

AFFILIATED MANAGERS GROUP INC
Form 424B3
February 24, 2010

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[INDEX TO FINANCIAL STATEMENTS](#)

[Table of Contents](#)

Filed pursuant to Rule 424(b)(3)
Registration No. 333-164372

HIGHBURY FINANCIAL INC.

To the Stockholders of Highbury Financial Inc.:

You are cordially invited to attend a special meeting of stockholders of Highbury Financial Inc., or Highbury, to be held on March 29, 2010 at 8:00 a.m., local time, at the offices of Bingham McCutchen LLP, 399 Park Ave., New York, New York 10022, which is referred to as the special meeting of Highbury stockholders or special meeting in the accompanying proxy statement/prospectus. As previously announced, Highbury and Affiliated Managers Group, Inc., or AMG, entered into a merger agreement on December 12, 2009, which provides for a merger in which Highbury will become a wholly-owned subsidiary of AMG. At the effective time of the merger, all outstanding shares of Highbury common stock, par value \$0.0001 per share (other than shares owned or held directly by Highbury and dissenting shares) will be converted into the right to receive an aggregate of 1,748,879 shares of AMG common stock, subject to reduction in certain circumstances as more fully described in the accompanying proxy statement/prospectus. Based on 23,026,171 shares of Highbury common stock outstanding as of February 23, 2010, which includes 4,500,000 shares of common stock to be issued in exchange for the Series B convertible preferred stock, par value \$0.0001, which is referred to as the Series B preferred stock in the accompanying proxy statement/prospectus, and assuming no reduction in the aggregate merger consideration, as described in the accompanying proxy statement/prospectus, each share of Highbury common stock would receive 0.075952 shares of AMG common stock in the merger.

In addition, immediately prior to the closing of the merger, subject to applicable law and the terms of the merger agreement, the board of directors of Highbury intends to declare a special cash dividend, payable on the closing date of the merger, to all holders of record of shares of Highbury common stock immediately prior to the effective time of the merger in an aggregate amount equal to Highbury's working capital (including all Highbury liabilities, subject to certain exceptions, and merger related transaction expenses then outstanding) as of the end of the calendar month prior to the closing of the merger minus \$5.0 million. Assuming the conditions to the merger contained in the merger agreement are either satisfied or waived by March 31, 2010, this special dividend is estimated to be in the range of \$1.06 to \$1.11 per share.

The shares of AMG common stock are traded on the New York Stock Exchange, or NYSE, under the symbol "AMG" and the shares of Highbury common stock are traded on the Over-the-Counter Bulletin Board under the symbol "HBRF". On February 23, 2010, the closing sale price of AMG common stock was \$70.34.

Highbury is asking you to vote to adopt the merger agreement and approve the merger proposal at the special meeting. **Both the Highbury board of directors and the special committee thereof unanimously recommend that you vote "FOR" the adoption of the merger agreement and the approval of the merger proposal and "FOR" the adjournment of the special meeting, if necessary to solicit additional proxies if there are insufficient votes to adopt the merger agreement and approve the merger proposal at the time of the special meeting.** Only stockholders who hold shares of Highbury common stock or Series B preferred stock at the close of business on February 23, 2010 will be entitled to vote at the special meeting. In connection with entering into the merger agreement, stockholders representing approximately 25.6% (as of February 23, 2010) of the voting power of the shares entitled to vote on the merger agreed, subject to the terms of the voting agreements described in the accompanying proxy statement/prospectus, to vote all shares of Highbury common stock and Series B preferred stock beneficially owned by such stockholders in favor of the merger. In addition, Peerless Systems Corporation, which together with certain of its affiliates, held, as of February 23, 2010, approximately 14% of the voting power of the shares entitled to vote on the merger, has agreed to vote all of its shares in accordance with the recommendations of the Highbury board of directors on the proposed merger.

The obligations of AMG and Highbury to complete the merger are subject to the conditions set forth in the merger agreement and summarized in the accompanying proxy statement/prospectus. More information about AMG, Highbury, the special meeting, the merger agreement and the merger is contained in the accompanying proxy statement/prospectus. **You are encouraged to read carefully the accompanying proxy statement/prospectus in its entirety, including the section entitled "Risk Factors" beginning on page 23.**

Your vote is very important. Highbury cannot complete the merger unless the merger agreement is adopted by the affirmative vote of the holders of a majority of the voting power of the outstanding shares of Highbury common stock and Highbury Series B preferred stock entitled to vote at the special meeting, voting together as a single class. **Whether or not you expect to attend the special meeting in person, Highbury urges you to submit your proxy as promptly as possible by marking, signing and dating the enclosed proxy card and returning it in the postage-paid envelope provided.** If you hold your shares in

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"street name," you should instruct your broker, bank or other nominee how to vote in accordance with your voting instruction card. If you do not submit your proxy, do not instruct your broker, bank or other nominee how to vote your shares or do not vote in person at the special meeting, it will have the same effect as a vote against the adoption of the merger proposal.

On behalf of the Highbury board of directors, thank you for your continued support.

Sincerely,

R. Bruce Cameron
Chairman of the Board of Directors

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger and other transactions described in this proxy statement/prospectus nor have they approved or disapproved the issuance of the AMG common stock to be issued in connection with the merger, or passed upon the accuracy or adequacy of this proxy statement/prospectus. Any representation to the contrary is a criminal offense.

The accompanying proxy statement/prospectus is dated February 24, 2010 and is first being mailed to stockholders of Highbury on or about March 1, 2010.

Table of Contents

ADDITIONAL INFORMATION

This proxy statement/prospectus incorporates important business and financial information about AMG from documents that it has filed with the Securities and Exchange Commission but that have not been included in or delivered with this proxy statement/prospectus. For a listing of documents incorporated by reference into this proxy statement/prospectus, please see "*Where You Can Find More Information*" beginning on page 165 of this proxy statement/prospectus.

AMG will provide you with copies of such documents relating to AMG (excluding all exhibits unless AMG has specifically incorporated by reference an exhibit in this proxy statement/prospectus), without charge, upon written or oral request to:

Darrell W. Crate Executive Vice President, Chief Financial Officer and Treasurer
Affiliated Managers Group, Inc.
600 Hale Street
Prides Crossing, MA 01965
(617) 747-3300

In addition, if you have questions about the merger or the proxy statement/prospectus, would like additional copies of the proxy statement/prospectus or need to obtain proxy cards or other information related to the proxy solicitation, please contact:

Highbury Financial Inc.
999 18th Street, Suite 3000
Denver, CO 80202
Attention: Corporate Secretary
Tel: (303) 357-4802

In order for you to receive timely delivery of the documents in advance of the special meeting of Highbury stockholders, you must request the information no later than March 22, 2010.

ABOUT THIS PROXY STATEMENT/PROSPECTUS

This proxy statement/prospectus, which forms a part of a registration statement on Form S-4 filed with the Securities and Exchange Commission by AMG, constitutes a prospectus of AMG under Section 5 of the Securities Act of 1933, as amended, which is referred to as the Securities Act in this proxy statement/prospectus, with respect to the shares of AMG common stock to be issued to Highbury stockholders in connection with the merger. This document also constitutes a proxy statement under Section 14(a) of the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act in this proxy statement/prospectus, and a notice of meeting with respect to the special meeting of Highbury stockholders to consider and vote upon, among other matters, the merger proposal.

Table of Contents

HIGHBURY FINANCIAL INC.

999 18th Street, Ste. 3000
Denver, CO 80202

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held on March 29, 2010**

To the Stockholders of Highbury Financial Inc.:

Notice is hereby given that a special meeting of stockholders of Highbury Financial Inc., a Delaware corporation, or Highbury, will be held on March 29, 2010 at 8:00 a.m., local time, at the offices of Bingham McCutchen LLP, 399 Park Ave., New York, New York 10022, for the following purposes:

1. To consider and vote on a proposal to approve the merger and adopt the agreement and plan of merger, dated as of December 12, 2009, as the same may be amended from time to time, by and among Affiliated Managers Group, Inc., a Delaware corporation, or AMG, Manor LLC, a Delaware limited liability company and a wholly owned subsidiary of AMG, and Highbury, a copy of which is attached as Annex A to the proxy statement/prospectus accompanying this notice this proposal is referred to as the merger proposal in the accompanying proxy statement/prospectus.
2. To approve the adjournment of the special meeting, if necessary to solicit additional proxies if there are insufficient votes to approve the merger proposal at the time of the special meeting this proposal is referred to as the adjournment proposal in the accompanying proxy statement/prospectus.

The merger proposal is more fully described in the accompanying proxy statement/prospectus, which you should read carefully in its entirety before voting. **Both the Highbury board of directors and the special committee thereof unanimously recommend that you vote "FOR" the merger proposal and "FOR" the adjournment proposal.**

Only holders of record of Highbury's common and Series B preferred stock at the close of business on February 23, 2010 (the record date), are entitled to notice of and to vote at the special meeting or any adjournment or postponement thereof. A majority of the voting power of the outstanding shares of Highbury common stock and Series B preferred stock, voting together as a single class, with each share of Series B preferred stock entitled to 3,396.225 votes, must be voted in favor of the adoption of the merger agreement in order for the merger to be completed. Therefore, your vote is very important. Your failure to vote your shares has the same effect as voting against the merger proposal.

Under the General Corporation Law of the State of Delaware, which is referred to as the DGCL in the accompanying proxy statement/prospectus, holders of record of Highbury common stock and Series B preferred stock who do not vote in favor of the merger proposal have the right to seek appraisal of the fair value of their shares of Highbury common stock if the merger is completed. To exercise your appraisal rights, you must strictly follow the procedures prescribed by the DGCL, including, among other things, submitting a written demand for appraisal to Highbury before the vote is taken on the merger proposal, and you must not vote in favor of the merger proposal. These procedures are summarized in the accompanying proxy statement/prospectus in the section entitled "*Appraisal Rights*" beginning on page 144 (the text of the applicable provisions of the DGCL is included as Annex E to the accompanying proxy statement/prospectus).

All Highbury stockholders are cordially invited to attend the special meeting in person. **However, to assure your representation at the special meeting, please submit your proxy as promptly as possible by marking, signing and dating the enclosed proxy card and returning it in the postage-paid envelope**

Table of Contents

provided. Any stockholder attending the special meeting may vote in person even if he or she has voted by proxy card.

By Order of the Board of Directors

R. Bradley Forth
Secretary

New York, New York
March 1, 2010

IMPORTANT: WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING, PLEASE SUBMIT YOUR PROXY AS PROMPTLY AS POSSIBLE BY MARKING, SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE POSTAGE-PAID ENVELOPE PROVIDED.

Table of Contents

TABLE OF CONTENTS

<u>QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING SUMMARY</u>	1
<u>The Companies</u>	7
<u>The Merger</u>	7
<u>Effects of the Merger; Merger Consideration; Special Dividend</u>	9
<u>Treatment of Highbury Warrants and Series B preferred stock</u>	9
<u>Risk Factors</u>	10
<u>The Special Meeting; Highbury Stockholders Entitled to Vote; Required Vote</u>	11
<u>Recommendation of the Special Committee</u>	11
<u>Recommendation of the Highbury Board of Directors</u>	12
<u>Opinion of Highbury's Financial Advisor</u>	12
<u>Opinion of Special Committee's Financial Advisor</u>	13
<u>Stock Ownership of Highbury Directors and Executive Officers; Voting Agreements</u>	13
<u>Interests of Highbury Executive Officers and Directors in the Merger</u>	14
<u>Listing of AMG Common Stock and Delisting and Deregistration of Highbury Common Stock</u>	15
<u>Appraisal Rights</u>	15
<u>Conditions to Completion of the Merger</u>	15
<u>Expected Timing of the Merger</u>	16
<u>Highbury Is Prohibited From Soliciting Other Offers</u>	16
<u>Termination of the Merger Agreement</u>	16
<u>Termination Fee</u>	17
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	18
<u>Accounting Treatment</u>	18
<u>Comparison of Rights of AMG Stockholders and Highbury Stockholders</u>	18
<u>SELECTED SUMMARY HISTORICAL FINANCIAL DATA OF AMG</u>	19
<u>COMPARATIVE HISTORICAL AND UNAUDITED PRO FORMA PER SHARE DATA</u>	21
<u>COMPARATIVE PER SHARE MARKET PRICE DATA</u>	22
<u>RISK FACTORS</u>	23
<u>Risk Factors Relating to the Merger</u>	23
<u>Risk Factors Relating to AMG</u>	24
<u>Risk Factors Relating to Highbury</u>	24
<u>CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS</u>	34
<u>INFORMATION ABOUT HIGHBURY</u>	36
<u>Business of Highbury</u>	36
<u>Properties</u>	44
<u>Legal proceedings</u>	45
<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	45
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	46
<u>Market Price of and Dividends on Highbury's Common Equity and Related Stockholder Matters</u>	68
<u>Security Ownership of Certain Beneficial Owners and Management of Highbury</u>	70
<u>Available Information</u>	73
<u>THE SPECIAL MEETING OF HIGHBURY STOCKHOLDERS</u>	74

Table of Contents

<u>THE MERGER</u>	79
<u>Effects of the Merger; Merger Consideration; Special Dividend</u>	79
<u>Background of the Merger</u>	80
<u>Recommendation of the Special Committee; Reasons for the Merger</u>	95
<u>Recommendation of Highbury's Board of Directors and Its Reasons for the Merger</u>	98
<u>Opinion of Highbury's Financial Advisor</u>	100
<u>Opinion of the Special Committee's Financial Advisor</u>	110
<u>AMG's Reasons for the Merger</u>	119
<u>Interests of Highbury Executive Officers and Directors in the Merger</u>	120
<u>Material U.S. Federal Income Tax Consequences of the Merger and the Special Dividend</u>	122
<u>Expected Timing of the Merger</u>	125
<u>Accounting Treatment</u>	125
<u>Regulatory Matters</u>	126
<u>Listing of AMG Common Stock</u>	126
<u>Deregistration of Highbury Common Stock after the Merger</u>	126
<u>Restrictions on Sales of Shares of AMG Common Stock Received in the Merger</u>	126
<u>THE MERGER AGREEMENT</u>	127
<u>The Merger</u>	127
<u>Completion and Effectiveness of the Merger</u>	127
<u>Merger Consideration</u>	127
<u>Treatment of Highbury Warrants and Series B preferred stock</u>	129
<u>Fractional Shares</u>	129
<u>Exchange Procedures</u>	129
<u>Distributions with Respect to Unexchanged Shares</u>	130
<u>Lost, Stolen and Destroyed Certificates</u>	130
<u>Dissenting Shares</u>	130
<u>Representations and Warranties</u>	131
<u>Highbury's Conduct of Business Before Completion of the Merger</u>	134
<u>AMG's Conduct of Business Before Completion of the Merger</u>	136
<u>Highbury Special Dividend</u>	136
<u>Access to Information</u>	137
<u>Reasonable Best Efforts to Complete the Merger</u>	137
<u>Highbury Is Prohibited From Soliciting Other Offers; Acquisition Proposal</u>	138
<u>Employee Benefits</u>	140
<u>Director and Officer Indemnification and Insurance</u>	140
<u>Conditions to Completion of the Merger</u>	140
<u>Definition of Material Adverse Effect</u>	141
<u>Termination; Termination Fee; Expenses</u>	142
<u>APPRAISAL RIGHTS</u>	144
<u>THE VOTING AGREEMENTS</u>	147
<u>Irrevocable Proxy and Agreement to Vote</u>	147
<u>Transfer Restrictions</u>	147
<u>Non-Solicitation</u>	147
<u>Termination</u>	148
<u>Agreement with Peerless</u>	148
<u>COMPARISON OF STOCKHOLDER RIGHTS</u>	149
<u>FUTURE Highbury STOCKHOLDER PROPOSALS</u>	164

Table of Contents

<u>VALIDITY OF SECURITIES</u>		<u>165</u>
<u>EXPERTS</u>		<u>165</u>
<u>WHERE YOU CAN FIND MORE INFORMATION</u>		<u>165</u>
<u>DIRECTIONS TO THE SPECIAL MEETING OF Highbury STOCKHOLDERS</u>		<u>167</u>
<u>INDEX TO FINANCIAL STATEMENTS</u>		<u>F-1</u>
PART II INFORMATION NOT REQUIRED IN PROSPECTUS		II-1
SIGNATURES		II-4
EXHIBIT INDEX		
<i>Annexes</i>		
Annex A	Agreement and Plan of Merger	A-1
Annex B	Form of Voting Agreement	B-1
Annex C	Opinion of Highbury Financial Adviser	C-1
Annex D	Opinion of Special Committee's Financial Adviser	D-1
Annex E	Section 262 of the General Corporation Law of the State of Delaware	E-1

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER AND SPECIAL MEETING

Q: Why am I receiving this proxy statement/prospectus?

A:

Affiliated Managers Group, Inc., which is referred to as AMG, has agreed to acquire Highbury Financial Inc., which is referred to as Highbury, under the terms of the merger agreement that is described in this proxy statement/prospectus. Please see "*The Merger Agreement*" beginning on page 127 for more information. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A.

This proxy statement/prospectus contains important information about the merger, the merger agreement and the special meeting of Highbury stockholders, and you should read it carefully.

In order to complete the merger, Highbury stockholders must adopt the merger agreement, and all other conditions to the merger must be satisfied or waived. Highbury will hold the special meeting of its stockholders to obtain their approval.

Your vote is very important. Highbury encourages you to vote as soon as possible. You are receiving the enclosed materials in order to allow you to vote your Highbury shares at the special meeting of Highbury stockholders. For more specific information on how to vote, please see the questions and answers below.

Q: What am I voting on?

Highbury stockholders are being asked to consider and vote upon a proposal to approve the merger and the merger agreement, which, among other things, provides for the merger of Highbury with and into Manor LLC, a wholly-owned subsidiary of AMG and a disregarded entity for U.S. federal income tax purposes, which is referred to as Merger Sub in this proxy statement/prospectus, with Merger Sub continuing as the surviving corporation this proposal is referred to as the merger proposal.

You are also being asked to consider and vote upon a proposal to adjourn the special meeting of Highbury stockholders to a later date or dates, if necessary, to permit further solicitation and vote of proxies if, based upon the tabulated vote at the time of the special meeting of Highbury stockholders, there are insufficient votes to approve the merger proposal this proposal is referred to as the adjournment proposal.

Q: Why are AMG and Highbury proposing the merger?

A:

AMG and Highbury believe that the acquisition of Highbury by AMG is in the best interests of each company and its respective stockholders. This merger combines the outstanding management team of Highbury's subsidiary, Aston Asset Management LLC, which is referred to as Aston in this proxy statement/prospectus, its strong long-term performance record and a demonstrated commitment to continued growth and success with AMG's much larger capital base and larger and broader investment and distribution network. At the same time, the merger provides increased liquidity and diversification to Highbury stockholders, while providing the opportunity to participate on a tax-deferred basis in the potential future growth of a larger, diversified investment management holding company. For more information, please see the sections entitled "*The Merger Recommendation of the Special Committee; Reasons for the Merger*", "*The Merger Recommendation of Highbury's Board of Directors and Its Reasons for the Merger*", and "*The Merger AMG's Reasons for the Merger*" beginning on pages 95, 98 and 119, respectively.

Q: What will happen in the merger?

A:

Pursuant to the terms of the merger agreement, Highbury will merge with and into Merger Sub. Following the merger, the separate corporate existence of Highbury will cease and Merger Sub will

Table of Contents

continue as the surviving limited liability company under the name "Manor LLC" and be a wholly-owned subsidiary of AMG. For more information, please see the sections entitled "*The Merger*" and "*The Merger Agreement*" beginning on pages 79 and 127, respectively.

Q: When do you expect the merger to be completed?

A:

The closing of the merger is expected to take place on the tenth business day of the month after the month in which the conditions to the merger contained in the merger agreement are either satisfied or waived. AMG and Highbury are working toward satisfying these conditions and completing the merger as quickly as possible. AMG and Highbury currently expect to complete the merger in the first half of 2010. However, because the merger is subject to a number of conditions, some of which are beyond the control of AMG and Highbury, exact timing for completion of the merger cannot be predicted with certainty. For more information, please see the sections entitled "*The Merger*" and "*The Merger Agreement*" beginning on pages 79 and 127, respectively.

Q: What happens if the merger is not completed?

A:

If the merger proposal is not approved by Highbury stockholders or if the merger is not completed for any other reason, you will not receive any payment for your shares of Highbury common stock in connection with the merger. Instead, Highbury will remain an independent public company and its common stock will continue to be quoted and traded on the Over-the-Counter Bulletin Board (which is referred to as the OTC Bulletin Board in this proxy statement/prospectus). If the merger agreement is terminated under specified circumstances, Highbury may be required to reimburse AMG for its transaction expenses up to \$1.0 million or to pay AMG a termination fee of \$3.6 million as described more fully under the caption "*The Merger Agreement Termination; Termination Fee; Expenses*" beginning on page 142 of this proxy statement/prospectus.

In addition, if the merger is not completed on or before July 16, 2010 or the merger agreement is terminated, then Highbury's board of directors has agreed to take all necessary action to appoint Timothy E. Brog (a representative of Peerless Systems Corporation, which is referred to as Peerless in this proxy statement/prospectus, a Highbury stockholder that was recently engaged in a proxy contest in connection with Highbury's 2009 annual meeting of stockholders) to serve on Highbury's board of directors for a term expiring at the 2012 annual meeting of stockholders. For more information, please see "*Information About Highbury*" beginning on page 36 in this proxy statement/prospectus.

Q: When and where will the special meeting of Highbury stockholders be held?

A:

The special meeting of Highbury stockholders will be held on March 29, 2010 at 8:00 a.m., local time, at the offices of Bingham McCutchen LLP, 399 Park Ave., New York, New York 10022.

Q: Who can attend and vote at the special meeting of Highbury stockholders?

You are entitled to vote or direct votes to be cast at the special meeting of Highbury stockholders if you own shares of Highbury common stock or Series B preferred stock at the close of business on February 23, 2010, which is the record date for the special meeting of Highbury stockholders.

Q: How many votes do I have?

A:

You will have one vote for every share of Highbury common stock that you owned at the close of business on February 23, 2010 (the record date). Each share of Series B preferred stock is entitled to the number of votes determined pursuant to the Series B preferred stock certificate of designation, which is the product of (i) 0.75471668 times (ii) 4,500, or 3,396.225 votes per share of Series B preferred stock. On February 23, 2010, there were 18,526,171 shares of common stock

Table of Contents

outstanding and 1,000 shares of Series B preferred stock (representing 3,396,225 votes) outstanding.

Q: What vote is required to approve the proposals presented at the special meeting of Highbury stockholders?

A:

The approval of the merger proposal requires the affirmative vote of a majority of the voting power of Highbury's issued and outstanding shares of common stock and Series B preferred stock entitled to vote thereon as of the record date, voting together as a single class, with each share of Series B preferred stock entitled to 3,396.225 votes. See the section entitled "*The Special Meeting of Highbury Stockholders*" on page 74 for more information.

The approval of the adjournment proposal requires the affirmative vote of a majority of the issued and outstanding shares of Highbury common stock represented in person or by proxy at the special meeting and entitled to vote thereon as of the record date. The Series B preferred stock is not entitled to vote on the adjournment proposal.

Q: Have any Highbury stockholders agreed to vote their shares in favor of the merger?

A:

Yes. In connection with the merger agreement, stockholders representing approximately 25.6%, as of February 23, 2010, of the voting power of shares entitled to vote on the merger agreed, subject to the terms of the voting agreements described under "*The Voting Agreements*" beginning on page 147, to vote all shares of Highbury common stock and Series B preferred stock they beneficially own in favor of the merger. In addition, Peerless, which together with certain of its affiliates held, as of February 23, 2010, approximately 14% of the voting power of the shares entitled to vote on the merger, has agreed to vote all of its shares in accordance with the recommendations of the Highbury board of directors on the proposed merger as described under "*Management's Discussion and Analysis of Financial Condition and Results of Operations Overview*" beginning on page 46.

Q: What is a "quorum"?

A:

A majority of the voting power of the outstanding shares on February 23, 2010 (the record date), represented in person or by proxy at the special meeting entitled to vote on a particular proposal, constitutes a quorum for that proposal. If you vote, your shares will be part of the quorum. On February 23, 2010, there were 18,526,171 shares of common stock and 1,000 shares of Series B preferred stock (representing 3,396,225 votes) outstanding and nine holders of record of common stock and eight holders of record of Series B preferred stock. A majority of the voting power of the outstanding shares of stock, or the power to vote 10,961,199 shares, will constitute a quorum for the merger proposal. A majority of the outstanding shares of Highbury common stock, represented in person or by proxy at the special meeting, constitutes a quorum for the adjournment proposal.

Q: What is a "holder of record"?

A:

If your shares are registered directly in your name with Highbury's transfer agent, Continental Stock Transfer & Trust Company, then you are considered the holder of record for those shares and these proxy materials are being sent directly to you by Highbury.

Q: If my shares of Highbury stock are held in "street name" by my broker, bank or other nominee, will my broker, bank or other nominee vote my shares for me?

A:

If you hold your shares in "street name", which means your shares are held of record by a broker, bank or other nominee, your broker, bank or other nominee will only be permitted to vote your shares of Highbury stock at your instruction. You should follow the procedures provided by your

Table of Contents

broker, bank or other nominee regarding the voting of your shares of Highbury stock. If you do not instruct your broker, bank or other nominee to vote your shares of Highbury stock, your shares of Highbury stock will not be voted.

Q: What effect do abstentions and broker non-votes have?

A:

Highbury will count a properly executed proxy marked "ABSTAIN" with respect to a particular proposal as present for purposes of determining whether a quorum is present at the special meeting of Highbury stockholders. Abstentions will have the same effect as a vote "AGAINST" the merger proposal and the adjournment proposal, if presented. Broker non-votes, while considered present for the purposes of establishing a quorum, will have the same effect as a vote "AGAINST" the merger proposal, but will have no effect on the adjournment proposal, if presented.

Q: What is a "proxy?"

A:

A proxy is your legal designation giving another person permission to vote the shares you own. The person you designate is called your "proxy," and the document that designates someone as your proxy is called a "proxy" or "proxy card." A proxy card is included with this proxy statement/prospectus. When you sign the proxy card, you designate Richard S. Foote and R. Bradley Forth as your proxies at the special meeting of Highbury stockholders with full power of substitution.

Q: What are the voting recommendations of the special committee and the board of directors?

A:

The special committee and Highbury's board of directors both unanimously recommend that Highbury's stockholders vote "FOR" approval of both the merger proposal and the adjournment proposal, if presented.

Q: What do I need to do to attend the special meeting of Highbury stockholders?

A:

If you are a holder of record, your proxy card is your admission ticket to the special meeting. If you own shares in street name, you will need to ask your broker, bank or other nominee for an admission ticket in the form of a legal proxy. You will need to bring the legal proxy with you to the special meeting. If you do not receive the legal proxy in time, bring your most recent brokerage statement with you to the special meeting. Highbury can use your statement to verify your ownership of Highbury stock and admit you to the special meeting; however, you will not be able to vote your shares at the special meeting without a legal proxy.

Q: What should I do now in order to vote on the proposals being considered at the special meeting?

A:

If you are a holder of record as of February 23, 2010 (the record date), you may vote in person at the special meeting of Highbury stockholders or you may submit a proxy.

You may submit your proxy by completing, signing, dating and returning the enclosed proxy card in the accompanying pre-addressed postage paid envelope.

If you hold your shares in "street name," your broker, bank or other nominee may provide you with voting instructions (including any instructions for voting by telephone or Internet). You should contact your broker, bank or other nominee in advance to ensure that votes related to the shares you beneficially own are properly counted. In this regard, you must provide the record holder of your shares with instructions on how to vote your shares or, if you wish to attend the special meeting of Highbury stockholders and vote in person, obtain a proxy from your broker, bank or other nominee and present it to the inspector of elections with your ballot. You may also be represented by another person at the special meeting by executing a proper proxy designating that person.

Table of Contents

Whether or not you plan to attend the special meeting, you should submit your proxy card or voting instruction form as described in this proxy statement/prospectus or follow the voting instructions provided by your broker, bank or other nominee.

Highbury urges you to read carefully and consider the information contained in this proxy statement/prospectus, including the "*Risk Factors*" beginning on page 23 and the annexes, and to consider how the merger will affect you as a stockholder of Highbury.

Q: Can I change my vote after I have delivered my proxy?

A:
Yes.

If you are a holder of record, you can change your vote at any time before your proxy is voted at the special meeting by:

delivering a signed written notice of revocation bearing a later date to Richard S. Foote, President and Chief Executive Officer, at Highbury's address of record, which is 999 18th Street, Suite 3000, Denver, Colorado 80202;

signing and delivering a new, valid proxy bearing a later date; or

attending the special meeting and voting in person, although your attendance alone will not revoke your proxy.

If your shares are held in "street name", you can change your vote by following the instructions provided by your bank, broker or other nominee.

Q: Who will count the votes?

A:
A representative of Highbury will be appointed by the board of directors to act as the inspector of elections and will tabulate votes cast by proxy and tabulate votes cast in person at the special meeting.

Q: Who is paying for the solicitation of my proxy, and how are proxies solicited?

A:
The board of directors of Highbury is soliciting your proxy to vote at the special meeting. Highbury intends to mail this proxy statement/prospectus and form of proxy to stockholders on or about March 1, 2010.

Highbury will pay the cost of soliciting proxies for the special meeting of Highbury stockholders. Proxies may be solicited on behalf of Highbury by directors, officers or employees of Highbury in person or by mail, telephone, or facsimile or other means of communication. In addition, brokerage firms, banks and other custodians, nominees and fiduciaries will send copies of these proxy materials to the beneficial owners of the stock held by them. Highbury will reimburse these institutions for the reasonable costs they incur to do so. Highbury has retained Morrow & Co., LLC ("Morrow"), for an initial fee of \$4,000 plus out-of-pocket expenses to assist in the solicitation of proxies and to provide proxy solicitation services.

Q: Do I need to send in my Highbury stock certificates now?

A:
No. You should not send in your Highbury stock certificates now. Following the completion of the merger, a letter of transmittal will be sent to Highbury stockholders informing them where to deliver their Highbury stock certificates in order to receive the merger consideration. You should not send in your Highbury stock certificates prior to receiving this letter of transmittal.

Table of Contents

Q: What should I do if I receive more than one set of voting materials for the special meeting of Highbury stockholders?

A:

You may receive more than one set of voting materials for the special meeting, including multiple copies of this proxy statement/prospectus and multiple proxy cards or voting instruction forms. For example, if you hold your shares in more than one brokerage account, you will receive a separate voting instruction form for each brokerage account in which you hold shares. If you are a holder of record and your shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction form that you receive.

Q: What happens to Highbury's warrants and units in the merger?

As of December 31, 2009, Highbury had outstanding warrants to purchase 3,358,836 shares of Highbury common stock with an exercise price of \$5.00 per share. As of January 25, 2010, the date of the expiration of Highbury's warrants, 3,013,707 shares of common stock had been issued upon exercise of such warrants and Highbury had received proceeds of \$15,068,535. The remaining warrants expired unexercised. Any remaining outstanding units currently represent only shares of Highbury common stock.

Q: What happens if I sell my shares of Highbury stock before the special meeting of Highbury stockholders?

The record date for the special meeting (February 23, 2010) is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you transfer your shares of Highbury stock after the record date, but before the special meeting, you will retain your right to vote at the special meeting, but will have transferred the right to receive the merger consideration to be received by Highbury stockholders in the merger, as well as the special dividend that the Highbury board of directors intends to declare. In order to receive the merger consideration, you must hold your shares through completion of the merger.

Q: Who can help answer my questions?

A:

If you have questions about the merger or the special meeting or if you need additional copies of the proxy statement/prospectus or the enclosed proxy card, please contact:

Highbury Financial Inc.
999 18th Street, Suite 3000
Denver, CO 80202
Attention: Corporate Secretary
Tel: (303) 357-4802

If you have any questions about how to submit your proxy or if you need additional copies of this proxy statement/prospectus, the enclosed proxy cards or voting instructions, you should contact Morrow, Highbury's third-party proxy solicitor, which is assisting Highbury in the solicitation of proxies at:

Morrow & Co., LLC
Tel: (800) 607-0088

To obtain timely delivery, Highbury stockholders must request the materials no later than March 22, 2010.

You may also obtain additional information about Highbury from documents filed with the SEC by following the instructions in the section entitled "*Where You Can Find More Information*" on page 165.

Table of Contents

SUMMARY

The following is a summary that highlights information contained in this proxy statement/prospectus. This summary may not contain all of the information that may be important to you. For a more complete description of the merger agreement and the merger, AMG and Highbury encourage you to read carefully this entire proxy statement/prospectus, including the annexes. In addition, AMG and Highbury encourage you to read the information incorporated by reference into this proxy statement/prospectus, which includes important business and financial information about AMG that has been filed with the Securities and Exchange Commission, which is referred to as the SEC in this proxy statement/prospectus. You may obtain the information incorporated by reference into this proxy statement/prospectus without charge by following the instructions in the section entitled "Where You Can Find More Information" beginning on page 165 of this proxy statement/prospectus.

The Companies

Affiliated Managers Group, Inc.

600 Hale Street
Prides Crossing, Massachusetts 01965
(617) 747-3300

AMG is an asset management company with equity investments in a diverse group of boutique investment management firms, which are sometimes referred to as AMG Affiliates in this proxy statement/prospectus. AMG pursues a growth strategy designed to generate stockholder value through the internal growth of existing business, additional investments in investment management firms and strategic transactions and relationships structured to enhance AMG Affiliates' businesses and growth prospects.

AMG holds a substantial equity interest in each AMG Affiliate. The remaining equity interests are retained by the management of the AMG Affiliate and enable AMG Affiliate managers to continue to participate in their firm's success. AMG's investment approach provides a degree of liquidity and diversification to principal owners of boutique investment management firms, and also addresses the succession and ownership transition issues facing many founders and principal owners. AMG's partnership approach also ensures that AMG Affiliates maintain operational autonomy in managing their business, thereby preserving their firm's entrepreneurial culture and independence. In particular, AMG structures are designed to:

maintain and enhance AMG Affiliate managers' equity incentives in their firms;

preserve each AMG Affiliate's distinct culture and investment focus; and

provide AMG Affiliates with the ability to realize the benefits of scale economies in distribution, operations, compliance and technology.

Although AMG invests in firms that it anticipates will grow independently and without assistance, AMG is committed to helping AMG Affiliates identify opportunities for growth and leverage the benefits of economies of scale. AMG assists AMG Affiliates in broadening distribution in the U.S. and globally, developing new products and providing strategic support and enhanced operational capabilities.

AMG believes that substantial opportunities to make investments in high-quality boutique investment management firms will continue to arise as their founders seek to institutionalize their businesses through broader equity ownership, or approach retirement age and begin to plan for succession. AMG management identifies select firms based on its thorough understanding of the asset management industry, and has developed relationships with a significant number of these firms. Within its target universe, AMG seeks the strongest and most stable firms with the best growth prospects,

Table of Contents

which are typically characterized by a strong multi-generational management team and culture of commitment to building a firm for its longer-term success, focused investment discipline and long-term investment track record, and diverse products and distribution channels. AMG is focused on investing in the highest quality boutique asset management firms specializing in an array of investment styles and asset classes, including both traditional and alternative investment managers. AMG anticipates that it will have significant additional investment opportunities across the investment management industry in the U.S. and globally, including the potential for investments in subsidiaries, divisions and other investment teams or products.

AMG's principal executive offices are located at 600 Hale Street, Prides Crossing, Massachusetts 01965 and its telephone number is (617) 747-3300. AMG's website is <http://www.amg.com>. The information contained in, or that can be accessed through, its website is not part of this proxy statement/prospectus and should not be relied upon in determining whether to vote in favor of the proposals.

Additional information about AMG and AMG Affiliates is included in documents incorporated by reference into this proxy statement/prospectus. For more information, see "*Where You Can Find More Information*" beginning on page 165.

Highbury Financial Inc.

999 18th Street, Suite 3000
Denver, Colorado 80202
(303) 357-4802

Highbury Financial Inc., or Highbury, is a Delaware corporation formed on July 13, 2005 as an investment management holding company providing permanent capital solutions to mid-sized investment management firms. Traditionally, Highbury pursued acquisition opportunities and sought to establish accretive partnerships with high quality investment management firms. In July 2009, Highbury's board of directors suspended its pursuit of acquisition opportunities other than add-on acquisitions for Aston and began evaluating strategic alternatives.

Aston Asset Management LLC, or Aston, is a 100%-owned subsidiary of Highbury and the former U.S. mutual fund business of ABN AMRO Asset Management Holdings, Inc. and affiliates, which is referred to as ABN AMRO in this proxy statement/prospectus. Aston was formed by Highbury for the purpose of acquiring the mutual fund business of ABN AMRO. Aston is a platform for internal growth and add-on acquisitions. Aston is a registered investment adviser and the investment manager for a family of 24 no-load mutual funds and a limited number of separately managed accounts. Aston's mutual fund platform is built upon providing investment advisory, sales, marketing, compliance, finance, operations and administration resources to mutual funds using sub-advisers that produce institutional quality investment products. Under the current management agreement among Aston, Highbury and certain former management members of Aston, which is referred to as the management agreement in this proxy statement/prospectus, 72% of the revenues of Aston is used to pay operating expenses of Aston, including salaries and bonuses of all employees of Aston (including the Aston management members). To the extent that the operating allocation is greater than the operating expenses of Aston, the Aston management team retains the right to any excess. The remaining 28% of the revenues of Aston is allocated to Highbury.

In connection with the signing of the merger agreement, Aston, Merger Sub and certain employee members of the Aston management team, including Messrs. Bilton and Anderson, Highbury directors, entered into an Amended and Restated Limited Partnership Agreement of Aston, which is referred to as the LP Agreement in this proxy statement/prospectus, to be effective immediately prior to the effective time of the merger. Pursuant to the terms of the LP Agreement, Aston will be converted into a limited partnership under the Delaware Revised Uniform Partnership Act and the Delaware Limited Liability Company Act and will operate with Merger Sub as its general partner and the Aston

Table of Contents

management employees as limited partners. Under the LP Agreement, 67% of the revenues of Aston will be allocated for use by Aston management to pay the operating expenses of Aston, including salaries and bonuses. The remaining 33% of the revenues of Aston will be allocated to the owners of Aston, which is referred to as the Owners' Allocation in this proxy statement/prospectus. Of the 33% Owners' Allocation, 28% of Aston revenues (or 85% of the Owners' Allocation) is first allocated to Merger Sub and second, to the extent available, the remaining 5% of Aston revenues (or 15% of the Owners' Allocation) is allocated among the management limited partners as a group, including 1.7% to Mr. Bilton and 1.3% to Mr. Anderson to the extent of their interest in the Owners' Allocation.

Highbury's principal executive offices are located at 999 18th Street, Suite 3000, Denver, Colorado 80202 and its telephone number is (303) 357-4802. Highbury's website is <http://www.highburyfinancial.com>. The information contained in, or that can be accessed through, its website is not part of this proxy statement/prospectus and should not be relied upon in determining whether to vote in favor of the proposals.

The Merger
(see page 79)

AMG and Highbury agreed to the acquisition of Highbury by AMG under the terms of the merger agreement that is described in the proxy statement.

- (1) Consists of the 2004 Plan. Awards under the 2004 Plan may not currently exceed 2,530,000 shares of Common Stock, plus an annual increase on the first day of each fiscal year, with the first increase occurring on January 1, 2006, in an amount equal to the lesser of (i) 100,000 shares, (ii) 3% of the outstanding shares on the last day of the immediately preceding year, or (iii) an amount determined by the Board. Stock options under the 2004 Plan have an exercise price equal to the fair market value of the underlying Common Stock at the date of grant, generally vest over a period of four years and have a ten-year life.
- (2) Consists of the MediciNova, Inc. 2007 Employee Stock Purchase Plan (ESPP). Under the ESPP, 300,000 shares of Common Stock have been reserved for issuance. The ESPP permits full-time employees to purchase the Company's Common Stock through payroll deductions (which cannot exceed 15% of each employee's compensation) at the lower of 85% of fair market value at the beginning of the offering period or the end of each six-month offering period.
- (3) Consists solely of the MediciNova, Inc. 2000 General Stock Incentive Plan (2000 Plan), which was terminated upon the completion of the Company's IPO on February 4, 2005. The material terms of the 2000 Plan are described in Note 5 to the Company's consolidated financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007. The remaining 45,000 shares of Common Stock available for future grant under the 2000 Plan were cancelled.
- (4) Consists of warrants not approved by stockholders issued to BioVen Advisory, Inc.

Required Vote

Approval of the amendment to the 2004 Plan requires the affirmative vote of a majority of the shares present and voting at the Annual Meeting in person or by proxy.

The Board recommends a vote FOR approval of the amendment to the MediciNova, Inc. Amended and Restated 2004 Stock Incentive Plan to increase the authorized number of shares of Common Stock of the Company that may be granted pursuant to the plan by one million shares.

EXECUTIVE OFFICERS

The following table sets forth certain information, as of the date of this Proxy Statement, regarding each of the Company's executive officers who is not also currently serving as a director or being nominated to serve as a director.

Name	Position	Age	Principal Business Experience
Shintaro Asako, CPA	Chief Financial Officer	33	<p><i>Shintaro Asako</i> was appointed as the Company's Chief Financial Officer in November 2006. Mr. Asako served as the Company's Vice President, Accounting and Administration from November 2005 to November 2006. Mr. Asako served as the Company's Vice President, Accounting and Financial Reporting from July 2005 to October 2005. From October 2004 to July 2005, Mr. Asako was an audit senior manager at KPMG LLP, where he provided a variety of audit and business consulting services to multinational clients and industries including pharmaceutical, manufacturing, distribution and freight-forwarding and transportation. Mr. Asako was also responsible for the development and expansion of KPMG's Japanese practice in the Orange County and San Diego areas. Prior to becoming audit senior manager, Mr. Asako held the positions of supervisory senior auditor from June 2002 to March 2003 and audit manager from April 2003 to September 2004. Before joining KPMG, he spent four years with Arthur Andersen LLP providing audit and tax advisory services. Mr. Asako is a graduate of the Leventhal School of Accounting at the University of Southern California. Mr. Asako is a certified public accountant of the state of California and a member of the American Institute of Certified Public Accountants.</p>
Richard E. Gammans, Ph.D.	Chief Development Officer	57	<p><i>Richard E. Gammans, Ph.D.</i> has served as the Company's Chief Development Officer since May 2005. Dr. Gammans joined the Company as Executive Vice President, Clinical Research, in June 2004. From June 2000 to June 2004, Dr. Gammans was Executive Vice President, Research and Development at Incara Pharmaceuticals Corporation (now Aeolus Pharmaceuticals, Inc.), where he was the executive officer responsible for research, development and regulatory affairs, a member of the corporate controls committee and the executive financing and business development team. From March 1994 to May 2000, Dr. Gammans was Senior Vice President, Clinical Research at Interneuron Pharmaceuticals, Inc. (now Indevus Pharmaceuticals Inc.), where he directed the company's clinical development programs in stroke and anxiety disorders. Prior to joining Interneuron Pharmaceuticals, Dr. Gammans spent 14 years at Bristol-Myers Squibb Company, where he began as a Senior</p>

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Name	Position	Age	Principal Business Experience
Kenneth W. Locke, Ph.D.	Chief Scientific Officer	51	<p>Scientist and progressed through a series of increasingly more senior positions in toxicology, clinical pharmacology and clinical research and responsibility, including as Global Project Director for the anti-depressant, Serzone. Dr. Gammans received M.S. and Ph.D. degrees from the University of Georgia School of Pharmacy and holds an M.S. in Management from Purdue University.</p> <p><i>Kenneth W. Locke, Ph.D.</i> has served as the Company's Chief Scientific Officer since March 2007 and has worked for the Company since its inception in 2000 in the capacities of Vice President, Research; Senior Vice President, Development Operations & Drug Discovery; Senior Vice President, Portfolio Management and Chief Business Officer. Dr. Locke was formerly Vice President of Research at Tanabe Research Laboratories U.S.A., Inc. where he worked since May 2000. Prior to joining Tanabe Research Laboratories, Dr. Locke served as Executive Director, Preclinical Development at Interneuron Pharmaceuticals, Inc. (now Indevus Pharmaceuticals Inc.). He joined Interneuron Pharmaceuticals in 1989 as Manager, Behavioral Neuroscience, taking on positions of increasing responsibility over the next 11 years. Earlier in his career, Dr. Locke headed Hoechst-Roussel Pharmaceuticals laboratories for analgesics and anti-inflammatory research, as well as Alzheimer's disease. Dr. Locke received an M.S. and Ph.D. in Pharmacology from Emory University School of Medicine.</p>
Masatsune Okajima	Vice President and Head of Japanese Office	40	<p><i>Masatsune Okajima</i> was appointed as the Company's Vice President and Head of Japanese Office in September 2006. Since 2002, he has served as Deputy General Manager, Daiwa Securities SMBC Co., Ltd. From 1999 through 2002, Mr. Okajima served as Manager, Daiwa Securities SB Capital Markets Co., Ltd. (now Daiwa Securities SMBC Co., Ltd.). From 1996 to 1999, Mr. Okajima served as Manager, Sumitomo Capital Securities Co., Ltd. and between 1991 and 1996 Mr. Okajima served in various positions at Sumitomo Bank, Ltd. (now Mitsui Sumitomo Bank). Mr. Okajima received a B.S. Degree from the Department of Science and Technology, Tokyo Science University.</p>

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Overview of Compensation Program

The Company's compensation approach is designed to reward the achievement of corporate and individual objectives. These objectives focus on building a sustainable business that develops differentiated drugs to improve the health and quality of life of patients and creates value for the Company's stockholders. This Compensation Discussion and Analysis provides a narrative overview of the Company's executive compensation philosophy, programs and policies. It is intended to highlight for stockholders significant information relating to the Company's executive compensation programs and includes analysis of the compensation earned by the Company's named executive officers as detailed in the executive compensation tables that follow.

The Compensation Committee consists of four independent directors. The Compensation Committee is responsible for developing and monitoring compensation arrangements for the executive officers of the Company, administering the Company's stock award plans and other compensation plans and performing other activities and functions related to executive compensation as may be assigned from time to time by the Board.

The Company's compensation program is designed to attract, retain and reward executive officers and other key employees who contribute to the Company's long-term success and to motivate those individuals to enhance long-term stockholder value. It is intended to reward the achievement of specific operating goals from year to year and of strategic goals over several years, and it rewards responses to the Company's business challenges and opportunities which will increase the value of the Company's stock over the long term. The evaluation of whether and to what extent the performance criteria are met by each of the executive officers in any given year is ultimately determined solely by the Compensation Committee.

Compensation Philosophy and Objectives

The Compensation Committee believes that compensation of the Company's executive officers should encourage creation of stockholder value and achievement of strategic corporate objectives. It is the Compensation Committee's philosophy to align the interests of the Company's stockholders and management by integrating compensation with the Company's annual and long-term corporate strategic and financial objectives. In order to attract and retain the most qualified personnel, the Company intends to offer a total compensation package competitive with companies in the bio-pharmaceutical industries, taking into account relative company size, performance and geographic location as well as individual responsibilities and performance.

The Company generally intends to qualify executive compensation for deductibility without limitation under Section 162(m) of the Internal Revenue Code. Section 162(m) provides that, for purposes of the regular income tax and the alternative minimum tax, the otherwise allowable deduction for compensation paid or accrued with respect to a covered employee of a publicly-held corporation (other than certain exempt performance-based compensation) is limited to no more than \$1.0 million per year. The Company does not expect that the non-exempt compensation to be paid to any of its executive officers for fiscal 2008 as calculated for purposes of Section 162(m) will exceed the \$1.0 million annual limit.

Use of Compensation Consultants

In 2007, the Compensation Committee engaged Compensia, Inc. (Compensia) to provide third-party data to assist the Compensation Committee in its formulation of compensation strategy for executive officers. Compensia provided a report to the Compensation Committee on December 20, 2007, which outlined data compiled by Compensia from the Radford Global Life Sciences Compensation Survey, the Biotech Employee Development Coalition Survey and Compensia-identified peer company proxy filings. The data included comparable base cash compensation, incentive cash compensation and equity awards. While the Compensation Committee did not base its compensation decisions on such report, its determinations were informed by the data presented by Compensia.

Elements of Executive Compensation

The elements of compensation for executive officers are base salary, annual cash incentives, long-term equity incentives and additional benefits, some of which are available to most other employees, including a 401(k) plan, health and welfare insurance, and life insurance, some of which allocate payments generally based on an individual's level of annual cash compensation. Executive officers have substantial portions of their compensation at risk for annual and long-term performance, with the largest portion at risk for the most senior executive officers. The Company does not provide any material perquisites or personal benefits to the Company's named executive officers.

Executive Officer Base Salary

The Compensation Committee reviews salaries recommended by the Chief Executive Officer (CEO) for executive officers other than the CEO and, based upon such review, approves salaries and bonus payments for such executive officers. The Compensation Committee sets the salary level of each executive officer on a case-by-case basis, taking into account both the individual's level of responsibilities and performance as well as the Company's performance as a whole. The Compensation Committee also considers market information and the base salaries and other incentive compensation paid to executive officers of other similarly sized companies within the drug development sector.

The employment agreement with each executive officer set an initial annual base salary, which was competitive in the Company's industry given the executive's experience and qualifications at the time the Company entered into the agreement. In order to obtain information about salaries in comparable companies in the Company's industry, the Company has evaluated data compiled in consultation with Compensia relating to a peer group of publicly traded companies. In addition, the Compensation Committee annually reviews each executive officer's base salary and takes into consideration during this annual review, among other factors:

individual and corporate performance;

levels of responsibility;

prior experience;

breadth of knowledge of the industry;

inflation and increases in cost of living; and

competitive pay practices.

Based upon this analysis undertaken in January 2008, the Compensation Committee determined to increase the salaries of the executive officers as of January 1, 2008 by 2.7%, which was the relevant cost-of-living increase calculated by the Compensation Committee.

Executive Officer Bonuses

The Compensation Committee believes that a portion of each executive officer's compensation should be contingent upon (i) the Company's performance in meeting corporate and financial objectives and (ii) the individual's contribution to the Company's performance. Bonuses paid during fiscal 2007 related to 2006 performance and were determined on a case-by-case basis. For officers other than the CEO, the Compensation Committee evaluated each executive officer with the CEO to determine the bonus for the fiscal year, which was based on individual and corporate performance, taking into account economic and industry conditions. The Compensation Committee approved the executive officer bonuses in each instance.

In January 2007, the Committee set the target bonus awards for the individual officers of the Company as a percentage of annual base salary. For Dr. Iwaki, the maximum bonus was set at 50% of base salary; for Dr. Gammans, the maximum bonus was set at 40% of base salary; and for each of Dr. Locke, Mr. Asako and Mr. Okajima, the maximum bonus was set at 35% of base salary. In January 2008, the Compensation Committee determined bonus payments for executive officers for their 2007 performance.

Although the Compensation Committee spent considerable time developing potential corporate and individual objectives for the executive officers for fiscal 2007, the Compensation Committee did not formally adopt particular corporate or individual objectives for fiscal 2007. As a consequence, the Compensation Committee determined fiscal 2007 bonus amounts based upon a subjective assessment begun in December 2007 and completed in January 2008 evaluating accomplishments in three primary areas of management focus in fiscal 2007:

completion of one or more financing transactions;

completion of a collaboration with a corporate partner for one of the Company's product candidates; and

successful completion of clinical trials for the Company's two prioritized product candidates.

In addition, the Compensation Committee exercised discretion in awarding bonus compensation to certain executive officers that varied from the amount determined simply by evaluating the three areas of focus on account of particular factors relating to those individual executive officers.

Also in January 2008, the Compensation Committee, in consultation with the CEO and the Chief Financial Officer (CFO), adopted performance objectives for the Company and each executive officer that will be used in determining bonus awards, if any, for fiscal 2008. Each executive officer will have a bonus eligibility for a particular percentage of his or her salary (50% for Dr. Iwaki, 40% for Dr. Gammans and Mr. Asako, and 35% for Dr. Locke and Mr. Okajima). Company objectives for fiscal 2008 include developing additional financial resources, successfully completing clinical trials for the Company's two prioritized product candidates and expanding the investor base. Dr. Iwaki's individual objectives for fiscal 2008 are the same as the Company objectives. In the case of Dr. Gammans and Mr. Asako, the Company objectives have 70% weight and their individual objectives have 30% weight in determining bonus eligibility for fiscal 2008. The weighting is 50% for Company objectives and 50% for individual objectives for each of Dr. Locke and Mr. Okajima. In each case other than the CEO, who has ultimate responsibility for achievement of Company objectives, the individual objectives capture the areas of primary focus for each individual executive officer. The Compensation Committee will evaluate corporate and individual achievement of the objectives during fiscal 2008 in early 2009 and will determine bonus amounts, if any, based upon such evaluation. For example, if the Company were in fiscal 2008 to achieve 70% of its objectives as established in January 2008, Dr. Iwaki would receive a bonus of 35% of his salary for fiscal 2008 (50% maximum bonus amount times 70% Company objective achievement). Using the same level of Company achievement in Dr. Gamman's case and assuming he achieved 60% of his individual objectives, he would receive a bonus of 26.8% of his salary (40% bonus amount times the sum of (70% Company achievement times 70%) plus (60% individual achievement times 30%)) equals 26.8%.

Stock Awards

The Compensation Committee administers the 2004 Plan for executive officers, employees, consultants and non-employee directors, under which it grants stock awards. The Compensation Committee believes that providing executive officers who have responsibility for the management and growth of the Company with an opportunity to increase their ownership of Company stock better aligns the interests of the Company's executive officers with those of its stockholders and promotes retention of key personnel, which is also in the best interest of the stockholders. Accordingly, the Compensation Committee, when reviewing executive officer compensation, also considers stock awards as appropriate. At its discretion, the Compensation Committee may also grant stock awards based on individual and corporate achievements from time to time. Grants made to the CEO and other executive officers of the Company are approved by the Compensation Committee and then in certain cases recommended for approval by the Compensation Committee to the entire Board. The Compensation Committee determines the number of shares underlying each stock award based upon the executive officer's and the Company's performance, the executive officer's role and responsibilities within the Company, the executive officer's base salary and comparisons with comparable awards to and target equity participation for individuals in similar positions in the industry, the executive officer's prior stock awards and exercise price of outstanding awards, if any, and the overall level of outstanding stock awards as a percentage of total shares outstanding.

Severance Protection Agreements

In June 2007, the Compensation Committee recommended to the Board consideration of severance protection agreements, whereby the executive officers would be paid specified amounts and receive continued benefits if they were to be terminated following a change of control transaction or were to have their responsibilities and authority materially diminished following a change of control. Although no such transaction is presently contemplated, the Compensation Committee recommended consideration of such agreements in an effort to retain key executive officers notwithstanding the possibility of a merger or acquisition transaction involving the Company. The form of Severance Protection Agreement was approved by the Board of Directors in September 2007 and executed with each executive officer promptly thereafter. The material terms of the Severance Protection Agreements are described in this Proxy Statement under the caption Severance Protection Agreements.

The Compensation Committee did not consider the existence of the Severance Protection Agreements in determining salary or bonus or equity awards for fiscal 2007 or 2008.

Chief Executive Officer Compensation

The Compensation Committee determines the compensation (including bonus and option grants, if any) of the CEO using the same criteria as for the other executive officers. The Compensation Committee reviewed the Company's overall performance in fiscal 2007 with Dr. Iwaki and made its determination according to the three primary areas of management focus for fiscal 2007 outlined above. Based on this evaluation, the Compensation Committee awarded Dr. Iwaki an incentive bonus of \$90,400, or 40% of the target bonus maximum of 50% of salary.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Compensation Committee

John K.A. Prendergast, Ph.D. (Chairman)

Arlene Morris

Hideki Nagao

Daniel Vapnek, Ph.D.

SUMMARY COMPENSATION TABLE

The following table summarizes all compensation for all services rendered in all capacities to the Company during each of the fiscal years ended December 31, 2007 and December 31, 2006 earned by the CEO, CFO and three other most highly compensated executive officers, who are collectively referred to as the named executive officers.

Name and Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Incentive Plan Compensation (\$)	Deferred Compensation Earnings (\$)	All Other Compensation (\$)	Total (\$)
Yuichi Iwaki, M.D., Ph.D. (1) President and Chief	2007	\$ 452,000 (2)	\$ 90,400			(3)		\$ 54,467 (4)	\$ 596,867
Executive Officer	2006	\$ 350,000 (5)	\$ 150,000		\$ 2,590,882 (6)				\$ 3,090,882
Shintaro Asako, CPA (7) Chief Financial Officer	2007	\$ 230,000	\$ 40,250			(3)		\$ 32,943 (8)	\$ 303,193
	2006	\$ 173,333 (9)	\$ 73,000		\$ 911,283 (6)			\$ 31,783 (10)	\$ 1,189,399
Richard Gammans, Ph.D. (11) Chief Business Officer	2007	\$ 297,000	\$ 52,080			(3)		\$ 113,638 (12)	\$ 462,718
	2006	\$ 280,000	\$ 84,000		\$ 1,367,044 (6)			\$ 102,118 (13)	\$ 1,833,162
Kenneth Locke, Ph.D. (14) Chief Scientific Officer	2007	\$ 260,000	\$ 36,400			(3)		\$ 36,670 (15)	\$ 333,070
	2006	\$ 245,000	\$ 73,000		\$ 1,173,364 (6)			\$ 31,366 (16)	\$ 1,522,730
Masatsune Okajima (17) Vice President and Head	2007	\$ 235,000	\$ 32,900			(3)		\$ 19,676 (18)	\$ 287,576
of Japanese Office	2006	\$ 73,333 (19)	\$ 60,000		\$ 1,068,783 (6)			\$ 5,000 (20)	\$ 1,207,116

- (1) Dr. Iwaki is being paid salary at an annual rate of \$464,205 in 2008.
- (2) Represents amount paid as an employee of the Company during the full year ended December 31, 2007.
- (3) There were no stock option grants to executive officers in the fiscal year ended December 31, 2007.
- (4) Includes long-term disability (\$1,176), 401(k) employer matching contributions (\$13,500), health insurance premiums (\$27,847) and a car allowance (\$11,944, gross-up).
- (5) Represents amount paid pursuant to a consulting agreement.
- (6) Refer to Note 1, "Stock Based Compensation," in the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 for the relevant assumptions used to determine the valuation of awards.
- (7) Mr. Asako is being paid salary at an annual rate of \$236,210 in 2008.
- (8) Includes long-term disability paid (\$1,176), health insurance premiums (\$18,267) and 401(k) employer matching contributions (\$13,500).
- (9) In November 2006, Mr. Asako was appointed Chief Financial Officer with a base salary of \$225,000. Prior to his promotion, Mr. Asako was Vice President, Accounting & Administration with a base salary of \$160,000.
- (10) Includes long-term disability paid (\$931), health insurance premiums (\$15,374), 401(k) employer matching contributions (\$6,193) and a housing allowance (\$9,285, gross-up).
- (11) Dr. Gammans is being paid salary at an annual rate of \$382,045 in 2008.
- (12) Includes long-term disability (\$1,176), 401(k) employer matching contributions (\$13,500), health insurance premiums (\$23,962) and a housing allowance (\$75,000, gross-up).
- (13) Includes long-term disability (\$1,176), 401(k) employer matching contributions (\$13,263), health insurance premiums (\$21,695) and a housing allowance (\$65,984, gross-up).
- (14) Dr. Locke is being paid salary at an annual rate of \$267,020 in 2008.
- (15) Includes long-term disability (\$1,176), health insurance premiums (\$21,994) and 401(k) employer matching contributions (\$13,500).
- (16) Includes long-term disability (\$1,176), health insurance premiums (\$16,990) and 401(k) employer matching contributions (\$13,200).
- (17) Mr. Okajima is being paid salary at an annual rate of \$241,345 in 2008.
- (18) Includes a Japanese benefits adjustment as stipulated in Mr. Okajima's employment agreement.
- (19) Employment began on September 1, 2006 with base pay of \$220,000. The amount set forth in the table is prorated.
- (20) Includes a Japanese benefits adjustment as stipulated in Mr. Okajima's employment agreement.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table discloses outstanding stock awards classified as exercisable and unexercisable as of December 31, 2007 for each of the named executive officers. The table also shows unvested stock awards as of December 31, 2007.

	Option Awards				Stock Awards			Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights that Have Not Vested (\$)
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price (\$/Sh.)	Option Expiration Date	Number of Shares or Units of Stock that Have Not Vested (#)	Market Value of Shares of Units of Stock that Have Not Vested (\$)	
Yuichi Iwaki, M.D., Ph.D.	19,167	20,833		\$ 11.60 (2)	1/4/2016 (4)			
	1,000			\$ 13.40 (2)	5/11/2016 (5)			
	13,750	6,250		\$ 11.50 (2)	7/9/2016 (4)			
	90,324	243,179		\$ 9.73 (2)	11/12/2016 (4)			
Shintaro Asako, CPA	10,000			\$ 13.80 (2)	12/12/2015 (7)			
	7,812	7,188		\$ 23.40 (2)	11/12/2015 (4)			
	12,500	12,500		\$ 33.10 (2)	11/12/2015 (4)			
	7,187	7,813		\$ 11.60 (2)	1/4/2016 (4)			
	33,871	91,193		\$ 9.73 (2)	11/12/2016 (4)			
Richard Gammans, Ph.D.	14,000	2,000		\$ 10.00 (1)	6/14/2014 (6)			
	20,000			\$ 13.80 (2)	12/12/2015 (7)			
	15,625	14,375		\$ 23.40 (2)	12/12/2015 (4)			
	26,042	23,958		\$ 33.10 (2)	12/12/2015 (4)			
	19,167	20,833		\$ 11.60 (2)	1/4/2016 (4)			
	45,162	121,590		\$ 9.73 (2)	11/12/2016 (4)			
Kenneth Locke, Ph.D.	10,000			\$ 10.00 (1)	12/5/2010 (6)			
	8,000			\$ 10.00 (1)	9/4/2012 (6)			
	10,500	1,500		\$ 10.00 (1)	6/1/2014 (6)			
	15,000			\$ 13.80 (2)	12/12/2015 (7)			
	11,719	10,781		\$ 23.40 (2)	12/12/2015 (4)			

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	19,531	17,969	\$ 33.10 (2)	12/12/2015 (4)
	15,333	16,667	\$ 11.60 (2)	1/4/2016 (4)
	39,517	106,391	\$ 9.73 (2)	11/12/2016 (4)
Masatsune Okajima	10,000 (3)	0	\$ 11.30 (2)	8/1/2016 (8)
	4,687	10,313	\$ 22.60 (2)	9/1/2016 (4)
	7,812	17,188	\$ 34.10 (2)	9/1/2016 (4)
	33,871	91,193	\$ 9.73 (2)	11/12/2016 (4)

- (1) See Note 1, Stock-Based Compensation, in the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 for the relevant assumptions used to determine the valuation of these stock option awards.
- (2) The exercise price of the stock option awards is either equal to or greater than the grant date's closing price, or the prior day's closing price if the grant date fell over the weekend, as reported by the Hercules Market of the Osaka Securities Exchange, converted to U.S. dollars based on the respective dates exchange rate per www.Oanda.com.
- (3) This grant was issued to Mr. Okajima pursuant to a consulting agreement prior to Mr. Okajima's employment with the Company.
- (4) These grants vest in equal monthly installments over four years from the vesting commencement date, which was the date of grant.
- (5) This grant fully vests after six months from the vesting commencement date, which was the date of grant.
- (6) These grants vest 25% after the first year of service from grant date, with the remaining shares vesting in equal monthly installments over the subsequent 36 months of service.
- (7) These grants vested immediately upon date of grant.
- (8) This grant vests in equal monthly installments over six months from the vesting commencement date, which was the date of grant.

OPTION EXERCISES AND STOCK VESTED

The following table discloses certain information concerning exercises of stock options and the vesting of stock awards for each named executive officer during the year ended December 31, 2007.

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise #(1)	Value Realized on Exercise \$(1)	Number of Shares Acquired on Vesting #(2)	Value Realized on Vesting \$(2)
Yuichi Iwa				