.

Section 11.10 Applicable Law; Jurisdiction. This Agreement and the rights and obligations of the parties hereunder shall be governed by and interpreted, construed and enforced in accordance with the laws of the State of Delaware, without applying the choice of law or conflicts of law provisions thereof. Each of the parties hereby consents to personal jurisdiction, service of process and venue in the federal or state courts sitting in The Commonwealth of Massachusetts for any claim, suit or proceeding arising under this Agreement to enforce any arbitration award or obtain equitable relief and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such state court or, to the extent permitted by law, in such federal court. Each of the parties hereby irrevocably consents to the service of process in any such action or proceeding by the mailing by certified mail of copies of any service or copies of the summons and complaint and any other process to such party at the address specified in Section 11.1 hereof. the parties agree that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions.

Section 11.11 Interpretation. All terms herein using the singular shall include the plural; all terms using the plural shall include the singular; in each case, the term shall be as appropriate to the context of each sentence. Throughout this Agreement, nouns, pronouns and verbs shall be construed as masculine, feminine and neuter, whichever shall be applicable.

Section 11.12 Severability. The invalidity or unenforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and this Agreement shall be construed in all respects as if such invalid or unenforceable provision were omitted.

Section 11.13 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditor of (i) any Member, (ii) any Employee Stockholder or (iii) the LLC, other than a Member who is also a creditor of the LLC.

[INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF the Initial Non-Manager Members and the Manager Member have executed and delivered this Amended and Restated Limited Liability Company Agreement as of the day and year first above written.

MANAGER MEMBER

Name and Signature	Address
ESSEX INVESTMENT MANAGEMENT COMPANY, INC.	c/o Affiliated Managers Group, Inc. Two International Place 23rd Floor Boston, MA 02110

By:/s/ Nathaniel Dalton

Name: Nathaniel Dalton
Title:

NON-MANAGER MEMBERS

Name and Signature	Address
/s/ Joseph C. McNay - --- Joseph C. McNay	c/o Essex Investment Management Company, LLC 125 High Street Boston, MA 02110
/s/ Stephen D. Cutler - --- Stephen D. Cutler	c/o Essex Investment Management Company, LLC 125 High Street Boston, MA 02110
/s/ Stephen R. Clark - --- Stephen R. Clark	c/o Essex Investment Management Company, LLC 125 High Street Boston, MA 02110
/s/ Roy L. Beane - --- Roy L. Beane	c/o Essex Investment Management Company, LLC 125 High Street Boston, MA 02110
/s/ R. Daniel Beckham - --- R. Daniel Beckham	c/o Essex Investment Management Company, LLC 125 High Street Boston, MA 02110

/s/ Pamela S. Cutrell
- ---------------------------------
Pamela S. Cutrell
c/o Essex Investment Management Company, LLC
125 High Street
Boston, MA 02110

/s/ Donald V. Dougherty
- ---------------------------------
Donald V. Dougherty
c/o Essex Investment Management Company, LLC
125 High Street
Boston, MA 02110

/s/ Malcolm MacColl
- ---------------------------------
Malcolm MacColl
c/o Essex Investment Management Company, LLC
125 High Street
Boston, MA 02110

/s/ Christopher P. McConnell
- ---------------------------------
Christopher P. McConnell
c/o Essex Investment Management Company, LLC
125 High Street
Boston, MA 02110

/s/ David J. McDonald
- ---------------------------------
David J. McDonald
c/o Essex Investment Management Company, LLC
125 High Street
Boston, MA 02110

/s/ Colin S. McNay
- ---------------------------------
Colin S. McNay
c/o Essex Investment Management Company, LLC
125 High Street
Boston, MA 02110

/s/ Hamilton Mehlman
- ---------------------------------
Hamilton Mehlman
c/o Essex Investment Management Company, LLC
125 High Street
Boston, MA 02110

/s/ Kimberly A. Molino
- ---------------------------------
Kimberly A. Molino
c/o Essex Investment Management Company, LLC
125 High Street
Boston, MA 02110

/s/ Ryen G. Munro
- ---------------------------------
Ryen G. Munro
c/o Essex Investment Management Company, LLC
125 High Street
Boston, MA 02110

/s/ A. Davis Noble
- ---------------------------------
A.Davis Noble
c/o Essex Investment Management Company, LLC
125 High Street
Boston, MA 02110

/s/ Susan P. Stickells
- ---------------------------------
Susan P. Stickells
c/o Essex Investment Management Company, LLC
125 High Street
Boston, MA 02110

ACKNOWLEDGMENT

The undersigned is executing this Agreement solely to acknowledge and agree to be bound by the provisions of Section 3.11, Article VII and the relevant provisions of Article XI hereof.

AFFILIATED MANAGERS GROUP, INC.
Two International Place
23rd Floor
Boston, MA 02110

By: Nathaniel Dalton

Name: Nathaniel Dalton
Title: Senior Vice President

SCHEDULE A

Member	LLC Points	Capital Contribution
Essex Investment Management Company, Inc.	680	$100,816,673.00
Joseph C. McNay	70	7.00
Stephen D. Cutler	20	2.00
Stephen R. Clark	20	2.00
Roy L. Beane	13	1.30
R. Daniel Beckham	16	1.60
Pamela S. Cutrell	13	1.30
Donald V. Dougherty	13	1.30
Malcolm MacColl	13	1.30
Christopher P. McConnell	16	1.60
David J. McDonald	13	1.30
Colin S. McNay	26	2.60
Hamilton Mehlman	13	1.30
Kimberly A. Molino	13	1.30
Ryen G. Munro	13	1.30
A.Davis Noble	13	1.30
Susan P. Stickells	13	1.30
Unvested	22	2.20
TOTAL	1000	$100,848,673.00

Addresses

Essex Investment Management Company, Inc.
c/o Affiliated Managers Group, Inc.
Two International Place, 23rd Floor
Boston, MA 02110

Each of the above individuals can be contacted at:

c/o Essex Investment Management Company, LLC
125 High Street
Boston, MA 02110

EXHIBIT 10.16

FORM OF ESSEX

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (hereafter the "Employment Agreement") made as of _____, 1998 (the "Closing Date"), by and among Essex Investment Management Company, Inc., a Massachusetts corporation (the "Company"), Essex Investment Management Company, LLC, a Delaware limited liability company (the "Employer"), and _____, a resident of _____ (the "Employee").

W I T N E S S E T H

WHEREAS, pursuant to an Agreement and Plan of Reorganization dated as of January 15, 1998 (the "Purchase Agreement") by and among Affiliated Managers Group, Inc., a Delaware corporation ("AMG"), the Employer, the Employee and certain other parties as set forth therein, at the Closing (as defined in the Purchase Agreement), a newly organized subsidiary of AMG will be merged (the "Merger") with and into the Company, which will become a wholly-owned subsidiary of AMG and will continue as the Managing Member of the Employer.

WHEREAS, the Company transferred its assets and liabilities to the Employer, which will continue the investment advisory businesses of the Company (including acting as an investment adviser to the clients which were clients of the Company).

WHEREAS, the Employee is a stockholder of the Company and will receive substantial economic and other benefits if the transactions contemplated by the Purchase Agreement are consummated.

WHEREAS, on the Closing Date, and in consideration for the Employee entering into this Employment Agreement, the Employee is being admitted as a member of the Employer. Reference is hereby made to that certain Amended and Restated Limited Liability Company Agreement dated as of the Closing Date, as the same may be amended and/or restated from time to time (the "LLC Agreement").

WHEREAS, it is a condition precedent to the obligation of AMG to consummate the transactions contemplated by the Purchase Agreement that the Employee enter into and on the Closing Date (as defined in the Purchase Agreement) be bound by an employment agreement with the Employer in the form hereof, supplanting any previous employment agreement or arrangement that Employee may have had with the Employer or the Company. It is further a condition precedent to the obligation of AMG to consummate the transactions contemplated by the Purchase Agreement that the Company be an intended third-party beneficiary of this Employment Agreement and be entitled to enforce all the provisions hereof as against each of the Employer and the Employee.

WHEREAS, it is a condition precedent to the Employee being admitted to the Employer as a member, that the Employee enter into and on the Closing Date be bound by an employment agreement with the Employer in the form hereof.

WHEREAS, the Company and the Employer recognize the importance of the Employee to the Employer and to the Employer's ability to retain the client relationships transferred to the Employer under the Purchase Agreement and the Asset Transfer Agreement (as such term is defined in the Purchase Agreement), and desire that the Employer employ the Employee for the period of employment and upon and subject to the terms herein provided.

WHEREAS, the Company and the Employer wish to be assured that the Employee will not compete with the Employer and its Controlled Affiliates during the period of employment, and will not for a period thereafter compete with the Employer or its Controlled Affiliates, or solicit any Past, Present, or Potential Clients (as hereinafter defined) of the Company or the Employer and will not, by such competition or solicitation, damage the Employer's goodwill among its clients and the general public.

WHEREAS, the Employee desires to be employed by the Employer and to refrain from competing with the Employer or soliciting its clients and the clients of the Company for the periods and upon and subject to the terms herein provided.

WHEREAS, the Employee has been employed by the Company for approximately years, has while so employed contributed to the acquisition and retention of the Company's clients, and will continue to seek to acquire and retain clients and to generate goodwill in the future as an officer, employee and agent of the Employer.

Capitalized terms used herein and not otherwise defined shall have the meaning set forth in the LLC Agreement when used in this Employment Agreement.

AGREEMENTS

In consideration of the premises, the mutual covenants and the agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto covenant and agree as follows:

Section 1. Term of Employment; Compensation. The Employer agrees to employ the Employee for a period of ten (10) years beginning on the Closing Date (the "Term") as an officer of the Employer except as provided herein; and the Employee hereby accepts such employment. As consideration for the Employee's performance hereunder, the Employer will pay the Employee for his services during the Term hereof such amounts (which may be zero (0)) as shall be determined by the Management Committee consistent with the provision of Article III of the LLC Agreement (including, by way of example and not of limitation, the provisions of Section

3.5(a) of the LLC Agreement with regard to the use of Operating Cash Flow), subject to such payroll and withholding deductions as are required by law. Consistent with the provisions of Section 3.5(a) of the LLC Agreement, the Employee's compensation (including salary and bonus) will be periodically reviewed and adjusted (with respect to both increases and/or decreases).

Section 2. Office and Duties.

(a) During the Term of this Employment Agreement, the Employee shall hold such positions and perform such duties relating to the Employer's businesses and operations as may from time to time be assigned to him in accordance with the provisions of Article III of the LLC Agreement. During the Term of this Employment Agreement and while employed by the Employer, the Employee shall devote substantially all of his working time to his duties hereunder and shall, to the best of his ability, perform such duties in a manner which will further the business and interests of the Employer. If the Company (as a third party beneficiary of this Agreement) reasonably believes that the Employee has breached the foregoing obligation, it shall provide written notice of such breach to the Employer and within three (3) business days of such notice, the Management Committee (excluding the Person whose termination is being considered) of the Employer shall determine whether it concurs in the determination that the Employee has breached such provision. If the Management Committee disagrees with the Company, then the Management Committee shall provide written notice of such disagreement to the Company within three (3) business days of its determination and, if the Company so notifies the Employer within three (3) business days after notice of such agreement, then such issue shall be finally determined by binding arbitration in accordance with the provisions of Section 11 of this Agreement, provided, that such arbitration shall take place no later than fourteen (14) days following the receipt by the Management Committee of written notice from the Company that the Company desires to submit such issue to arbitration, and a final decision with respect to such issue shall be issued within five (5) business days after such arbitration. During the longer of the Term of this Employment Agreement or while Employee is employed by or acting as a consultant (or in any similar capacity) to the Employer or any of its Affiliates, the Employee shall not engage (i) in any Prohibited Competition Activity; (ii) interfere with the relations of the Employer or any of its Controlled Affiliates with any person or entity who at any time during such period was a Client (which means Past, Present, and Potential Clients, as defined below); or (iii) solicit or induce or attempt to solicit or induce, directly or indirectly, any employee or agent of or consultant (or person acting in any similar capacity) to the Employer to terminate its, his or her relationship therewith. The Employee agrees that he will travel to whatever extent is reasonably necessary in the conduct of the Employer's business.

(b) At any time after the anniversary of the date hereof, the Employee may elect, with the written consent of the Management Committee in its sole discretion, to reduce (but not to zero) the amount of time devoted to his duties hereunder, including without limitation reduction of travel time.

(c) Except as provided in the LLC Agreement, during the Term of this Agreement and while employed by the Employer, the Employee shall not, directly or indirectly,

solicit the business of any Past, Present, or Potential Clients except on behalf and for the benefit of the Employer, or pursue any other business activity, including, without limitation, serving as an officer, director, employee, agent or adviser to any business entity other than the Employer, without the Employer's prior written consent.

(d) Notwithstanding the provisions of this Section 2, the Employee may engage in investing for his personal account if each such investment is made in accordance with the Code of Ethics of the LLC.

(e) The terms "Client" or "Client List" when used herein shall include all Past, Present, and Potential Clients, subject to the following general rules: (i) with respect to each such Client, the term shall also include any persons or entities which are known to the Employee to be Affiliates of such Client or persons who are members of the Immediate Family of such Client or any of its Affiliates; and (ii) with respect to so-called "wrap programs," both the sponsor of the program and the underlying participants in the program (or clients who have selected the Company or a Controlled Affiliate under their contract with the sponsor) shall be included as Clients. Past, Present and Potential Clients shall be defined as follows:

"Past Client" shall mean at any particular time, any Person who at any point prior to such time had been an advisee or investment advisory customer of, or recipient of Investment Management Services from, the Employer (including, without limitation, its predecessors, including the Corporation) but at such time is not an advisee, investment advisory customer of, or recipient of Investment Management Services from, the Employer.

"Present Client" shall mean, at any particular time, any Person who is at such time an advisee or investment advisory customer of, or recipient of Investment Management Services from, the Employer or any of its Controlled Affiliates.

"Potential Client" shall mean, at any particular time, any Person to whom the Employer (including, without limitation, its predecessors, including the Company) or any of its Controlled Affiliates, through any of their officers, employees, agents or consultants (or persons acting in any similar capacity), has, within five years prior to such time, offered (by means of a personal meeting or a written proposal specifically directed to the particular Person) to serve as investment adviser or otherwise provide Investment Management Services but who is not at such time an advisee or investment advisory customer of, or recipient of Investment Management Services from, the Employer or any of its Controlled Affiliates. The preceding sentence is meant to exclude form letters, blanket mailings, cold calls and initial marketing efforts that do not result in a request by the recipient for further information or a presentation.

Section 3. Benefits. The Employee shall participate, to the extent he is eligible and in a manner and to an extent that is fair and appropriate in light of his position and duties with the Employer at such time, in all bonus, pension, profit-sharing, group insurance, or other fringe benefit plans which the Employer may hereafter in its sole and absolute discretion make available generally to its officers pursuant to the provisions of Article III of the LLC Agreement, but the

Employer will not be required to establish any such program or plan. The Employee shall be entitled to such vacations and to such reimbursement of expenses as the Employer's policies allow, from time to time, to officers having comparable responsibilities and duties.

Section 4. Termination of Employment. Notwithstanding any other provision of this Employment Agreement, Employee's employment with the Employer shall be terminated only in the following circumstances:

(i) At any time by the Company, or by the Employer with the prior written consent of the Company, For Cause;

(ii) At any time by the Company, or by the Employer with the prior written consent of the Company upon the Permanent Incapacity of the Employee; or

(iii) Upon the death of the Employee;

[(iv) At any time by the Employer in accordance with the provisions of the LLC Agreement.]

Section 5. All Business to be the Property of the Employer; Assignment of Intellectual Property; Confidentiality.

(a) The Employee agrees that any and all presently existing investment advisory businesses of the Employer and its Controlled Affiliates (including its predecessor, the Company), and all businesses developed by the Employer and its Controlled Affiliates, including by such Employee or any other employee or agent of the Employer (including, without limitation, employees and agents of its predecessor, the Company), including, without limitation, all investment methodologies, all investment advisory contracts, fees and fee schedules, commissions, records, data, client lists, agreements, trade secrets, and any other incident of any business developed by the Employer (or its predecessor, the Company) or its Controlled Affiliates or earned or carried on by the Employee Stockholder for the Employer or its predecessor, the Company or their respective Controlled Affiliates, and all trade names, service marks and logos under which the Employer or its Controlled Affiliates do business, and any combinations or variations thereof and all related logos, are and shall be the exclusive property of the Employer or such Controlled Affiliate, as applicable, for its or their sole use, and (where applicable) shall be payable directly to the Employer or such Controlled Affiliate. In addition, the Employee acknowledges and agrees that the investment performance of the accounts managed by the Employer (and its predecessor, the Company) was attributable to the efforts of the team of professionals at the Employer (or its predecessor, the Company, as applicable) and not to the efforts of any single individual, and that therefore, the performance records of the accounts managed by the Employer (and its predecessor, the Company) are and shall be the exclusive property of the Employer.

(b) The Employee acknowledges that, in the course of performing services hereunder and otherwise (including, without limitation, for the Employer's predecessor, the Company), the Employee Stockholder has had, and will from time to time have, access to information of a confidential or proprietary nature, including without limitation, all confidential or proprietary investment methodologies, trade secrets, proprietary or confidential plans, client identities and information, client lists, service providers, business operations or techniques, records and data ("Intellectual Property") owned or used in the course of business by the Employer or its Controlled Affiliates. The Employee agrees always to keep secret and not ever publish, divulge, furnish, use or make accessible to anyone (otherwise than in the regular business of the Employer) any Intellectual Property of the Employer or any Controlled Affiliate thereof unless such information can be shown to be (i) previously known on a nonconfidential basis by such Employee, (ii) in the public domain through no fault of such Employee or (iii) lawfully acquired by such Employee from other sources. At the termination of the Employee's services to the Employer, all data, memoranda, client lists, notes, programs and other papers, items and tangible media, and reproductions thereof relating to the foregoing matters in the Employee's possession or control shall be returned to the Employer and remain in its possession (except where the return of such items shall be unreasonable or impractical in relation to the importance or confidentiality of such items).

(c) The Employee acknowledges that, in the course of entering into this Employment Agreement, the Employee has had and, in the course of the operation of the Employer, the Employee will from time to time have, access to Intellectual Property owned by or used in the course of business by AMG or the Company. The Employee agrees, for the benefit of AMG and the Company, always to keep secret and not ever publish, divulge, furnish, use or make accessible to anyone (other than at AMG's or the Company's request) any knowledge or information regarding Intellectual Property (including, by way of example and not of limitation, the transaction structures utilized by AMG or the Company) of AMG or the Company unless such information can be shown to be (i) previously known on a nonconfidential basis by such Employee, (ii) in the public domain through no fault of such Employee or (iii) lawfully acquired by such Employee from other sources. At the termination of the Employee Stockholder's service to the Employer, all data, memoranda, documents, notes and other papers, items and tangible media, and reproductions thereof relating to the foregoing matters in the Employee's possession or control shall be returned to the Company and remain in its possession.

(d) The provisions of this Section 5 shall not be deemed to limit any of the rights of the Employer or the Company under the LLC Agreement or under applicable law, but shall be in addition to the rights set forth in the LLC Agreement and those which arise under applicable law.

Section 6. Non-Competition Covenant.

(a) Until the later of (i) three (3) years following the termination of the Employee's employment with the Employer or any of its Affiliates, or (ii) (A) in the event the Employee's employment is terminated by the LLC other than For Cause or a Unanimous

Termination Decision, five (5) years from the date hereof, or (B) in the event the Employee's employment terminates for any other reason, ten (10) years from the date hereof, the Employee shall not, directly or indirectly, engage in any Prohibited Competition Activity.

(b) In addition to, and not in limitation of, the provisions of Section 6(a), the Employee agrees, for the benefit of the Employer and the Company, that from and after the termination of his employment with the Employer and until the later of (i) three (3) years following the termination of the Employee's employment with the Employer or any of its Affiliates, or (ii) A) in the event the Employee's employment is terminated by the LLC other than For Cause or a Unanimous Termination Decision, five (5) years from the date hereof, or (B) in the event the Employee's employment terminates for any other reason, ten (10) years from the date hereof, the Employee shall not, directly or indirectly, whether as owner, part-owner, shareholder, partner, member, director, officer, trustee, employee, agent or consultant, or in any other capacity, on behalf of himself or any Person other than the Employer:

(i) provide Investment Management Services to any Person that is a Past, Present or Potential Client of the Employer; provided, however, that this clause (i) shall not be applicable to clients of the Employer (including Potential Clients) who are also members of the Immediate Family of the Employee;

(ii) solicit or induce, whether directly or indirectly, any Person for the purpose (which need not be the sole or primary purpose) of (A) causing any funds with respect to which the Employer provides Investment Management Services to be withdrawn from such management, or (B) causing any Client of the Employer (including any Potential Client) not to engage the Employer or any of its Affiliates to provide Investment Management Services for any or additional funds;

(iii) contact or communicate with, in either case in connection with Investment Management Services, whether directly or indirectly, any Past, Present or Potential Clients of the Employer; provided, however, that this clause (iii) shall not be applicable to clients of the Employer (including Potential Clients) who are also members of the Immediate Family of the Employee; or

(iv) solicit or induce, or attempt to solicit or induce, directly or indirectly, any employee or agent of, or consultant to, the Employer or any of its Controlled

Affiliates to terminate its, his or her relationship therewith, hire any such employee, agent or consultant, or former employee, agent or consultant, or work in any enterprise involving investment advisory services with any employee, agent or consultant or former employee, agent or consultant, of the Employer or its Controlled Affiliates who was employed by or acted as an agent or consultant to the Employer (or its predecessor, the Company) or its Controlled Affiliates at any time during the two (2) year period preceding the termination of the Employee Stockholder's employment (excluding for all purposes of this sentence, secretaries and persons holding other similar positions).

Notwithstanding the provisions of Sections 6(a) and 6(b), the Employee may make passive investments in a competitive enterprise the shares or other equity interests of which are publicly traded, provided his holding therein together with any holdings of his Affiliates and members of his Immediate Family, less than five percent (5%) of the outstanding shares of comparable interests in such entity at the time such investments are made.

(c) The Employee, the Employer and the Company agree that the periods of time and the unlimited geographic area applicable to the covenants of this Section 6 and of Section 2 are reasonable, in view of the Employee's status as significant stockholder of the Company and his receipt of his share of the Merger Consideration in the Purchase Agreement, and which will contribute its investment advisory business to the Employer, the Employee's receipt of a member interest in the Employer, the Employee's receipt of the payments specified in Section 1 above, the geographic scope and nature of the business in which the Employer is engaged, the Employee's knowledge of the Employer's (and its predecessor, the Company's) businesses and the Employee's relationships with the Employer's and the Company's investment advisory clients. However, if such period or such area should be adjudged unreasonable in any judicial proceeding, then the period of time shall be reduced by such number of months or such area shall be reduced by elimination of such portion of such area, or both, as are deemed unreasonable, so that this covenant may be enforced in such maximum area and during such maximum period of time as are adjudged to be reasonable.

Section 7. Notices. All notices hereunder shall be in writing and shall be delivered, sent by recognized overnight courier or mailed by registered or certified mail, postage and fees prepaid, to the party to be notified at the party's address shown below. Notices which are hand delivered or delivered by recognized overnight courier shall be effective on delivery. Notices which are mailed shall be effective on the third day after mailing.

(i) If to the Employer:

Essex Investment Management Company, LLC
125 High Street
Boston, MA 02110
Attention: Christopher P. McConnell
Facsimile No: (617) 342-3392

with a copy to:

Affiliated Managers Group, Inc.
Two International Place, 23rd Floor
Boston, MA 02110
Attention: Nathaniel Dalton, Senior Vice President
Facsimile No.: (617) 747-3380

(ii) if to the Employee:

with a copy to:
Dechert Price & Rhoads
4000 Bell Atlantic Tower,
1717 Arch Street
Philadelphia, PA 19103-2793
Attention: Christopher G. Karras
Facsimile No.: (215) 994-2222

(iii) if to the Company:

c/o Affiliated Managers Group, Inc.
Two International Place, 23rd Floor
Boston, MA 02110
Attention: Nathaniel Dalton, Senior Vice President
Facsimile No.: (617) 747-3380

with a copy to:

Goodwin, Procter & Hoar LLP
Exchange Place
Boston, MA 02110
Attention: Elizabeth Shea Fries
Facsimile No.: (617) 523-1231

unless and until notice of another or different address shall be given as provided herein.

Section 8. Third Party Beneficiary; Assignability. Each of AMG and the Company is an intended third party beneficiary of the provisions of this Employment Agreement. This Employment Agreement shall be binding upon and inure to the benefit of the Employer, AMG and the Company, and to any person or firm who may succeed to substantially all of the assets of the Employer, AMG or the Company. This Employment Agreement shall not be assignable by the Employee.

Section 9. Entire Agreement. Except as set forth in the following below, this Employment Agreement contains the entire agreement between the Employer and the Employee with respect to the subject matter hereof, and supersedes all prior oral and written agreements between the Employer and the Employee with respect to the subject matter hereof, including without limitation any oral agreements relating to compensation. In the event of any conflict between the provisions hereof and of the LLC Agreement, the provisions hereof shall control.

Section 10. Remedies Upon Breach.

(a) In the event that the Employee breaches any of the provisions of this Agreement (including, without limitation, following the termination of his/her employment with the Employer), then AMG (or its assignees) shall have no further obligations under any promissory note theretofore issued to the Employee pursuant to Section 3.11(f) of the LLC Agreement.

(b) The Employee recognizes and agrees that the Employer or the Company's remedy at law for any breach of the provisions of Sections 2, 4, 5, or 6 hereof would be inadequate and that for any breach of such provisions by the Employee, the Employer or the Company shall, in addition to such other remedies as may be available to it at law or in equity or as provided in this Employment Agreement, be entitled to injunctive relief and to enforce their respective rights by an action for specific performance to the extent permitted by law, and to the right of set-off against any amounts due to the Employee by the Employer or the Company. Should the Employee engage in any activities prohibited by this Employment Agreement, he agrees to pay over to the Employer all compensation received in connection with such activities. Such payment shall not impair any other rights or remedies of the Employer or the Company or affect the obligations or liabilities of the Employee under this Employment Agreement or applicable law.

Section 11. Arbitration of Disputes. The parties agree that any and all disputes, claims, or controversies arising out of or relating to this Agreement or the breach hereof or otherwise arising out of the Employee's employment or the termination of that employment (including, without limitation, any claims of unlawful employment discrimination whether based on age or otherwise) shall, to the fullest extent permitted by law, be settled by arbitration in any forum and form agreed upon by the parties or, in the absence of such an agreement, under the auspices of the American Arbitration Association ("AAA") in Boston, Massachusetts in accordance with the Employment Dispute Resolution Rules of the AAA, including, but not limited to, the rules and procedures applicable to the arbitrators, except that the selection of arbitrator shall apply the law as established by decisions of the U.S. Supreme Court, the Court of Appeals for the First Circuit and the U.S. District Court for the District of Massachusetts in deciding the merits of claims and defenses under federal law or any state or federal anti-discrimination law, and any awards to the Employee for violation of any anti-discrimination law shall not exceed the maximum award to which the Employee would be entitled under the applicable (or most analogous) federal anti-discrimination civil rights laws. In the event that any person or entity other than the Employee, the Employer of the Surviving Corporation may be a party with regard to any such controversy

or claim, such controversy or claim shall be submitted to arbitration subject to such other person or entity's agreement. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. The parties covenant that they will participate in the arbitration in good faith and that they will share equally its costs except as otherwise provided herein. The provisions of this Section 11 shall be enforceable in any court of competent jurisdiction, and the parties shall bear their own costs in the event of any proceeding to enforce this Agreement except as otherwise provided herein. The arbitrator may in his or her discretion assess costs and expenses (including the reasonable legal fees and expenses of the prevailing party) against any party to a proceeding. Any party unsuccessfully refusing to comply with an order of the arbitrators shall be liable for costs and expenses, including attorney's fees, incurred by the other party in enforcing the award.

Section 12. Accelerated Put Rights.

(a) Notwithstanding any provisions contained in the LLC Agreement to the contrary (including Article III and Article VII thereof) upon any exercise by the Company of any of its rights under Section 3.2(b)(v) (a "Put Acceleration Event"), then AMG or its successors or assigns shall, upon the request of the Employee, purchase all of the LLC Points then held by the Employee in the LLC pursuant to the terms and conditions of this Section 12 (an "Accelerated Put").

(b) If Employee desires to exercise its rights under Section (a) above, it shall give the Company and AMG irrevocable written notice (a "Put Notice") within ninety (90) days after the Put Acceleration Event, stating that it is electing to sell all (but not less than all) of its LLC Points then owned by the Non-Manager Member.

(c) The purchase price for an Accelerated Put ("Accelerated Put Price") shall be an amount equal to (i) sixteen (16) times the positive difference, if any, of (x) the sum of (I) fifty percent (50%) of the LLC's Maintenance Fees for the twenty-four (24) months ending on the last day of the calendar quarter in which the Put Acceleration Event occurred and (II) thirty-three and thirty-three one-hundredths percent (33.33%) of the LLC's Earned Performance Fees for the thirty-six (36) calendar months ending on the last day of the calendar year prior to the calendar year in which the Accelerated Put Event occurred, minus (y) the amount by which the actual expenses of the LLC exceeded the Operating Cash Flow (including previously reserved Operating Cash Flow) during the twelve (12) months ending on the last day of the calendar quarter prior to the date of closing of such Accelerated Put (in each case determined by reference to the most recent financial statements with respect to the applicable period supplied to the Company pursuant to Section 9.3 of the LLC Agreement) multiplied by (ii) a fraction, the numerator of which is the number of Vested LLC Points to be purchased from such Employee on the Purchase Date and the denominator of which is the number of LLC Points outstanding on the Purchase Date before giving effect to any puts, calls or any issuances or redemptions of LLC Points on such date or in connection with an Accelerated Put.

(d) In the case of any Accelerated Put, the Put Price shall be paid by AMG (or its successors and assigns) on a date determined by AMG (but no later than sixty (60) days following delivery of the Put Notice) by wire transfer or certified check issued to the Employee.

Section 13. Consent to Jurisdiction. To the extent that any court action is permitted consistent with or to enforce Section 10 of this Employment Agreement, the parties hereby consent to the jurisdiction of the Superior Court of the Commonwealth of Massachusetts and the United States District Court for the District of Massachusetts. Accordingly, with respect to any such court action, the Employee (a) submits to the personal jurisdiction of such courts; (b) consents to service of process at the address determined pursuant to the provisions of Section 7 hereof; and (c) waives any other requirement (whether imposed by statute, rule of court, or otherwise) with respect to personal jurisdiction or service of process.

Section 14. Third-Party Agreements and Rights. The Employee hereby confirms that the Employee is not bound by the terms of any agreement with any previous employer or other party which restricts in any way the Employee's use or disclosure of information or the Employee's engagement in any business. The Employee represents to the Employer that the Employee's execution of this Employment Agreement, the Employee's employment with the Employer and the performance of the Employee's proposed duties for the Employer will not violate any obligations the Employee may have to any such previous employer or other party. In the Employee's work for the Employer, the Employee will not disclose or make use of any information in violation of any agreements with or rights of any such previous employer or other party, and the Employee will not bring to the premises of the Employer any copies or other tangible embodiments of non-public information belonging to or obtained from any such previous employment or other party.

Section 15. Litigation and Regulatory Cooperation. During and after the Employee's employment, the Employee shall cooperate fully with the Employer in the defense or prosecution of any claims or actions now in existence or which may be brought in the future against or on behalf of the Employer or the Company or their Affiliates which relate to events or occurrences that transpired while the Employee was employed by the Employer (including, without limitation, its predecessor, the Company). The Employee's full cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Employer or the Company or their Affiliates at mutually convenient times. During and after the Employee's employment, the Employee also shall cooperate fully with the Employer, the Company and their Affiliates in connection with any investigation or review of any federal, state or local regulatory authority (including, without limitation, the Securities and Exchange Commission) as any such investigation or review relates to events or occurrences that transpired while the Employee was employed by the Employer (including, without limitation, its predecessor, the Company). The Employer shall reimburse the Employee for any reasonable out-of-pocket expenses incurred in connection with the Employee's performance of obligations pursuant to this Section 14.

Section 16. Waivers and Further Agreements. Neither this Employment Agreement nor any term or condition hereof, including without limitation the terms and conditions of this Section 15, may be waived or modified in whole or in part as against the Company, the Employer or the Employee, except by written instrument executed by or on behalf of each of the parties hereto other than the party seeking such waiver or modification, expressly stating that it is intended to operate as a waiver or modification of this Employment Agreement or the applicable term or condition hereof, it being understood that any action under this Section 15 on behalf of the Employer may be taken only with the approval of the Company as Manager Member. Each of the parties hereto agrees to execute all such further instruments and documents and to take all such further action as the other party may reasonably require in order to effectuate the terms and purposes of this Employment Agreement.

Section 17. Amendments; Employer's Consents. This Employment Agreement may not be amended, nor shall any change, modification, consent, or discharge be effected except by written instrument executed by or on behalf of the party against whom enforcement of any change, modification, consent or discharge is sought, it being understood that any action under this Section 16 on behalf of the Employer may be taken only with the prior written approval of the Company as the Manager Member of the Employer.

Whenever under this Agreement the consent of the Employer is required, that consent shall only be effective if given with the prior written consent of the Company as the Manager Member of the Employer.

Section 18. Severability. If any provision of this Employment Agreement shall be held or deemed to be invalid, inoperative or unenforceable in any jurisdiction or jurisdictions, because of conflicts with any constitution, statute, rule or public policy or for any other reason, such circumstance shall not have the effect of rendering the provision in question unenforceable in any other jurisdiction or in any other case or circumstance or of rendering any other provisions herein contained unenforceable to the extent that such other provisions are not themselves actually in conflict with such constitution, statute or rule of public policy, but this Employment Agreement shall be reformed and construed in any such jurisdiction or case as if such invalid, inoperative, or unenforceable provision had never been contained herein and such provision reformed so that it would be enforceable to the maximum extent permitted in such jurisdiction or in such case.

Section 19. Governing Law. This Employment Agreement shall be governed by and construed and enforced in accordance with the laws of The Commonwealth of Massachusetts which apply to contracts executed and performed solely in The Commonwealth of Massachusetts.

IN WITNESS WHEREOF, the parties have executed this Employment Agreement as a sealed instrument as of the date first above written.

EMPLOYEE:

_____
Name:

ESSEX INVESTMENT MANAGEMENT COMPANY, LLC

By: Essex Investment Management Company, Inc., its Manager Member

By: _____
Name:
Title:

AMG ACKNOWLEDGES AND AGREES TO BE BOUND BY THE TERMS AND CONDITIONS OF SECTION 12 HEREOF:

AFFILIATED MANAGERS GROUP, INC.

By_____
Name:
Title:

EXHIBIT 21.1

LIST OF SUBSIDIARIES
(in alphabetical order)

WHOLLY OWNED SUBSIDIARIES OF THE REGISTRANT

AMG/TBC Holdings, Inc., a Delaware corporation

AMG Service Corp., a Delaware corporation

AMG Finance Trust, a Massachusetts business trust (through AMG Service Corp.)

The Burridge Group Inc., an Illinois corporation

Essex Investment Management Company, Inc., a Massachusetts corporation

First Quadrant Corp., a New Jersey corporation (through First Quadrant Holdings, Inc.)

First Quadrant Holdings, Inc., a Delaware corporation

GeoCapital Corporation, a Delaware corporation

J M H Management Corporation, a Delaware corporation

Suite 3000 Holdings, Inc., a Delaware corporation

ENTITIES IN WHICH THE REGISTRANT HAS A MAJORITY INTEREST (DIRECT AND INDIRECT)

Essex Investment Management Company, LLC, a Delaware limited liability company (through Essex Investment Management Company, Inc.)

First Quadrant, L.P., a Delaware limited partnership (through First Quadrant Corp.)

First Quadrant U.K., L.P., a Delaware limited partnership (through First Quadrant Corp.)

First Quadrant Limited, a U.K. corporation (through First Quadrant U.K., L.P.)

GeoCapital, LLC, a Delaware limited liability company (through GeoCapital Corporation)

Gofen and Glossberg, L.L.C., a Delaware limited liability company

J.M. Hartwell Limited Partnership, a Delaware limited partnership

Renaissance Investment Management, a Delaware partnership

Skyline Asset Management, L.P., a Delaware limited partnership

Systematic Financial Management, L.P., a Delaware limited partnership

The Burridge Group LLC, a Delaware limited liability company (through The Burridge Group Inc.)

Tweedy, Browne Company LLC, a Delaware limited liability company

ENTITIES IN WHICH THE REGISTRANT HAS A MINORITY INTEREST

Paradigm Asset Management Company, L.L.C., a Delaware limited liability company

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED BALANCED SHEETS AND CONSOLIDATED STATEMENTS OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR	
DEC-31-1997	
JAN-01-1997	
DEC-31-1997	
	22,766
	0
	27,061
	0
	0
	52,058
	12,167
	7,443
	456,990
	18,815
	159,500
	0
	0
	273,652
	(13,912)
456,990	
	0
	95,287
	0
	72,726
	12,249
	0
	8,479
	3,007
	1,364
	1,643
	0
	(10,011)
	0
	(8,368)
	(3.69)
	(1.02)

MINORITY INTEREST