

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-K

(Mark One)

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

For the fiscal year ended: December 31, 1996  
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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 0 - 10200  
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SEI INVESTMENTS COMPANY

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(Exact name of registrant as specified in its charter)

Pennsylvania 23-1707341  
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(State or other jurisdiction of incorporation or organization) (IRS Employer Identification Number)

1 Freedom Valley Drive, Oaks, Pennsylvania 19456-1100  
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(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 610-676-1000  
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Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
None	

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

Common Stock, par value \$.01 per share  
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(Title of class)

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

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State the aggregate market value of the voting stock held by non-affiliates of the registrant based on the closing price of such stock as reported by NASDAQ as of February 28, 1997: \$280,016,279. For purposes of making this calculation only, registrant has defined affiliates as including all directors and beneficial owners of more than ten percent of the common stock of the registrant.

APPLICABLE ONLY TO REGISTRANTS INVOLVED IN BANKRUPTCY PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13, or 14(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes        No  
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APPLICABLE ONLY TO CORPORATE REGISTRANTS:

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of February 28, 1997: 18,560,946.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the following documents are incorporated by reference herein:

1. Notice of and Proxy Statement for the 1997 Annual Meeting of Shareholders to be filed within 120 days after the end of the fiscal year covered by this annual report, incorporated by reference in Part III hereof.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (Paragraph 229.405 of this chapter) 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. [ ]

(Cover page 2 of 2 pages)

Item 1. Business.

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General Development of Business

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SEI Investments Company ("SEI" or the "Company"), formerly SEI Corporation, was incorporated in Pennsylvania in 1968. SEI Financial Services Company ("SFS"), SEI Financial Management Corporation ("SFM"), and SEI Trust Company ("SEI Trust") are the principal wholly owned subsidiaries of the Company. SFS and SFM are investment advisors registered with the Securities and Exchange Commission ("SEC") under the Investment Advisers Act of 1940. SFS is a broker-dealer registered with the SEC under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. SEI Trust is a limited-purpose trust entity chartered in the Commonwealth of Pennsylvania.

At the time of the Company's initial public offering in March 1981, the Company's principal business activity was providing an on-line, real-time accounting and management information system to bank trust departments. Beginning in 1982, the Company, through SFS and SFM, expanded its trust product line by sponsoring a number of institutional investment products, primarily in the form of registered investment companies sold to SEI clients and other institutional investors and financial intermediaries.

In 1983, the Company, through SFS, entered the pension and investment consulting business by acquiring the Funds Evaluation Division of A.G. Becker Paribas, Inc. and began providing a comparative investment performance evaluation service to tax-exempt fund sponsors and institutional money managers. In 1986, the Company, through an additional acquisition, began providing evaluation services to Canadian fund sponsors and money managers. In 1995, the Company decided to exit its U.S. consulting business and subsequently announced its intention to dispose of its Capital Resources Division ("CR"). At December 31, 1996, the Company wrote off all the non-recoverable assets of CR but continues to hold those operations pending sale or other disposition. (See Note 2 of the Notes to Consolidated Financial Statements). The Company has retained its Canadian pension and investment advisor consulting business.

In 1989, the Company acquired National FSI, Inc., which eventually became SEI Defined Contribution Retirement Services ("DC"), a division of SFM. DC provided administrative and processing services and software services for use by employee benefit plans. In 1996, the Company completed the transfer of the processing services provided by DC to a third party and at December 31, 1996, the Company wrote off its entire interest in DC (See Note 2 of the Notes to Consolidated Financial Statements).

In 1990, SFS and SFM began providing a full range of administration and distribution services to proprietary mutual funds established for banks and other financial institutions and intermediaries. The client serves as the investment advisor for the proprietary funds, and the funds are sold primarily to customers of the client.

In 1991, the Company began to offer various asset management services to institutional investors. These services included programs created to help institutional investors establish investment objectives and asset allocation strategies, and to gain access to top-quality investment managers. Beginning in 1992, the Company began offering its asset management services to high-net-worth individuals and small defined contribution and benefit plans through selected financial intermediaries.

In 1994, the Company, through SEI Trust, began offering complete back-office accounting and processing services, allowing trust institutions to outsource their trust operations and related investment functions.

In 1995, the Company began to expand its asset management services outside the United States by targeting selected foreign markets in which the Company could tailor its investment management programs to institutional investors and high-net-worth individuals.

## Industry Segments

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The Company is organized around its two core product lines: Investment Technology and Services and Asset Management. The Investment Technology and Services segment, which accounted for 69 percent of the Company's consolidated revenues in 1996, includes the following products and services: Trust 3000 product line, proprietary funds administration and distribution services, and trust back-office processing. The Asset Management segment, which accounted for 31 percent of the Company's consolidated revenues in 1996, consists of the global distribution of the Company's asset management products to the institutional and high-net-worth markets, directly and through professional investment advisors.

Financial information about the Company's business segments is contained in Note 12 of the Notes to Consolidated Financial Statements in Item 8. Additional financial information and discussion about the Company's business segments, including a breakdown of the Company's revenues by product line, is contained in Management's Discussion and Analysis of Financial Condition and Results of Operations in Item 7.

### Investment Technology and Services

#### Trust Systems and Services

The Company, through SFM, provides trust and investment accounting and management information services as an outsourcer to financial institutions with its TRUST 3000 product line. TRUST 3000 is a complete trust accounting and investment system with fully automated securities movement and control linked directly to the Depository Trust Company. TRUST 3000 offers investment management functionally through a number of integrated products and sub-systems that supports investment accounting, client administration, portfolio analysis, and trade order processing for both domestic and global securities processing. TRUST 3000 also provides access to multiple third-party pricing and asset related information. The TRUST 3000 product line allows clients to choose the processing alternatives that best suit their business needs. The Company provides trust and investment processing services through a state-of-the-art data communications network which is internally managed. Clients utilize terminals and workstations which are connected through this network to access the Company's data center.

The value of the TRUST 3000 product line has been further enhanced by the introduction of the Company's StrataQuest product line. StrataQuest consists of modular workstation products that transform data into user-friendly customer service and investment analysis desktop applications. StrataQuest also provides technology platform products that manage the flow of data and allow for the integration of TRUST 3000 information with other financial institution systems in an open systems architecture.

SEI's market for its trust accounting and management information services consists primarily of bank trust departments managing assets between \$10 million and \$100 billion. The Company believes that there are approximately 1,500 trust departments of this size. At December 31, 1996, the Company was providing processing or software services to 127 trust departments, including trust departments of 29 of the top 100 banks, located in 39 states, the District of Columbia, and Canada. The Company segregates the trust accounting and information services market by trust assets under management: \$20 billion or more in managed assets; \$300 million to \$20 billion in managed assets; and under \$300 million in managed assets. Each of these three trust accounting and management information services markets are characterized by different pricing, service, and product parameters. SEI endeavors to offer a full range of products and services suitable for each. Customers generally contract for terms of three to five years and revenues are based on monthly processing and software application fees.

Principal competitors of the Company's trust accounting and processing services are Fidelity-Trust Technology Services LLC, SunGard Data Systems, Marshall and Isley, and FTI. In addition, numerous financial institutions operate their own trust processing systems. The Company believes that in terms of both revenues and number of clients served, its TRUST 3000 product is the leading trust accounting and management system sold by third-party vendors to bank trust departments. The Company believes that, with regard to its 3000 product line, the most important factors in a potential customer's evaluation and choice of vendor are product and service reliability; security and risk; functional capability; ease of use and future flexibility; value; and cost effectiveness. A vendor's experience in, and commitment to, the financial industry is also considered. Revenues from trust systems and services accounted for approximately 46 percent of the Company's consolidated revenues in 1996.

#### Trust Back-Office Processing

In 1994, the Company began to extend its trust technology line by offering trust back-office processing. Through SEI Trust, the Company provides a fully integrated custody and back-office outsourcing solution to trust organizations. By combining its TRUST 3000 product line with sophisticated global investment products and back-office capabilities, SEI Trust can offer a total outsourcing solution. This level of outsourcing provides trust institutions with access to the industry's state-of-the-art accounting system, along with processing, reporting, and custody services provided through the specialized capabilities of SEI Trust personnel. SEI Trust automates and centralizes all of the client's trust accounting, income collections, securities settlement, and securities processing functions. In addition, SEI Trust prepares and processes customer statements, investment reviews, and employee benefit accrual reports and remittances to the clients' customers.

Initially, community banks were the target market for this product. However, as the concept of outsourcing has gained credibility and acceptance within the Industry, the customer base for these products and services has expanded to include both small and large banks. The Company believes that the market for its outsourcing solution consists primarily of bank trust departments ranging in size from start-ups to those managing assets of over \$10 billion, and selected business lines of trust departments up to \$100 billion in assets. SEI Trust's current contracts span from start-up trust companies to a \$50 billion trust department. The term of the contracts varies from three to five years. At December 31, 1996, SEI Trust had contracts to perform back-office processing services to 23 clients.

The major strategic issue facing this product line is the continued consolidation of the banking industry, which may reduce the number of potential bank prospects and/or eliminate customers from its user base. Currently, the only known competitor in this market is Marshall and Isley. Additional competitors can be expected over the next few years. Revenue from trust back-office processing is not yet material as a percentage of the Company's consolidated revenues in 1996.

#### Proprietary Fund Services

In 1990, the Company began providing administrative and distribution services to proprietary mutual funds for which a bank serves as the investment advisor, and are sold primarily to clients of the bank. Today, SEI provides a full range of administration and distribution services to the proprietary funds created for banks, other financial institutions, and money managers. Administration services offered include back-office administrative, financial, legal/compliance, and shareholder accounting services. Distribution services offered include marketing strategy and sales, and wholesaler support. SEI also assists the client in establishing both product and program strategy. SEI offers a multifaceted marketing program which assists in promoting the funds at the institutional and retail levels. At December 31, 1996, SEI provided administration and distribution services for banks, money managers, and credit union proprietary fund complexes with assets under administration of approximately \$61.4 billion. These complexes include various open-end management investment companies.

The majority of the Company's new clients had existing mutual funds for which the Company assumed the administration and distribution responsibilities. These relationships do not bear the risk of non-funding as with a new fund complex. However, in the event that the client does not have an established proprietary fund complex, the Company would have to obtain the necessary securities registration and assist the client in the transfer of existing investment funds into mutual funds. Until such registration is complete and asset transfers occur, SEI would receive no revenues from the proprietary funds it helps establish. In addition, SEI would expend significant time and resources during the start-up of a mutual fund complex and bear the risk that these costs would not be recovered if the mutual fund complex was not funded.

The Company's market for its proprietary funds services and products consists primarily of bank trust departments and investment advisors. At the end of 1996, there were approximately 115 proprietary fund complexes that existed in the United States. SEI administered proprietary funds for 26 clients at December 31, 1996. The Company's contracts with proprietary mutual funds have initial terms ranging from two to five years. Principal competitors of the Company's proprietary mutual fund services include Federated Investors, Inc., BISYS Group, First Data Corporation, PFPC, and State Street Bank. The Company believes that a potential customer of its proprietary mutual fund services considers the price of such services, the performance of its administrative and other support services such as legal and marketing, and the integration of such services with proprietary software provided by the Company.

In 1996, Congress signed into law legislation allowing the tax-free conversion of common trust funds into mutual funds. This change in legislation has created an additional opportunity for the Company in its proprietary mutual fund business which could result in an increased amount of assets under administration. In addition, while banks are currently prohibited by banking laws from serving as the principal underwriter to mutual funds, legislation has been proposed from time to time to remove this restriction. Currently, several versions of such legislation are pending before Congress. If such legislation is passed, some banks may consider performing the services now provided by SEI themselves. In addition, consolidation in the banking industry may reduce the number of bank proprietary fund complexes in existence. Revenue from proprietary fund products and services accounted for approximately 23 percent of the Company's consolidated revenues in 1996.

#### Asset Management

SEI, through SFS and SFM, has created a number of investment products for institutional investors and financial intermediaries. The initial investment products, first distributed in 1982, were developed to meet the liquidity requirements of bank trust departments utilizing the Company's 3000 product line. In 1985, the Company began offering equity, fixed income, and tax-exempt products. Currently, the products offered by the Company include several U.S. mutual fund families, private investment products, and offshore funds. The Company employs a total investment management approach that uses a qualitative asset allocation model and investment strategies based upon the precepts of portfolio structure, specialist sub-advisors, and active risk management.

SEI, through SFM, acts as the administrator, transfer agent, and fund accountant for these products under separate administration contracts which generally are subject to renewal annually by the board of trustees of the funds. These contracts provide for the payment of administrative fees based on a percentage of the average daily net assets of each fund. SFM is also the investment advisor for several of these investment products.

#### Liquidity Services

Since 1982, the Company has offered liquidity products to bank trust departments. The Company also provides cash sweep technology that enables a financial institution to sweep excess balances from demand deposit accounts into money market accounts. In addition, the Company provides cash management services and other financial management solutions to corporations. In 1996, the Company launched CashStrategies, a complete cash management investment program which incorporates cash flow analytics with SEI developed software to provide corporate treasurers an effective solution in managing their cash and investment portfolios.

The Company's liquidity products consist primarily of money market and other short-term mutual funds and the SEI Repurchase Agreement Program ("REPO"). REPO permits institutions to invest short-term funds in overnight and term tri-party repurchase agreements and other overnight and short-term investment products.

Clients that use the TRUST 3000 product line can also effect purchases and redemptions in SEI's investment products through an automated subsystem included in the Company's TRUST 3000 system that performs daily sweeps of trust accounts and invests the available cash in one or more of the Company's investment products. Other clients may purchase or redeem investment products through microsystems utilizing SFM's FundPac+PlusR product located at client locations, or by telephone orders to SFM.

The Company's market for its liquidity products and services consists primarily of bank trust departments, investment advisors, and corporations located in the United States. The number of clients using the Company's liquidity products and services totaled approximately 400 at December 31, 1996. Total assets invested in the Company's liquidity funds, including REPO, totaled \$14.7 billion at December 31, 1996.

Principal competitors of the Company's liquidity products and services include Federated Investors, Inc., Fidelity Management Corporation, Investors Fiduciary Trust Company, and Goldman, Sachs & Co., and other mutual fund complexes that market to institutional investors as well as individual bank proprietary and common trust funds. The Company believes that a potential customer of its liquidity services business considers the price and performance of the Company's investment products and its diverse product offerings, as well as the ease of investment through SEI's automated sweep system, FundPac+Plus, and its cash sweep technology. Revenues from liquidity services accounted for approximately 8 percent of the Company's consolidated revenues in 1996.

#### Asset Management and Mutual Fund Services

The Company began providing investment solutions to defined benefit plans, hospitals, endowment funds, and other institutional investors in 1991. SEI offers such investors an integrated investment program which enables a pension or other investment committee to outsource their investment management process to SEI. SEI works with each client to develop asset management strategies that are consistent with the client's business needs and investment objectives. A client's strategy is implemented through SEI's Family of Funds that employ style specific sub-advisors. Through technology, SEI offers its clients real-time data and portfolio analysis. SEI's total investment management approach provides clients with increased diversification, reduced risk, and greater control over their portfolios. Clients also have the ability to access specialized money manages through separate accounts.

The Company also offers asset management programs tailored to meet the needs of high-net-worth individuals and small institutions that are marketed through selected intermediaries such as broker-dealers, registered investment advisors, financial planners, and bank trust departments. Investment recommendations are based on one of SEI's asset management strategies that utilize SEI's Family of Funds. The Company's asset management strategies offer financial intermediaries various asset allocation models that provide diversification among investment classes and periodic rebalancing to achieve the investor's objectives. SEI also provides marketing assistance, sales support, and back-office services such as custody and recordkeeping.

At December 31, 1996, there were approximately 800 clients invested in the Company's asset management programs through separate accounts or through the Company's Family of Funds with \$9.1 billion in assets invested. The principal competition for the Company's asset management products is from other investment advisors and mutual fund companies. Fees are earned as a percentage of assets under management. Revenues from asset management and mutual fund services accounted for approximately 16 percent of the Company's consolidated revenues in 1996.

## Brokerage and Consulting Services

The Company, through its wholly owned subsidiary, SEI Financial Services Limited ("SFS Ltd."), provides performance evaluation and other consulting services to Canadian pension plans. SFS Ltd. also supports money managers in managing their clients' investments through investment performance evaluation services, as well as trading cost analysis and marketing strategy review.

The Company's fund sponsor, money manager, and Trust 3000 clients remit payment for services rendered by SEI in cash or, subject to applicable regulatory guidelines, by directing brokerage commissions to SFS or SFS Ltd. through SEI-approved clearing agents or clearing brokers. These clients may also apply a portion of such directed brokerage commissions to defray certain other third-party costs. As a result of the directed brokerage business, the Company's revenues may be affected by changes in market trading volume or changes in government regulations affecting directed brokerage payments.

The market for the Company's consulting services consists mostly of defined benefit plan sponsors and investment managers located in Canada. At December 31, 1996, the Company was providing consulting services to approximately 375 defined benefit plan sponsors and 40 investment managers. Revenues from brokerage and consulting services accounted for approximately 7 percent of the Company's consolidated revenues in 1996.

## Marketing and Sales

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SEI employs 23 sales representatives in its Investment Technology and Services segment and 51 sales representatives in its Asset Management segment. These sales personnel operate from 16 offices located in Oaks, Pennsylvania; San Francisco, California; Chicago, Illinois; Boston, Massachusetts; New York, New York; Dallas and Houston, Texas; Norcross, Georgia; Toronto, Ontario; Montreal, Quebec; Vancouver, British Columbia; Halifax, Nova Scotia; Zurich, Switzerland; Dublin, Ireland; Johannesburg, South Africa, and Buenos Aires, Argentina.

## Customers

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The Company currently serves approximately 1,800 clients. For the year ended December 31, 1996, no single customer accounted for more than 10 percent of the Company's revenues in any industry segment.

## Development of New Products and Services

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### Software products

The Company believes that its service to existing and potential customers is enhanced by its substantial investment in improving existing software products and developing new products and services for the financial industry. To sustain and enhance its competitive position in the industry, the Company is committed to a continuous and high level of expenditures for research and development. The Company currently utilizes over 250 professionals dedicated to the design, development, and enhancement of SEI products. Half of these professionals are SEI employees devoted exclusively to the Company's research and development effort. The Company currently releases new products as they are completed, rather than holding them for bundling in three major annual releases as it has in the past. The benefit to the client is frequent, more manageable releases. Maintenance releases occur four times each year during the months of February, May, August, and November.

The Company's new product development efforts are currently focused on its StrataQuest open architecture product line. StrataQuest allows the Company's clients to operate in a multi-platform environment using client/server installations. This open architecture facilitates the development of new applications for the Company, as well as expanding the upward functionality of its existing products to enhance their attractiveness to the largest clients. As clients begin utilizing new client/server applications, the Company expects its ability to sell into this market to be greatly enhanced over the next three years.

In 1996, the Company began a comprehensive program to address the Year 2000 compliance problem facing most technology and operating systems. The Company has completed an analysis of the impact Year 2000 will have on the Company's 3000 Product Line and has begun the necessary work to ensure that the TRUST 3000 product line is YEAR 2000 compliant by 1999.



During 1996, 1995, and 1994, the Company expended (including amounts capitalized) approximately \$26,254,000 (10.6 percent of revenues), \$16,744,000 (7.4 percent of revenues), and \$15,001,000 (7.3 percent of revenues), respectively, to design, develop, and modify existing or new products and services.

#### Investment products

The Company has taken several steps to increase the asset management services it provides both domestically and internationally. In 1994, the Company formed a partnership with three leading academics in the field of finance. The partnership, LSV Asset Management ("LSV"), is a value-oriented, contrarian money manager that offers a deep-value investment alternative. The direct market for LSV's money management services includes large pension fund sponsors world-wide. In addition to managing approximately \$190 million of the Company's own mutual funds, LSV is managing approximately \$188 million of institutional assets as of December 31, 1996.

The Company also formed an asset management company in Canada in 1994. The company, Primus Capital Advisors Co. ("Primus"), is an investment counselor/portfolio manager offering investment advisory services to both large and small Canadian defined benefit pension plans. At December 31, 1996, Primus had five clients with total assets under management of \$128 million.

The Company, through its Swiss subsidiary, SEI Capital AG, is managing and trading a portfolio of trade finance obligations arising from international export transactions. Revenue is generated from several sources: interest, commitment fees, and trading spreads. As of December 31, 1996, SEI has contributed \$15 million to this subsidiary which now holds \$13.0 million of loans receivable available for sale (See Note 5 of the Notes to Consolidated Financial Statements).

The Company is also looking to capitalize on international growth opportunities in the investment management industry by expanding the distribution of the Company's investment products and services through asset management solutions for institutions and high-net-worth investors outside North America. The Company's strategy is designed to capitalize on two major trends in the global marketplace: (1) the privatization and globalization of pension funds, and (2) the increased wealth accumulation among high-net-worth investors. The Company's marketing efforts have focused on four main regions: Europe, Asia, Latin America, and South Africa. In all four regions, the Company's initial strategy is to team with local partners to establish name recognition and distribution channels for the Company's products and services. Major highlights in 1996 included: the establishment of an offshore fund administration firm in Ireland, the creation of a distribution network and an acquisition of an investment advisory firm in Argentina, a joint venture in Taiwan and asset management contracts signed with a Swiss pension plan and two South African pension plans.

Although significant investments have been made in all these areas, the amount of revenue generated from these ventures is not yet material as a percentage of the Company's consolidated revenues in 1996.

#### Regulatory Considerations

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SFS and SFM are subject to various federal and state laws and regulations that grant supervisory agencies, including the SEC, broad administrative powers. In the event of a failure to comply with such laws and regulations, the possible sanctions that may be imposed include the suspension of individual employees, limitations on SFS's or SFM's engaging in business for specified periods of time, the revocation of SFS's or SFM's registration as a broker-dealer or investment advisor, censures, and fines. SEI Trust is subject to laws and regulations imposed by state banking authorities. In the event of a failure to comply with these laws and regulations, limitations may be placed on the business of SEI Trust, or its license as a trust company may be revoked.

Investment products offered by SEI and its subsidiaries also subject to regulation by the SEC and state securities authorities, as well as non-U.S. regulatory authorities, where applicable. Existing or future regulations that affect these investment vehicles or their investment strategies could impair their investment performance and lead to a reduction in sales of such investment products. Directed brokerage payment arrangements offered by the Company are also subject to SEC and other federal regulatory authorities. Changes in the regulation of directed brokerage or soft dollar payment arrangements could affect the Company's sales of some services, primarily its brokerage and consulting services.

Bank clients of both business segments are subject to supervision by federal and state banking authorities concerning the manner such clients purchase and receive the Company's products and services. Plan sponsor clients are subject to supervision by the Department of Labor and compliance with employee benefit regulations. Investment advisor clients are regulated by the SEC and state securities authorities. Existing or future regulations applicable to the Company's clients may affect such clients' purchase of the products and services offered by the Company.

Personnel

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At December 31, 1996, the Company had 1,070 full-time and 63 part-time employees. None of the Company's employees are represented by a labor union. The Company considers its employee relations to be good.

Item 2. Properties.

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In the last quarter of 1996, the Company relocated its corporate headquarters to Oaks, Pennsylvania. The new campus consists of five buildings situated on approximately 90 acres. The buildings and the land are owned and operated by the Company and cover approximately 225,000 square feet. The Company's data center and warehouse facility are housed in an additional 86,000 square feet of leased space in Wayne, Pennsylvania. The Company also leases an additional 55,000 square feet of space in Wayne for its mutual funds operation. The Company has sales support offices in Chicago, Illinois (67,000 square feet) and Dallas, Texas (9,000 square feet). All other offices leased by the Company aggregate 40,000 square feet. The Company owns a New York City condominium (3,400 square feet) used for business purposes.

Item 3. Legal Proceedings.

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There are no legal proceedings to which the Company is a party or to which any of its properties is subject which are expected to have a material adverse effect on the business of the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

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There were no matters submitted to a vote of security holders during the fourth quarter of 1996.

Information with regard to the executive officers of the Company is contained in Item 10 hereof and is incorporated by reference to this Part I.

PART II

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Item 5. Market for the Registrant's Securities and Related Stockholder Matters.

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Price Range of Common Stock:

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The Company's common stock is traded in the NASDAQ National Market System under the symbol SEIC. The following table shows the range of closing sales prices on the NASDAQ National Market System for the periods indicated.

1996	High	Low
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First Quarter	24 1/2	21 1/4
Second Quarter	26 3/8	21 1/8
Third Quarter	24 1/2	17 3/4
Fourth Quarter	23 1/2	20

1995	High	Low
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First Quarter	20 1/4	16 3/4
Second Quarter	23 7/8	17 1/4
Third Quarter	24 1/2	20 1/8
Fourth Quarter	23 3/4	19 3/4

As of December 31, 1996, there were approximately 1,100 shareholders of record. The Board of Directors declared a \$.12 dividend in May and December of 1996, and a \$.10 dividend in May and December of 1995. The Board of Directors has indicated its intention to pay future dividends on a semiannual basis.

Item 6. Selected Financial Data.

(In thousands, except per share data)

The following table summarizes selected financial data for the five years in the period ended December 31, 1996. The historical selected financial data for the Company for each of the five years in the period ended December 31 are derived from, and are qualified by reference to, the financial statements of the Company which are included with Item 8 in this report. Such financial statements have been audited by Arthur Andersen LLP, independent public accountants, to the extent indicated in their report. This data should be read in conjunction with the Company's financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this report.

	For the Year	1996	1995(A)	1994(A)	1993(A)	1992(A)(B)
Revenues.....		\$247,817	\$225,964	\$205,051	\$185,064	\$158,025
Expenses:						
Operating and development.....		129,776	115,366	110,504	108,743	96,378
Sales and marketing.....		68,719	58,892	48,561	39,521	37,874
General and administrative.....		13,235	16,963	16,919	16,865	17,285
Income from continuing operations before interest and income taxes.....		36,087	34,743	29,067	19,935	6,488
Gain on sale of investments available for sale.....		(1,097)	--	--	--	--
Interest income, net.....		(760)	(764)	(374)	(315)	(472)
Income from continuing operations before income taxes.....		37,944	35,507	29,441	20,250	6,960
Income taxes.....		14,798	14,381	11,188	7,493	2,506
Income from continuing operations.....		23,146	21,126	18,253	12,757	4,454
Income (loss) from discontinued operations.....		--	(1,942)	997	3,382	6,877
Loss on disposal of discontinued operations.....		(16,335)	--	--	--	--
Gain on sale of discontinued operation.....		--	--	--	--	1,597
Net income.....		\$6,811	\$19,184	\$19,250	\$16,139	\$12,928
Earnings per share from continuing operations (C)...		\$1.20	\$1.09	\$ .91	\$ .62	\$ .20
Earnings (loss) per share from discontinued operations (C).....		(.85)	(.10)	.05	.16	.39
Earnings per share (primary and fully diluted) (C)..		\$ .35	\$ .99	\$ .96	\$ .78	\$ .59
Shares used to calculate earnings per share (C).....		19,348	19,445	20,027	20,733	21,940
Cash dividends declared per common share (C).....		\$.24	\$.20	\$.16	\$.12	\$.075
Year-end Financial Position						
Property and equipment, net.....		\$ 48,620	\$ 24,299	\$25,338	\$22,279	\$19,033
Total assets.....		\$ 141,041	\$ 101,347	\$91,148	\$88,229	\$79,402
Short-term borrowings.....		\$ 20,000	\$ --	\$ --	\$ --	\$ --
Shareholders' equity.....		\$ 56,108	\$ 56,002	\$51,309	\$51,541	\$49,376

(A) Information for 1995, 1994, 1993, and 1992 has been reported to reflect the SEI Capital Resources Division and the SEI Defined Contribution Retirement Services Division as discontinued operations. See Note 2 of the Notes to Consolidated Financial Statements.

(B) Information for 1992 has been reported to reflect Reality Technologies, Ltd. as a discontinued operation.

(C) All share and per share information for 1992 has been reported to reflect the two-for-one stock split in 1993.

Item 7. Management's Discussion and Analysis of Financial Condition and Results  
of Operations.

(In thousands, except per share data)

The Company is organized around its two core product lines: Investment Technology and Services and Asset Management. Financial information on each of these segments is reflected in Note 12 of the Notes to Consolidated Financial Statements.

Results of Operations

1996 Compared with 1995

The Company's results of operations for the year ended December 31, 1996 included revenues from continuing operations of \$247,817, compared to \$225,964 reported in the same period of 1995, an increase of approximately 10 percent over the prior period. Income from continuing operations for 1996 was \$23,146 or \$1.20 per share, compared to \$21,126 or \$1.09 per share reported in 1995. Earnings per share from continuing operations for 1996 increased 10 percent over the prior year. At December 31, 1996, the Company recorded a charge for the expected loss on disposal of discontinued operations of \$16,335 or \$.85 per share (See Note 2 of the Notes to Consolidated Financial Statements). Total fund balances at December 31, 1996 were \$85.2 billion compared to \$61.2 billion at December 31, 1995, an increase of 39 percent. Included in these totals are proprietary fund balances of \$61.4 billion at December 31, 1996 and \$41.7 billion at December 31, 1995, an increase of 47 percent. The Company continued to make substantial investments in the sales and marketing of its core asset management business, along with significant investments to expand its asset management business internationally. Additionally, the Company continued to invest in trust technology, primarily through the development of its open architecture project.

Investment Technology and Services

Revenues from the Investment Technology and Services segment for the year ended December 31, 1996 and 1995 were \$171,034 and \$157,960, respectively.

	INVESTMENT TECHNOLOGY AND SERVICES REVENUES			
	1996	1995	DOLLAR CHANGE	PERCENT CHANGE
	----	----	-----	-----
Trust systems and services	\$113,071	\$110,886	\$ 2,185	2%
Proprietary fund services	57,963	47,074	10,889	23%
	-----	-----	-----	
Total	\$171,034	\$157,960	\$13,074	8%
	=====	=====	=====	

The 8 percent increase in this segment's revenues was due primarily to growth in the proprietary mutual fund business. Proprietary fund services revenue increased 23 percent over the prior period due to an increase in average proprietary fund balances during the past year despite the loss of two proprietary fund complexes in the first quarter of 1996. Proprietary fund services revenues are derived from the administrative fees which the Company earns based on a fixed percentage of the average daily net asset value of the proprietary funds. Average proprietary fund balances increased \$16.1 billion or 47 percent from \$34.3 billion during 1995 to \$50.4 billion during 1996. This increase in proprietary fund balances was the result of growth in existing fund complexes and the commencement of several new fund complexes during the past year. Recent changes in legislation regarding bank common trust funds now permit the transfer of common trust assets into proprietary mutual funds on a tax-free basis. This change in legislation should have a positive impact on the Company's proprietary fund services business in future years. Trust systems and services revenue increased 2 percent over the prior year primarily due to a \$5.6 million one-time contractual obligation received from a client that terminated its relationship with the Company in the first quarter of 1996. This one-time fee more than offset a decline in trust processing fees. Revenues should continue to expand in 1997 due to continued growth in fund balances from proprietary funds, as well as from gains in sales momentum relating to the Company's total back-office outsourcing solution. However, increases in future revenues could be adversely affected by the loss of bank clients as a result of continued mergers among banks.

INVESTMENT TECHNOLOGY AND SERVICES EXPENSES  
-----

	1996 ----	1995 ----	DOLLAR CHANGE -----	PERCENT CHANGE -----
Operating and development	\$93,451	\$82,529	\$10,922	13%
Sales and marketing	\$31,372	\$30,255	\$ 1,117	4%

The 13 percent increase in operating and development expense was primarily attributable to increases in consulting and outsourcing, in addition to direct expense associated with the growth in proprietary fund balances. The increase in consulting and outsourcing expense reflects the Company's significant investment in trust technology, mainly enhancements to its trust technology through its open architecture project. Additionally, significant investments were made by the Company to enhance its back-office outsourcing solution. The 4 percent increase in sales and marketing expense was due to an increase in personnel and promotion expenses. Operating profit from Investment Technology and Services for the year ended December 31, 1996 was \$46,211, an increase of 2 percent from the \$45,176 for the corresponding period of 1995. Operating margins for this segment decreased to 27 percent in 1996 compared to 29 percent in 1995. In addition to the items previously discussed, the decline in operating margins is attributable to the Company experiencing higher growth in its lower margin products.

Asset Management  
-----

Revenues from the Asset Management segment for the year ended December 31, 1996 and 1995 were \$76,783 and \$68,004, respectively.

ASSET MANAGEMENT REVENUES  
-----

	1996 ----	1995 ----	DOLLAR CHANGE -----	PERCENT CHANGE -----
Liquidity services	\$20,727	\$21,944	\$(1,217)	(6%)
Mutual fund services	25,711	18,677	7,034	38%
Asset management services	14,118	14,476	(358)	(2%)
Brokerage and consulting services	16,227	12,907	3,320	26%
	-----	-----	-----	
Total	\$76,783 =====	\$68,004 =====	\$ 8,779 =====	13%

Revenues from this segment increased 13 percent due to an increase in the Company's mutual fund business. Liquidity services revenue decreased 6 percent as a result of clients transferring assets from higher-fee liquidity products to lower-fee liquidity products, even though average fund balances increased in 1996. Mutual fund services revenue increased 38 percent due to an increase in average fund balances from the Company's Family of Funds over the past year. This increase was the result of increased sales of the Company's Family of Funds to high-net-worth individuals through various registered investment advisors. The 2 percent decrease in asset management services revenue is due to a decrease in fund balances associated with the Company's International Collective Trust. The 26 percent increase in brokerage and consulting services revenue is due primarily to an internal reassignment of bank-related brokerage services.

ASSET MANAGEMENT EXPENSES

	1996	1995	DOLLAR CHANGE	PERCENT CHANGE
	----	----	-----	-----
Operating and development	\$36,325	\$32,837	\$3,488	11%
Sales and marketing	\$37,347	\$28,637	\$8,710	30%

The 11 percent increase in operating and development expense was due primarily to an increase in direct expenses associated with the increase in brokerage and consulting services revenue. The 30 percent increase in sales and marketing expense was primarily attributable to increases in personnel, travel, and promotion expenses to strengthen the Company's core asset management business. Additionally, the Company made significant investments in 1996 to establish its distribution channels in non-U.S. markets. The Asset Management segment recorded an operating profit of \$3,111 in 1996, compared to \$6,530 in 1995. The lower operating profit represents the Company's continued commitment to establishing itself as a significant participant in the domestic and international asset management marketplace. The Asset Management segment is expected to show improved operating results in 1997 as a result of growth in its core asset management business and continued growth in its mutual fund services business.

Other Income and Expenses

General and administrative expenses for the year ended December 31, 1996 and 1995 were \$13,235 and \$16,963, respectively. General and administrative expenses declined 22 percent primarily due to decreases in personnel expenses in corporate overhead areas, in addition to a shift of certain costs to the individual business segments in 1996.

Gain on sale of investments available for sale for the year ended December 31, 1996 was \$1,097. The realized gain is a result of the Company's disposition of all of its investments classified as Investments available for sale at an amount greater than original cost (See Note 6 of the Notes to Consolidated Financial Statements).

Net interest income for the year ended December 31, 1996 and 1995 was \$760 and \$764, respectively. Borrowings under the short-term line of credit were primarily used to finance the construction of the Company's new corporate campus. Therefore, the majority of interest expense related to the borrowings under the short-term line of credit has been capitalized and is reflected in Buildings (See Note 1 of the Notes to Consolidated Financial Statements).

The Company's effective tax rate from continuing operations was 39.0 percent for 1996 and 40.5 percent for 1995. The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (See Note 1 of the Notes to Consolidated Financial Statements).

1995 Compared with 1994

The Company's results of operations for the year ended December 31, 1995 included revenues from continuing operations of \$225,964, compared to \$205,051 reported in the same period of 1994, an increase of over 10 percent from the prior period. Income from continuing operations for 1995 was \$21,126 or \$1.09 per share, compared to \$18,253 or \$0.91 per share reported in 1994. Earnings per share from continuing operations for 1995 increased 20 percent over the prior year. Total fund balances at December 31, 1995 were \$61.2 billion compared to \$46.3 billion at December 31, 1994, an increase of 32 percent. Included in these totals are proprietary fund balances of \$41.7 billion at December 31, 1995 and \$25.8 billion at December 31, 1994, an increase of 62 percent.

Investment Technology and Services

Revenues from the Investment Technology and Services segment for the year ended December 31, 1995 and 1994 were \$157,960 and \$136,498, respectively.

	INVESTMENT TECHNOLOGY AND SERVICES REVENUES			
	1995	1994	DOLLAR CHANGE	PERCENT CHANGE
	----	----	-----	-----
Trust systems and services	\$110,886	\$104,180	\$ 6,706	6%
Proprietary fund services	47,074	32,318	14,756	46%
	-----	-----	-----	-----
Total	\$157,960	\$136,498	\$21,462	16%
	=====	=====	=====	

The 16 percent increase in this segment's revenues was due primarily to growth in the proprietary mutual fund business. Proprietary fund services revenue increased 46 percent from the prior-year period due to an increase in average proprietary fund balances over the past year. Proprietary fund services revenues are derived from the administrative fees which the Company earns based on a fixed percentage of the average daily net asset value of the proprietary funds. Average proprietary fund balances increased \$12.8 billion or 60 percent from \$21.5 billion during 1994 to \$34.3 billion during 1995. This increase in proprietary fund balances was the result of growth in existing fund complexes and the commencement of new fund complexes during the past year. Trust systems and services revenue increased 6 percent from the prior year primarily due to an increase in one-time implementation fees. The increase in implementation fees was the result of mergers among various bank clients.



INVESTMENT TECHNOLOGY AND SERVICES EXPENSES

	1995	1994	DOLLAR CHANGE	PERCENT CHANGE
	----	----	-----	-----
Operating and development	\$82,529	\$76,236	\$6,293	8%
Sales and marketing	\$30,255	\$23,737	\$6,518	27%

The 8 percent increase in operating and development expense was primarily attributable to increases in consulting and outsourcing, in addition to direct expense associated with the growth in proprietary fund balances. The increase in consulting and outsourcing expense reflects the Company's investment in trust technology and its internal infrastructure. The 27 percent increase in sales and marketing expense was primarily attributable to an increase in personnel and consulting expense. The increase in consulting expense relates primarily to the increase in one-time trust services revenue. Operating profit from Investment Technology and Services for the year ended December 31, 1995 was \$45,176, an increase of 24 percent from the \$36,525 for the corresponding period of 1994. Operating margins for this segment increased to 29 percent in 1995 compared to 27 percent in 1994.

Asset Management

Revenues from the Asset Management segment for the year ended December 31, 1995 and 1994 were \$68,004 and \$68,553, respectively.

ASSET MANAGEMENT REVENUES

	1995	1994	DOLLAR CHANGE	PERCENT CHANGE
	----	----	-----	-----
Liquidity services	\$21,944	\$21,380	\$ 564	3%
Mutual fund services	18,677	20,011	(1,334)	(7%)
Asset management services	14,476	16,336	(1,860)	(11%)
Brokerage and consulting services	12,907	10,826	2,081	19%
	-----	-----	-----	
Total	\$68,004	\$68,553	\$(549)	(1%)
	=====	=====	=====	

Revenues from this segment decreased slightly due to declines in this segment's mutual fund and asset management businesses. The 7 percent decline in mutual fund services was due primarily to a decrease in fund balances from the Company's Family of Funds and a shift from higher-fee to lower-fee products within these funds. The decline in fund balances was a result of two banks transferring their mutual fund balances to proprietary funds. The 11 percent decline in asset management services is primarily due to a decrease in fees from the International Equity Fund.

ASSET MANAGEMENT EXPENSES

	1995	1994	DOLLAR CHANGE	PERCENT CHANGE
	----	----	-----	-----
Operating and development	\$32,837	\$34,268	\$(1,431)	(4%)
Sales and marketing	\$28,637	\$24,824	\$ 3,813	15%

The 4 percent decrease in operating and development expense was due primarily to a decrease in personnel expense. The 15 percent increase in sales and marketing expense was due primarily to increases in promotion, travel, and personnel expenses. The Asset Management segment recorded an operating profit of \$6,530 in 1995, compared to \$9,461 in 1994. The lower operating profit in this segment was primarily attributable to investments the Company has made in its asset management business, along with declining fund balances and lower revenues from the International Equity Fund and the Company's Family of Funds.

Other Income and Expenses

General and administrative expenses for the year ended December 31, 1995 and 1994 were \$16,963 and \$16,919, respectively. General and administrative expenses remained relatively flat from 1994.

Net interest income for the year ended December 31, 1995 and 1994 was \$764 and \$374, respectively. The increase in interest income is due primarily to an increase in the average cash balance invested in 1995 compared to 1994, in addition to dividend income generated from the Company's investments available for sale.

The Company's effective tax rate from continuing operations was 40.5 percent for 1995 and 38.0 percent for 1994. The increase in the effective tax rate was due to losses incurred from the Company's foreign subsidiaries in 1995 for which no tax benefit was received. The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (See Note 1 of the Notes to Consolidated Financial Statements).

Liquidity and Capital Resources

The Company's ability to generate adequate cash to meet its needs results primarily from cash flow from operations and its capacity for additional borrowing. The Company has a line of credit agreement which provides for borrowings of up to \$50,000 (See Note 7 of the Notes to Consolidated Financial Statements). At December 31, 1996, the Company's unused sources of liquidity consisted primarily of cash and cash equivalents of \$13,167, of which \$3,400 is segregated for use by the Company's Swiss subsidiary, and the unused portion of the line of credit of \$30,000. The availability of the line of credit is subject to the Company's compliance with certain covenants set forth in the agreement. In January 1997, the Company borrowed an additional \$10,000 under its line of credit which was used for general corporate purposes. On February 24, 1997, the Company issued \$35,000 of medium-term notes (See Note 7 of the Notes to Consolidated Financial Statements). The proceeds were used to repay the outstanding balance on its line of credit which amounted to \$30,000.

Cash flow generated from operations was \$33,285, \$24,352, and \$36,681, in 1996, 1995, and 1994, respectively. The increase in operating cash flow is primarily due to an increase in accounts receivable collections in 1996, along with the deferral of income taxes due to the increase in capitalized software development costs currently deductible for tax purposes.

Capital expenditures, including capitalized software development costs, for 1996, 1995, and 1994 were \$43,728, \$11,610, and \$14,784, respectively. The increase in capital expenditures is primarily the result of expenditures made by the Company for its new corporate campus, along with an increase in capitalized software development costs. The corporate campus was completed in late 1996 and all employees scheduled to relocate have been moved to the new headquarters. The increase in capitalized software development costs relates to the Company's investment in its trust technology, mainly its open architecture project. Capitalized software development costs relating to this project is expected to continue in 1997. In 1996, the Company received \$6,536 from the sale of its investments classified as Investments available for sale (See Note 6 of the Notes to Consolidated Financial Statements). In addition, the Company acquired 533,000 shares of common stock at a cost of \$9.8 million pursuant to an open market stock purchase authorization of \$175.7 million made by the Board of Directors. As of February 7, 1997, the Company has purchased approximately 13.2 million shares of its common stock at a cost of \$165.5 million since the inception of the stock buyback program.

The Company's operating cash flow, borrowing capacity, and liquidity should provide adequate funds for continuing operations, continued investment in new products and equipment, its common stock repurchase program, and the repayment of its long-term debt.

Item 8. Financial Statements and Supplementary Data.  
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Index to Financial Statements:

Report of Independent Public Accountants  
Consolidated Balance Sheets -- December 31, 1996 and 1995  
Consolidated Statements of Operations -- For the years ended  
December 31, 1996, 1995, and 1994  
Consolidated Statements of Shareholders' Equity -- For the years ended  
December 31, 1996, 1995, and 1994  
Consolidated Statements of Cash Flows -- For the years ended  
December 31, 1996, 1995, and 1994  
Notes to Consolidated Financial Statements  
Schedule II -- Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To SEI Investments Company:

We have audited the accompanying consolidated balance sheets of SEI Investments Company (formerly SEI Corporation)(a Pennsylvania corporation) and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1996. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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 and schedule 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 financial position of SEI Investments Company and subsidiaries as of December 31, 1996 and 1995, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1996 in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the Index to Financial Statements is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Philadelphia, Pa.

February 7, 1997 (Except with respect to the matter discussed in Note 7, as to which the date is February 24, 1997)

Consolidated Balance Sheets  
(In thousands)

SEI Investments Company  
and Subsidiaries

	December 31,	1996	1995
-----			
Assets	Current Assets:		
	Cash and cash equivalents.....	\$13,167	\$10,256
	Receivables from regulated investment companies.....	10,836	8,757
	Receivables, net of allowance for doubtful accounts of \$1,350 and \$1,206.....	19,558	22,436
	Loans receivable available for sale.....	13,043	5,152
	Deferred income taxes.....	4,527	2,584
	Prepaid expenses.....	3,825	4,890
		-----	-----
	Total Current Assets.....	64,956	54,075
		-----	-----
	Net Assets of Discontinued Operations.....	--	6,046
		-----	-----
	Investments Available for Sale.....	--	6,205
		-----	-----
	Property and Equipment, net of accumulated depreciation and amortization of \$48,128 and \$61,513.....	48,620	24,299
		-----	-----
	Capitalized Software, net of accumulated amortization of \$5,193 and \$3,746.....	13,577	4,356
		-----	-----
	Customer Lists, net.....	2,000	--
		-----	-----
	Other Assets, net.....	11,888	6,366
		-----	-----
		\$141,041	\$101,347
		-----	-----

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets  
(In thousands, except par value)

SEI Investments Company  
and Subsidiaries

	December 31,	1996	1995
<hr/>			
Liabilities and Shareholders' Equity	Current Liabilities:		
	Short-term borrowings.....	\$20,000	\$ --
	Accounts payable.....	5,863	6,252
	Accrued compensation.....	14,503	13,724
	Accrued disposal costs.....	7,417	--
	Accrued proprietary fund services.....	6,748	2,683
	Other accrued liabilities.....	20,303	16,432
	Deferred revenue.....	5,123	5,795
		-----	-----
	Total Current Liabilities.....	79,957	44,886
		-----	-----
	Deferred Income Taxes.....	4,976	459
		-----	-----
Commitments and Contingencies			
Shareholders' Equity:			
	Series Preferred stock, \$.05 par value, 60 shares authorized; no shares issued and outstanding.....	--	--
	Common stock, \$.01 par value, 100,000 shares authorized; 18,498 and 18,425 shares issued and outstanding.....	185	184
	Capital in excess of par value.....	54,959	48,207
	Retained earnings.....	1,141	7,167
	Cumulative translation adjustments.....	(177)	(58)
	Unrealized holding gain on investments.....	--	502
		-----	-----
	Total Shareholders' Equity.....	56,108	56,002
		-----	-----
		\$141,041	\$101,347
<hr/>			

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operations  
(In thousands, except per share data)

SEI Investments Company  
and Subsidiaries

	Year Ended December 31,	1996	1995	1994
Revenues.....		\$247,817	\$225,964	\$205,051
Expenses:				
Operating and development.....		129,776	115,366	110,504
Sales and marketing.....		68,719	58,892	48,561
General and administrative.....		13,235	16,963	16,919
Income from continuing operations before interest and income taxes.....		36,087	34,743	29,067
Gain on sale of investments available for sale.....		(1,097)	--	--
Interest income, net.....		(760)	(764)	(374)
Income from continuing operations before income taxes.....		37,944	35,507	29,441
Income taxes.....		14,798	14,381	11,188
Income from continuing operations.....		23,146	21,126	18,253
Income (loss) from discontinued operations, net of income tax expense (benefit) of \$(1,295) and \$1,119.....		--	(1,942)	997
Loss on disposal of discontinued operations, net of income tax benefit of \$(5,139).....		(16,335)	--	--
Net income.....		\$6,811	\$19,184	\$19,250
Earnings per common and common equivalent share:				
Earnings per share from continuing operations.....		\$1.20	\$1.09	\$.91
Earnings (loss) per share from discontinued operations.....		(.85)	(.10)	.05
Earnings per share (primary and fully diluted).....		\$.35	\$.99	\$.96

The accompanying notes are an integral part of these statements.



Consolidated Statements of Shareholders' Equity  
(In thousands)

SEI Investments Company  
and Subsidiaries

	Common Stock		Capital	Retained	Cumulative	Unrealized	Total
	Shares	Amount	In Excess of	Earnings	Translation	Holding Gain	Shareholders'
			Par Value		Adjustments	on Investments	Equity
Balance, December 31, 1993.....	19,171	\$192	\$47,256	\$4,240	\$(147)	\$ --	\$51,541
Net income.....	--	--	--	19,250	--	--	19,250
Purchase and retirement of common stock.....	(1,280)	(13)	(11,503)	(16,665)	--	--	(28,181)
Issuance of common stock under the employee stock purchase plan.....	60	1	1,084	--	--	--	1,085
Issuance of common stock upon exercise of stock options.....	830	8	6,075	--	--	--	6,083
Tax benefit on stock options exercised....	--	--	4,494	--	--	--	4,494
Cash dividends.....	--	--	--	(3,002)	--	--	(3,002)
Currency translation adjustments.....	--	--	--	--	39	--	39
Balance, December 31, 1994.....	18,781	188	47,406	3,823	(108)	--	51,309
Net income.....	--	--	--	19,184	--	--	19,184
Purchase and retirement of common stock.....	(880)	(9)	(6,264)	(12,105)	--	--	(18,378)
Issuance of common stock under the employee stock purchase plan.....	60	--	1,008	--	--	--	1,008
Issuance of common stock upon exercise of stock options.....	464	5	4,364	--	--	--	4,369
Tax benefit on stock options exercised....	--	--	1,693	--	--	--	1,693
Cash dividends.....	--	--	--	(3,735)	--	--	(3,735)
Currency translation adjustments.....	--	--	--	--	50	--	50
Unrealized holding gain on investments.....	--	--	--	--	--	502	502
Balance, December 31, 1995.....	18,425	\$184	\$48,207	\$7,167	\$(58)	\$502	\$56,002

The accompanying notes are an integral part of these statements.

Consolidated Statements of Shareholders' Equity  
(In thousands)

SEI Investments Company  
and Subsidiaries

	Common Stock		Capital	Retained	Cumulative	Unrealized	Total
	Shares	Amount	In Excess of	Earnings	Translation	Holding Gain	Shareholders'
			Par Value		Adjustments	on Investments	Equity
Balance, December 31, 1995.....	18,425	\$184	\$48,207	\$7,167	\$(58)	\$502	\$56,002
Net income.....	--	--	--	6,811	--	--	6,811
Purchase and retirement of common stock.....	(533)	(5)	(1,396)	(8,369)	--	--	(9,770)
Issuance of common stock under the employee stock purchase plan.....	52	--	976	--	--	--	976
Issuance of common stock upon exercise of stock options.....	554	6	4,434	--	--	--	4,440
Tax benefit on stock options exercised....	--	--	2,738	--	--	--	2,738
Cash dividends.....	--	--	--	(4,468)	--	--	(4,468)
Currency translation adjustments.....	--	--	--	--	(119)	--	(119)
Realized gain on investments.....	--	--	--	--	--	(502)	(502)
Balance, December 31, 1996.....	18,498	\$185	\$54,959	\$1,141	\$(177)	\$ --	\$56,108

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows  
(In thousands)

SEI Investments Company  
and Subsidiaries

	Year Ended December 31,	1996	1995	1994
Cash flows from operating activities:				
Net income.....		\$6,811	\$19,184	\$19,250
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization.....		10,039	11,574	12,126
Provision for losses on receivables.....		144	--	235
Deferred income tax expense (benefit).....		3,821	(672)	(2,799)
Discontinued operations.....		6,046	3,055	147
Tax benefit on stock options exercised.....		2,738	1,693	4,494
Gain on sale of investments available for sale.....		(1,097)	--	--
Other.....		(3,739)	(673)	411
Change in current assets and liabilities:				
Decrease (increase) in				
Receivables from regulated investment companies.....		(2,079)	(2,471)	(351)
Receivables.....		2,734	(5,168)	(1,710)
Loans receivable available for sale.....		(7,891)	(5,152)	--
Prepaid expenses.....		1,065	(2,539)	(74)
Increase (decrease) in				
Accounts payable.....		(389)	1,821	(418)
Accrued compensation.....		779	(397)	407
Accrued disposal costs.....		7,417	--	--
Accrued proprietary fund services.....		4,065	1,383	566
Other accrued liabilities.....		3,493	1,186	3,217
Deferred revenue.....		(672)	1,528	1,180
Total adjustments.....		26,474	5,168	17,431
Net cash provided by operating activities.....		\$33,285	\$24,352	\$36,681

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows  
(In thousands)

SEI Investments Company  
and Subsidiaries

	Year Ended December 31,	1996	1995	1994
Cash flows from investing activities:				
Proceeds from sale (purchase) of investments available for sale.....		\$6,536	\$(5,361)	\$ --
Additions to property and equipment.....		(33,060)	(8,611)	(13,732)
Additions to capitalized software.....		(10,668)	(2,999)	(1,052)
Proceeds from sale of asset.....		--	--	4,200
Purchase of subsidiary.....		(2,000)	--	--
Other.....		(2,738)	(961)	(100)
		-----	-----	-----
Net cash used in investing activities.....		(41,930)	(17,932)	(10,684)
Cash flows from financing activities:				
Proceeds from short-term borrowings.....		20,000	--	--
Purchase and retirement of common stock.....		(9,770)	(18,378)	(28,181)
Proceeds from issuance of common stock.....		5,416	5,377	7,168
Payment of dividends.....		(4,090)	(3,395)	(2,650)
		-----	-----	-----
Net cash provided by (used in) financing activities.....		11,556	(16,396)	(23,663)
		-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....		2,911	(9,976)	2,334
Cash and cash equivalents, beginning of year.....		10,256	20,232	17,898
		-----	-----	-----
Cash and cash equivalents, end of year.....		\$13,167	\$10,256	\$20,232

The accompanying notes are an integral part of these statements.

## Note 1 - Summary of Significant Accounting Policies:

Nature of Operations - SEI Investments Company (the "Company"), formerly SEI Corporation, is organized around its two core product lines: Investment Technology and Services and Asset Management. The Investment Technology and Services segment provides trust accounting and management information services through the Company's 3000 product line, administration and distribution services to proprietary mutual funds, and back-office trust processing. The principal market for these products and services are trust departments of banks located in the United States. The Asset Management segment provides investment solutions through various investment products including the Company's Family of Funds, liquidity funds and services, and brokerage and consulting services. Principal markets for these products and services include trust departments of banks, investment advisors, corporations, high-net-worth individuals, and money managers located in the United States and Canada. Based on 1996 revenues, the Investment Technology and Services segment accounted for 69 percent of the Company's consolidated revenues and the Asset Management segment accounted for 31 percent of the Company's consolidated revenues.

Principles of Consolidation - The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. The Company's principal subsidiaries are SEI Financial Services Company ("SFS"), SEI Financial Management Corporation ("SFM"), and SEI Trust Company. All intercompany accounts and transactions have been eliminated.

Cash and Cash Equivalents - At December 31, 1996 and 1995, Cash and cash equivalents included \$11,783,000 and \$10,196,000, respectively, primarily invested in SEI Tax Exempt Trust, one of several mutual funds sponsored by SFM. Interest and dividend income for 1996, 1995, and 1994 was \$808,000, \$1,019,000, and \$405,000, respectively (See Note 13).

Property and Equipment - Property and Equipment on the accompanying Consolidated Balance Sheets consist of the following:

	1996	1995	Estimated Useful Lives (In Years)
Equipment.....	\$40,390,000	\$43,469,000	3
Buildings.....	25,907,000	2,856,000	25 to 39
Land.....	6,730,000	4,065,000	N/A
Purchased software.....	9,397,000	7,220,000	3
Furniture and fixtures.....	9,030,000	13,898,000	3 to 5
Leasehold improvements.....	5,294,000	9,814,000	Lease Term
Construction in progress.....	--	4,490,000	N/A
	96,748,000	85,812,000	
Less: Accumulated depreciation and amortization.....	(48,128,000)	(61,513,000)	
Property and Equipment, net.....	\$48,620,000	\$24,299,000	

Property and Equipment are stated at cost, which includes interest on funds borrowed to finance the construction of the Company's corporate campus. Depreciation and amortization are computed using the straight-line method over the estimated useful life of each asset. Expenditures for renewals and betterments are capitalized, while maintenance and repairs are charged to expense when incurred.

In late 1994, the Company purchased 90 acres of land for construction of the Company's new corporate campus. Construction was completed in late 1996 which coincided with the expiration of the Company's leases for corporate facilities. The relocation to the new corporate campus was completed as of December 31, 1996. All the costs associated with the design and construction of the corporate campus are included in Buildings. Land includes the initial purchase price and various land improvements which are not depreciable. Additionally, the Company purchased new office furniture for the corporate campus which is reflected in Furniture and Fixtures. Equipment, Furniture and Fixtures, Leasehold Improvements, and their corresponding accumulated depreciation and amortization amounts associated with the Company's old facilities, were written-off as of December 31, 1996. The net book value of these assets was immaterial.

Customer Lists - Customer Lists represent the value assigned to customer relationships obtained in various acquisitions (See Note 3). Customer Lists are amortized on a straight-line basis over 10 years. There was no amortization expense recorded in 1996. The Company evaluates the realizability of intangible assets based on estimates of undiscounted future cash flows over the remaining useful life of the asset. If the amount of such estimated undiscounted future cash flow is less than the net book value of the asset, the asset is written down to the amount of the estimated undiscounted cash flows. As of December 31, 1996, no such write-down was required.

Statements of Cash Flows - For purposes of the Consolidated Statements of Cash Flows, the Company considers investment instruments purchased with an original maturity of three months or less to be cash equivalents.

Supplemental disclosures of cash paid/received during the year is as follows:

	1996	1995	1994
	----	----	----
Interest paid.....	\$ 794,000	\$ 211,000	\$ --
Interest and dividends received.....	\$ 876,000	\$ 1,024,000	\$ 374,000
Income taxes paid (Federal and state).....	\$5,525,000	\$12,846,000	\$9,620,000

Revenue Recognition - Principal sources of revenues are information processing and software services, management and distribution of mutual funds, brokerage and consulting services, and other asset management products and services. Revenues from these services are recognized in the periods in which the services are performed. Cash received by the Company in advance of the performance of services is deferred and recognized as revenue when earned.

Income Taxes - The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). Under SFAS 109, the liability method is used for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the differences reverse (See Note 11).

Foreign Currency Translation - The assets and liabilities of foreign operations are translated into U.S. dollars using the rates of exchange at year end. The results of operations are translated into U.S. dollars at the average daily exchange rates for the period. All foreign currency transaction gains and losses are included in income in the periods in which they occur, and are immaterial for each of the three years ended December 31, 1996.

Capitalized Software - The Company accounts for software development costs in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed" ("SFAS 86"). Under SFAS 86, costs incurred to create a computer software product are charged to research and development expense as incurred until technological feasibility has been established. The Company establishes technological feasibility upon completion of a detailed program design. At that point, computer software costs are capitalized until the product is available for general release to customers. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized software development costs require considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues, estimated economic life, and changes in technology.

Amortization begins when the product is released. Capitalized software development costs are amortized on a product-by-product basis using the straight-line method over the estimated economic life of the product or enhancement, which is primarily three to five years.

Capitalized software development costs consist primarily of salary, consulting, and computer costs incurred to develop new products and enhancements to existing products. During 1996, 1995, and 1994, \$10,668,000, \$2,999,000, and \$1,052,000 of software development costs were capitalized, respectively. In 1994, \$1,954,000 (net of accumulated amortization of \$1,423,000) of capitalized software development costs were written off. This write-off was recorded in Income from discontinued operations on the accompanying Consolidated Statements of Operations for 1994 as it related to a certain activity of one of the discontinued operations. No capitalized software development costs were written off in 1996 and 1995. Amortization expense was \$1,447,000, \$1,522,000, and \$1,322,000 in 1996, 1995, and 1994, respectively, and is included in Operating and development expense on the accompanying Consolidated Statements of Operations.

Total research and development costs, including capitalized software, were \$26,254,000, \$16,744,000, and \$15,001,000 in 1996, 1995, and 1994, respectively.

Earnings Per Share - The Company utilizes the modified treasury stock method to compute earnings per share since common share equivalents at the end of the year exceeded 20 percent of the number of common shares outstanding. Earnings per common and common equivalent share (primary earnings per share) is computed using the weighted average number of common shares and common share equivalents (stock options) outstanding. Earnings per share, assuming full dilution (fully diluted earnings per share), is based upon an increased number of shares that would be outstanding assuming exercise of stock options when the Company's stock price at the end of the period is higher than the average price within the respective period. If the inclusion of common stock equivalents has an anti-dilutive effect in the aggregate, it is excluded from the earnings per share calculation. In 1996, 1995, and 1994, the weighted average shares outstanding for primary earnings per share were 19,348,000, 19,445,000, and 20,027,000, respectively. Shares used to calculate fully diluted earnings per share were not materially different from those used to calculate primary earnings per share.

Management's 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 of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - The financial statements for prior years have been reclassified to conform with current-year presentation.

Note 2 - Discontinued Operations:

In May 1995, the Company's Board of Directors approved a plan of disposal for the SEI Capital Resources Division ("CR") and the SEI Defined Contribution Retirement Services Division ("DC"). CR provided investment performance evaluation services, consulting services, and brokerage services to employee benefit plan sponsors and investment advisors in the United States. DC provided administrative and processing services, recordkeeping services, and employee retirement planning materials for use by defined contribution plans. In 1996, the Company completed the transfer of DC's full service recordkeeping operations to KPMG Peat Marwick.

CR and DC were being accounted for together as discontinued operations with a measurement date of May 31, 1995. The accompanying Consolidated Financial Statements reflect the operating results and balance sheet items of the discontinued operations separately from continuing operations. At the measurement date, the Company expected that the sale of CR would have resulted in a gain on the disposal of CR's assets which would have been sufficient to offset any losses incurred by DC. As a result, no provision for estimated losses was established for the period from the measurement date to the estimated disposal date. In the fourth quarter of 1996, based on current information, management of the Company concluded that any proceeds received from a possible sale of CR would not be sufficient to offset the remaining net assets of CR and DC. The Company, therefore, recorded a charge of \$16,335,000 (\$.85 per share), net of income tax benefit of \$5,139,000.

The charge of \$16,335,000 recorded in 1996 on the accompanying Consolidated Statements of Operations includes the operating losses incurred by CR and DC from June 1, 1995 to December 31, 1996, the complete write-off of CR and DC's non-recoverable assets, and a provision for the disposal of discontinued operations. The non-recoverable assets were comprised of goodwill, customer lists, equipment, and furniture and fixtures. The provision for the disposal of discontinued operations included accruals for future operating losses, future commitments relating to leased facilities, severance, and an additional reserve for doubtful accounts relating to CR's receivables. This provision is reflected in Accrued disposal costs on the accompanying Consolidated Balance Sheets. The Company expects to complete the sale of CR in the near future.

Income (loss) from discontinued operations on the accompanying Consolidated Statements of Operations were:

	Five Months Ended	Year Ended
	May 31, 1995	December 31, 1994
Revenues.....	\$17,674,000	\$58,714,000
Income (loss) before income taxes.....	\$(3,237,000)	\$ 2,116,000
Income tax expense (benefit).....	(1,295,000)	1,119,000
Income (loss).....	\$(1,942,000)	\$ 997,000



The assets and liabilities of CR and DC were reclassified on the accompanying Consolidated Balance Sheets at December 31, 1995 to separately identify them as net assets or net liabilities of discontinued operations. A summary of these net assets is as follows:

	1995
Current assets.....	\$7,709,000
Property and equipment, net.....	1,257,000
Other assets, net.....	5,581,000
Current liabilities.....	(11,835,000)
Deferred income taxes.....	(421,000)
Loss from discontinued operations for the period June 1, 1995 to December 31, 1995, net of income tax benefit of \$462,000.....	3,755,000
Net Assets of Discontinued Operations.....	\$6,046,000

Note 3 - Acquisitions:

On December 20, 1996, the Company acquired the capital stock of Latinvest Sociedad De Bolsa S.A. ("Latinvest") and Quadrum S.A. ("Quadrum"). Latinvest and Quadrum are affiliated investment advisory firms that provide investment services to Argentine investors. The total purchase price of \$3,700,000 consists of \$2,000,000 paid in cash at closing, \$500,000 paid in cash in January 1997, and up to an additional \$1,200,000 pursuant to a three year earn-out which is payable in cash and based upon Latinvest and Quadrum's ability to achieve certain asset balances, investment performance, and growth in revenues. This acquisition has been accounted for using the purchase method of accounting. The purchase price paid at closing of \$2,000,000 was allocated to the assets acquired and liabilities assumed based on their estimated fair values. The excess of the purchase price over the fair value of the net assets acquired was \$2,000,000 and has been reflected as Customer Lists on the accompanying Consolidated Balance Sheets. If this transaction had been consummated on January 1, 1995, the pro forma effect on the 1996 and 1995 Consolidated Statements of Operations would have been immaterial and therefore has been omitted.

Note 4 - Receivables:

Receivables on the accompanying Consolidated Balance Sheets consist of the following:

	1996	1995
Trade receivables.....	\$10,124,000	\$14,474,000
Fees earned, not received.....	3,511,000	2,866,000
Fees earned, not billed.....	7,273,000	6,302,000
	20,908,000	23,642,000
Less: Allowance for doubtful accounts.....	(1,350,000)	(1,206,000)
	\$19,558,000	\$22,436,000

Fees earned, not received represent brokerage commissions earned but not yet collected. Fees earned, not billed represent cash receivables earned but unbilled and result from timing differences between services provided and contractual billing schedules.

Receivables from regulated investment companies on the accompanying Consolidated Balance Sheets represent fees collected from the Company's wholly owned subsidiaries, SFS and SFM, for distribution, investment advisory, and administration services provided by these subsidiaries to various regulated investment companies.

Note 5 - Loans Receivable Available for Sale:

Loans receivable available for sale represent loans which were purchased through SEI Capital AG, which is based in Zurich. The Company intends to sell these loans within a year from the balance sheet date. These receivables are reported at the lower of cost or market, and any difference between the purchase price and the related loan principal amount is recognized as an adjustment of the yield over the life of the loan using the effective interest method. Each loan receivable involves various risks, including, but not limited to, country, interest rate, credit, and liquidity risk. Management evaluates and monitors these risks on a continuing basis to ensure that these loan receivables are recorded at their realizable value. This evaluation is based upon management's best estimates and the amounts the Company will ultimately realize could differ from these estimates.

Note 6 - Investments Available for Sale:

Investments available for sale consisted of mutual funds sponsored by the Company which were primarily invested in equity securities. The Company accounted for investments pursuant to Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). SFAS 115 requires that debt and equity securities classified as available for sale be reported at market value. Unrealized holding gains and losses on these investments are reported as a separate component of Shareholders' equity. Realized gains and losses are determined by the specific identification method and are reported separately on the accompanying Consolidated Statements of Operations.

At December 31, 1995, Investments available for sale had an aggregate cost of \$5,361,000 and an aggregate market value of \$6,205,000 with gross unrealized gains of \$844,000. At that date, the unrealized holding gains of \$502,000 (net of income taxes of \$342,000) were reported as a separate component of Shareholders' equity on the accompanying Consolidated Balance Sheets. There were no unrealized losses as of December 31, 1995.

In 1996, the Company disposed of all its investments classified as Investments available for sale on the accompanying Consolidated Balance Sheets. The aggregate cost of these investments prior to sale was \$5,439,000. Total proceeds from the disposition of these investments were \$6,536,000, resulting in a realized gain of \$1,097,000. This gain is reflected in Gain on sale of investments available for sale on the accompanying Consolidated Statements of Operations.

Note 7 - Debt:

The Company has a line of credit agreement (the "Agreement") with its principal lending institution which provides for borrowing of up to \$50,000,000. The Agreement ends on May 31, 1997, at which time the outstanding principal balance, if any, becomes due unless the Agreement is extended. Management believes the Agreement will be extended. The line of credit, when utilized, accrues interest at the Prime rate or three-tenths percent above the London Interbank Offered Rate. The Company is obligated to pay a commitment fee equal to one-tenth percent per annum on the average daily unused portion of the commitment. Certain covenants under the Agreement require the Company to maintain specified levels of net worth and places certain restrictions on investments.

The maximum month-end amount of debt outstanding for the years ended December 31, 1996 and 1995 was \$20,000,000 and \$11,000,000, respectively. The weighted average balance of debt outstanding was \$13,086,000 and \$3,206,000 during 1996 and 1995, respectively.

Interest expense was \$794,000 based on a weighted average interest rate of approximately 6.0 percent for the year ended December 31, 1996. Interest expense was \$211,000 based on a weighted average interest rate of approximately 6.6 percent for the year ended December 31, 1995. The Company had no outstanding debt during 1994.

On February 24, 1997, the Company signed a Note Purchase Agreement authorizing the issuance and sale of \$20,000,000 of 7.20% Senior Notes and \$15,000,000 of 7.27% Senior Notes (collectively, the "Notes") in a private offering with certain financial institutions. The Notes are unsecured with final maturities ranging from 10 to 15 years with an average life of 7 to 10 years. The proceeds from the Notes have been used to repay the outstanding balance on the Company's line of credit. The Note Purchase Agreement contains various covenants, including limitations on indebtedness, maintenance of minimum net worth levels, and restrictions on certain investments. In addition, the agreement limits the Company's ability to merge or consolidate, and to sell certain assets. None of these covenants negatively affect the Company's liquidity or capital resources. Interest and principal payments on the Notes will be made semi-annually beginning in August 1997.

Note 8 - Shareholders' Equity:

Stock-Based Compensation Plans - The Company has stock option plans under which non-qualified and incentive stock options for common stock are available for grant to officers, directors, and key employees. The options granted and the option prices are established by the Board of Directors in accordance with the terms of the plans. All options outstanding were granted at prices equal to the fair market value of the stock on the date of grant, vest over a four year period, and expire 10 years after the date of grant.

The Company accounts for its stock option plans in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees". Accordingly, no compensation expense has been recognized. In 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 establishes a fair value based method of accounting for stock-based compensation plans. SFAS 123 requires that an employer's financial statements include certain disclosures about stock-based employee compensation arrangements regardless of the method used to account for the plan. Had the Company recognized compensation cost for its stock option plans consistent with the provisions of SFAS 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts:

	1996	1995
-----		
Net Income:		
As Reported.....	\$6,811	\$19,184
Pro Forma.....	\$6,201	\$18,958
Earnings per Share:		
As Reported.....	\$.35	\$.99
Pro Forma.....	\$.32	\$.97
-----		

Because the SFAS 123 method of accounting has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

The weighted average fair value of the stock options granted during 1996 and 1995 was \$31.31 and \$31.75, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	1996	1995
Risk-free interest rate.....	6.70%	6.35%
Expected dividend yield.....	1.00%	1.00%
Expected life.....	7 Years	7 Years
Expected volatility.....	34.87%	35.31%

Certain information for 1996 and 1995 relative to stock options is summarized as follows:

Number of Shares	Employee Plan		Directors' Plan	
	1996	1995	1996	1995
Outstanding at beginning of year.....	4,007,000	4,422,000	120,000	108,000
Granted (A).....	353,000	197,000	12,000	12,000
Exercised (B).....	(554,000)	(464,000)	--	--
Expired or canceled (C).....	(82,000)	(148,000)	--	--
Outstanding at end of year (D).....	3,724,000	4,007,000	132,000	120,000
Exercisable at end of year (E).....	2,908,000	3,067,000	102,000	90,000
Participants at end of year.....	190	218	3	3
Available for future grant at end of year.....	65,000	336,000	250,000	262,000

(A) For options granted under the Employee Plan during 1996 and 1995, the weighted average exercise price was \$21.63 and \$22.84 per share, respectively. For options granted under the Directors' Plan during 1996 and 1995, the weighted average exercise price was \$22.25 and \$21.75 per share, respectively.

(B) For options exercised under the Employee Plan during 1996 and 1995, the weighted average exercise price was \$8.02 and \$9.42 per share, respectively.

(C) For options expired or canceled under the Employee Plan during 1996 and 1995, the weighted average exercise price was \$20.44 and \$18.03 per share, respectively.

(D) For outstanding shares under option for the Employee Plan at December 31, 1996, option prices ranged from \$7.00 to \$25.25, with a weighted average exercise price of \$14.86 per share. For outstanding shares under option for the Directors' Plan at December 31, 1996, option prices ranged from \$7.00 to \$26.25, with a weighted average exercise price of \$14.45 per share. For outstanding shares under option for the Employee Plan at December 31, 1995, option prices ranged from \$3.94 to \$25.25, with a weighted average exercise price of \$13.43 per share. For outstanding shares under option for the Directors' Plan at December 31, 1995, option prices ranged from \$7.00 to \$26.25, with a weighted average exercise price of \$13.68 per share. The expiration dates for options under the Employee Plan range from April 9, 1997 to December 17, 2006, with a weighted average remaining contractual life of 5.7 years. The expiration dates for options under the Directors' Plan range from December 14, 1997 to December 31, 2006, with a weighted average remaining contractual life of 5.1 years.

(E) For exercisable shares under option for the Employee Plan at December 31, 1996 and 1995, the weighted average exercise price was \$13.08 and \$11.37 per share, respectively. For exercisable shares under option for the Directors' Plan at December 31, 1996 and 1995, the weighted average exercise price was \$12.38 and \$11.33 per share, respectively.

Employee Stock Purchase Plan - The Company has an employee stock purchase plan that provides for offerings of common stock to eligible employees at a price equal to 85 percent of the fair market value of the stock at the end of the stock purchase period, as defined. The Company has reserved 800,000 shares for issuance under this plan. At December 31, 1996, 686,000 cumulative shares have been issued.

Common Stock Buyback - The Board of Directors has authorized the purchase of the Company's common stock on the open market or through private transactions of up to an aggregate of \$175,729,000. Through December 31, 1996, a total of 13,233,000 shares at an aggregate cost of \$165,502,000 have been purchased and retired. The Company purchased 533,000 shares at a cost of \$9,770,000 during 1996.

The Company immediately retires its common stock when purchased. Upon retirement, the Company reduces Capital in excess of par value for the average capital per share outstanding and the remainder is charged against Retained earnings. If the Company reduces its Retained earnings to zero, any subsequent purchases of common stock will be charged entirely to Capital in excess of par value.

Shareholders' Rights Plan - On December 19, 1988, the Company's Board of Directors declared a distribution of one right for each outstanding common share of the Company to shareholders of record at the close of business on January 4, 1989. In addition, any new common shares issued after January 4, 1989 will receive one right for each common share. Each right entitles shareholders to buy one-fourth of a share of Series A Junior Participating Preferred Stock at an exercise price of \$65 per share. The rights will not be exercisable until a person or group owns more than 40 percent of the Company's common stock, acquires 20 percent or more of the Company's common stock after December 19, 1988 (the "Stock Acquisition Date"), or a person or group begins a tender offer for 30 percent or more of the Company's common stock. The rights, which do not have voting rights, expire on December 19, 1998, and may be redeemed by the Company at a price of \$.01 per right at any time until 10 days following the Stock Acquisition Date. In the event that the Company is acquired in a merger or other business combination transaction, each holder of a right will have the right to receive, upon exercise, common shares of the acquiring company having a value equal to two times the exercise price of the right.

Dividends - On May 21, 1996, the Board of Directors declared a cash dividend of \$.12 per share on the Company's common stock, which was paid on June 28, 1996, to shareholders of record on June 12, 1996. On December 17, 1996, the Board of Directors declared a cash dividend of \$.12 per share on the Company's common stock, which was paid on January 21, 1997, to shareholders of record on December 31, 1996.

The dividends declared in 1996 and 1995 were \$4,468,000 and \$3,735,000, respectively. The Board of Directors has indicated its intention to pay future dividends on a semiannual basis.

#### Note 9 - Employee Benefit Plan:

The Company has a tax-qualified defined contribution plan (the "Plan"). The Plan provides retirement benefits, including provisions for early retirement and disability benefits, as well as a tax-deferred savings feature. After satisfying certain requirements, participants are vested in employer contributions at the time the contributions are made. All Company contributions are discretionary and are made from available profits. The Company contributed \$1,345,000, \$1,065,000, and \$1,084,000 to the Plan in 1996, 1995, and 1994, respectively.

Note 10 - Commitments and Contingencies:

The Company operates in leased facilities and also leases data processing equipment. Some of these leases contain escalation clauses for increased taxes and operating expenses. The Company's leases are accounted for as operating leases. Rent expense was \$17,527,000, \$16,570,000, and \$17,406,000 in 1996, 1995, and 1994, respectively.

Aggregate noncancellable minimum lease commitments at December 31, 1996 are:

-----	
1997.....	\$12,799,000
1998.....	7,832,000
1999.....	3,345,000
2000.....	2,214,000
2001.....	2,015,000
2002 and after.....	437,000
-----	
	\$28,642,000
-----	

The Company has future lease obligations relating to office facilities being used for its discontinued operations. The Company established a provision for future lease commitments relating to these facilities which is included in Loss on disposal of discontinued operations on the accompanying Consolidated Statements of Operations. The management of the Company believes this provision will be adequate to cover any future losses incurred relating to these facilities.

In the normal course of business, the Company is party to various claims and legal proceedings. Although the ultimate outcome of these matters is presently not determinable, management, after consultation with legal counsel, does not believe that the resolution of these matters will have a material adverse effect upon the Company's financial position or results of operations.

Note 11 - Income Taxes:

Income taxes from continuing operations consist of the following:

Year Ended December 31,	1996	1995	1994
-----			
Current			
Federal.....	\$10,491,000	\$13,476,000	\$12,506,000
State.....	486,000	1,577,000	1,481,000
	-----	-----	-----
	10,977,000	15,053,000	13,987,000
	-----	-----	-----
Deferred, including current deferred			
Federal.....	2,963,000	(682,000)	(2,133,000)
State.....	858,000	10,000	(666,000)
	-----	-----	-----
	3,821,000	(672,000)	(2,799,000)
	-----	-----	-----
Total income taxes from continuing operations.....	\$14,798,000	\$14,381,000	\$11,188,000
-----			

The effective income tax rate from continuing operations differs from the Federal income tax statutory rate due to the following:

Year Ended December 31,	1996	1995	1994
Statutory rate.....	35.0%	35.0%	35.0%
State taxes, net of Federal tax benefit.....	2.3	2.5	1.8
Other, net.....	1.7	3.0	1.2
	----	----	----
	39.0%	40.5%	38.0%

Deferred income taxes for 1996, 1995, and 1994 reflect the impact of "temporary differences" between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. Principal items comprising the deferred income tax provision from continuing operations are as follows:

Year Ended December 31,	1996	1995	1994
Difference in financial reporting and income tax depreciation methods.....	\$ 598,000	\$(555,000)	\$ (652,000)
Reserves not currently deductible.....	(28,000)	213,000	(300,000)
Capitalized software currently deductible for tax purposes, net of amortization and write-offs.....	3,461,000	512,000	(974,000)
State deferred income taxes.....	558,000	6,000	(433,000)
Revenue and expense recognized in different periods for financial reporting and income tax purposes.....	(724,000)	(657,000)	(354,000)
Other, net.....	(44,000)	(191,000)	(86,000)
	-----	-----	-----
	\$3,821,000	\$(672,000)	\$(2,799,000)

The net deferred income tax (liability) asset is comprised of the following:

Year Ended December 31,	1996	1995
Current deferred income taxes:		
Gross assets.....	\$4,689,000	\$3,331,000
Gross liabilities.....	(162,000)	(747,000)
	-----	-----
	4,527,000	2,584,000
Long-term deferred income taxes:		
Gross assets.....	1,108,000	1,741,000
Gross liabilities.....	(6,084,000)	(2,200,000)
	-----	-----
	(4,976,000)	(459,000)
Net deferred income tax (liability) asset.....	\$ (449,000)	\$2,125,000

The Company did not record any valuation allowance against deferred tax assets at December 31, 1996 and 1995.

The tax effect of significant temporary differences representing deferred tax (liabilities) assets is as follows:

Year Ended December 31,	1996	1995
Difference in financial reporting and income tax depreciation methods.....	\$ 846,000	\$1,161,000
Reserves not currently deductible.....	945,000	1,396,000
Capitalized software currently deductible for tax purposes, net of amortization and write-offs.....	(6,082,000)	(1,855,000)
State deferred income taxes.....	223,000	(158,000)
Revenue and expense recognized in different periods for financial reporting and income tax purposes.....	3,277,000	1,935,000
Unrealized holding gain on investments.....	303,000	(342,000)
Other, net.....	39,000	(12,000)
	\$ (449,000)	\$2,125,000

Note 12 - Segment Information:

The Company defines its business segments to reflect the Company's focus around two core product lines: Investment Technology and Services and Asset Management. The Investment Technology and Services segment consists of the Company's trust technology, proprietary mutual fund business, and back-office trust processing. The Asset Management segment consists of the Company's liquidity management, asset management, mutual fund, and brokerage and consulting businesses.

The following tables highlight certain financial information from continuing operations about each of the Company's segments for the years ended December 31, 1996, 1995, and 1994. Prior-year business segment information has been restated to conform with current-year presentation.

1996	Investment Technology and Services	Asset Management	General and Administrative	Consolidated
Revenues.....	\$171,034,000	\$76,783,000		\$247,817,000
Operating profit.....	\$ 46,211,000	\$ 3,111,000		\$ 49,322,000
General and administrative expenses.....			\$13,235,000	\$ 13,235,000
Gain on sale of investments available for sale.....				\$ (1,097,000)
Interest income, net.....				\$ (760,000)
Income from continuing operations before income taxes.....				\$ 37,944,000
Depreciation and amortization.....	\$ 7,509,000	\$ 2,328,000	\$ 202,000	\$ 10,039,000
Capital expenditures.....	\$ 23,061,000	\$ 5,979,000	\$ 4,020,000	\$ 33,060,000
Total identifiable assets at December 31, 1996.....	\$ 66,595,000	\$62,135,000	\$12,311,000	\$141,041,000



1995	Investment Technology and Services	Asset Management	General and Administrative	Consolidated
Revenues.....	\$157,960,000	\$68,004,000		\$225,964,000
Operating profit.....	\$ 45,176,000	\$ 6,530,000		\$ 51,706,000
General and administrative expenses.....			\$ 16,963,000	\$ 16,963,000
Interest income, net.....				\$ (764,000)
Income from continuing operations before income taxes.....				\$ 35,507,000
Depreciation and amortization.....	\$ 8,997,000	\$ 2,253,000	\$ 324,000	\$ 11,574,000
Capital expenditures.....	\$ 3,931,000	\$ 1,114,000	\$ 3,566,000	\$ 8,611,000
Total identifiable assets at December 31, 1995.....	\$ 44,847,000	\$43,170,000	\$ 7,284,000	\$ 95,301,000
1994	Investment Technology and Services	Asset Management	General and Administrative	Consolidated
Revenues.....	\$136,498,000	\$68,553,000		\$205,051,000
Operating profit.....	\$ 36,525,000	\$ 9,461,000		\$ 45,986,000
General and administrative expenses.....			\$16,919,000	\$ 16,919,000
Interest income, net.....				\$ (374,000)
Income from continuing operations before income taxes.....				\$ 29,441,000
Depreciation and amortization.....	\$ 9,458,000	\$ 2,304,000	\$ 364,000	\$ 12,126,000
Capital expenditures.....	\$ 6,889,000	\$ 1,110,000	\$ 5,733,000	\$ 13,732,000
Total identifiable assets at December 31, 1994.....	\$ 37,130,000	\$25,922,000	\$18,995,000	\$ 82,047,000

Note 13 - Related Party Transactions:

SFM, either by itself or through two of its wholly owned subsidiaries, is a party to Investment Advisory and Administration Agreements with several regulated investment companies ("RICs"), which are administered by the Company. Shares of the RICs are offered to clients of the Company and its subsidiaries. Under the Investment Advisory and Administration Agreements, SFM receives a fee for providing investment advisory, administrative, and accounting services to the RICs. The investment advisory and administration fee is a fixed percentage of the average daily net asset value of each RIC, subject to certain limitations. Investment advisory and administration fees received by the Company totaled \$92,143,000, \$73,807,000, and \$59,249,000 in 1996, 1995, and 1994, respectively. SFS is a party to Distribution Agreements with several RICs, which are advised and/or administered by SFM. SFS receives a fee from the RICs for providing distribution services pursuant to the provisions of various Rule 12b-1 Plans adopted by the RICs. These distribution fees totaled \$4,026,000, \$5,897,000, and \$7,014,000 in 1996, 1995, and 1994, respectively.

Note 14 - Quarterly Financial Data (Unaudited):

1996	For the Three Months Ended			
	March 31	June 30	Sept. 30	Dec. 31
Revenues.....	\$63,239,000	\$61,541,000	\$60,165,000	\$62,872,000
Income from continuing operations before income taxes.....	\$ 9,818,000	\$ 7,992,000	\$ 9,390,000	\$10,744,000
Income from continuing operations.....	\$ 5,793,000	\$ 4,893,000	\$ 5,906,000	\$ 6,554,000
Net income (loss).....	\$ 5,793,000	\$ 4,893,000	\$ 5,906,000	\$(9,781,000) (A)
Primary and fully diluted earnings per share from continuing operations.....	\$ .30	\$ .25	\$ .31	\$ .34
Primary and fully diluted earnings (loss) per share.....	\$ .30	\$ .25	\$ .31	\$(.51) (A)

(A) Includes the loss from the disposal of discontinued operations of \$16,335,000 or \$.85 per share (See Note 2).

1995	For the Three Months Ended			
	March 31	June 30	Sept. 30	Dec. 31
Revenues.....	\$53,499,000	\$55,737,000	\$56,478,000	\$60,250,000
Income from continuing operations before income taxes.....	\$ 9,868,000	\$ 7,540,000	\$ 8,674,000	\$ 9,425,000
Income from continuing operations.....	\$ 5,921,000	\$ 4,524,000	\$ 4,943,000	\$ 5,738,000
Net income.....	\$ 4,883,000	\$ 3,620,000	\$ 4,943,000	\$ 5,738,000
Primary and fully diluted earnings per share from continuing operations.....	\$ .30	\$ .23	\$ .26	\$ .30
Primary and fully diluted earnings per share.....	\$ .25	\$ .18	\$ .26	\$ .30

SEI INVESTMENTS COMPANY AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 1996

Description	Balance at Beginning of Year	Additions		(Deductions)	Balance at End of Year
		Charged to Costs and Expenses	Charged to Other Accounts		
For the Year Ended December 31, 1994:					
Allowance for doubtful accounts	\$ 971,000	\$235,000	\$ --	\$ --	\$1,206,000
For the Year Ended December 31, 1995:					
Allowance for doubtful accounts	\$1,206,000	\$ --	\$ --	\$ --	\$1,206,000
For the Year Ended December 31, 1996:					
Allowance for doubtful accounts	\$1,206,000	\$144,000	\$ --	\$ --	\$1,350,000

Item 9. Changes in and disagreements with Accountants on Accounting and  
-----  
Financial Disclosure.  
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None.

PART III  
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Item 10. Directors and Executive Officers of the Registrant.  
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Certain information called for in this item is hereby incorporated by reference from the Company's definitive proxy statement for its 1997 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 1996 pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1997 Proxy Statement").

The executive officers of the Company are as follows:

ALFRED P. WEST, JR., 54, has been the Chairman of the Board of Directors and Chief Executive Officer of the Company since its inception in 1968. Mr. West was President from June 1979 to August 1990.

HENRY H. GREER, 59, has been Chief Financial Officer since September 1996. Mr. Greer has been President and Chief Operating Officer since August 1990, and was an Executive Vice President from July 1990 to August 1990. Mr. Greer has been a Director since November 1979.

CARMEN V. ROMEO, 53, has been an Executive Vice President since December 1985. Mr. Romeo has been a Director since June 1979. Mr. Romeo was Treasurer and Chief Financial Officer from June 1979 to September 1996.

RICHARD B. LIEB, 49, has been an Executive Vice President since October 1990, and a Director since May 1995.

CARL A. GUARINO, 39, has been a Senior Vice President since April 1988, and was General Counsel from April 1988 to January 1994.

EDWARD D. LOUGHLIN, 46, has been an Executive Vice President since January 1994 and a Senior Vice President since January 1988.

DENNIS J. MCGONIGLE, 36, has been an Executive Vice President since July 1996. Mr. McGonigle has been a Senior Vice President since January 1994 and a Vice President since January 1991.

KEVIN P. ROBINS, 35, has been a Senior Vice President and General Counsel since January 1994 and a Vice President since January 1992.

Item 11. Executive Compensation.  
-----

The information called for in this item is hereby incorporated by reference from the 1997 Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management.  
-----

The information called for in this item is hereby incorporated by reference from the 1997 Proxy Statement.

Item 13. Certain Relationships and Related Transactions.  
-----

The information called for in this item is hereby incorporated by reference from the 1997 Proxy Statement.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

Financial Statements. The following is a list of the Consolidated Financial

Statements of the Company and its subsidiaries and supplementary data filed as part of Item 8 hereof:

Report of Independent Public Accountants  
Consolidated Balance Sheets -- December 31, 1996 and 1995  
Consolidated Statements of Operations -- For the years ended  
December 31, 1996, 1995, and 1994  
Consolidated Statements of Shareholders' Equity -- For the years ended  
December 31, 1996, 1995, and 1994  
Consolidated Statements of Cash Flows -- For the years ended December  
31, 1996, 1995, and 1994  
Notes to Consolidated Financial Statements  
Schedule II -- Valuation and Qualifying Accounts

All other schedules are omitted because they are not applicable, or not required, or because the required information is included in the Consolidated Financial Statements or notes thereto.

Reports on Form 8-K. The Company filed a form 8-K on December 30, 1996, amending

its Articles of Incorporation for a name change and a change in address of its principal executive offices.

Exhibits, Including Those Incorporated by Reference. The following is a list of

exhibits filed as part of this annual report on Form 10-K. Where so indicated by footnote, exhibits which were previously filed are incorporated by reference. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in parentheses.

- 3.1 Articles of Incorporation of the Registrant as amended on January 21, 1983. (1) (Exhibit 3.1)
- 3.1.1 Designation of Series A Junior Participating Preferred Shares, dated December 19, 1988. (7) (Exhibit 3.1.1)
- 3.1.2 Amendment to Articles of Incorporation of the Registrant, dated May 21, 1992. (12) (Exhibit 3.1.2)
- 3.1.3 Amendment to Articles of Incorporation of the Registrant, dated May 26, 1994. (14) (Exhibit 3.1.3)
- 3.1.4 Amendment to Articles of Incorporation of the Registrant, dated November 21, 1996. (Exhibit 3.1.4)
- 3.2 By-Laws. (2) (Exhibit 3.2)
- 3.2.1 Amendment to By-Laws, dated December 19, 1988. (7) (Exhibit 3.2.1)
- 3.2.2 Amendment to By-Laws, dated July 12, 1990. (9) (Exhibit 3.2.2)
- 4.1 Form of Certificate for Shares of Common Stock. (7) (Exhibit 4.1)
- 4.1.1 Form of Rights Certificate. (5) (Exhibit B to Exhibit 1)
- 4.2 See Exhibits 3.1 and 3.2 hereto.
- \*10.1 1981 Stock Option Plan, Amended, Restated and Renewed as of May 8, 1991. (6) (Exhibit 4)
- \*10.2 Employee Stock Ownership Plan. (4) (Exhibit 10.3 (b))
- \*10.3 Employee Stock Purchase Plan, Amended and Restated as of May 8, 1991. (11) (Exhibit 10.3)
- \*10.4 SEI Capital Accumulation Plan. (8) (Exhibit 10.5)
- \*10.5 Stock Option Plan for Non-Employee Directors. (7) (Exhibit 10.12)
- \*10.6 Employment Agreement, dated May 25, 1979, between Alfred P. West, Jr. and the Registrant. (10) (Exhibit 10.7)
- \*10.7 Employment Agreement, dated January 21, 1987, between Gilbert L. Beebower and the Registrant. (10) (Exhibit 10.8)
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- \*10.9 Summary of Company Bonus Plan for Senior Management. (13) (Exhibit 10.9)

- \*10.10 Employment Agreement, dated February 28, 1992, between Charles A. Marsh and the Registrant. (13) (Exhibit 10.10)
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- 10.16 Master Lease Agreement, dated December 29, 1989, between Varilease Corporation and the Registrant, as amended. (12) (Exhibit 10.14)
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- 11. Earnings per share calculations. (Exhibit 11)
- 21. Subsidiaries of the Registrant. (Exhibit 21)
- 23. Consent of Independent Public Accountants. (Exhibit 23)
- 27. Financial Data Schedule. (Exhibit 27)
- 99. Miscellaneous exhibits. (Exhibit 99)

\* Denotes a management contract or compensatory plan or arrangement required to be filed as an exhibit to this Form 10-K.



- (1) Filed March 30, 1983, as an exhibit to the Company's Form 10-K for the fiscal year ended December 31, 1982, and incorporated herein by reference.
- (2) Filed March 30, 1984, as an exhibit to the Company's Form 10-K for the fiscal year ended December 31, 1983, and incorporated herein by reference.
- (3) Filed June 25, 1982, as an exhibit to the Company's Registration Statement on Form S-8 (No. 2-78133), and incorporated herein by reference.
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- (5) Filed January 12, 1989, as an exhibit to the Company's Form 8-K dated January 5, 1989, and incorporated herein by reference.
- (6) Filed July 8, 1991, as an exhibit to the Company's Registration Statement on Form S-8 (No. 33-41602), and incorporated herein by reference.
- (7) Filed March 23, 1989, as an exhibit to the Company's Form 10-K for the fiscal year ended December 31, 1988, and incorporated herein by reference.
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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.

SEI INVESTMENTS COMPANY

Date      March 28, 1997  
-----  
By /s/ Henry H. Greer  
-----  
Henry H. Greer  
President, Chief Operating  
Officer, Chief Financial Officer and  
Director

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 and in the capacities and on dates indicated.

Date      March 28, 1997  
-----  
By /s/ Alfred P. West, Jr.  
-----  
Alfred P. West, Jr.  
Chairman of the Board,  
Chief Executive Officer,  
and Director

Date      March 28, 1997  
-----  
By  
-----  
Carmen V. Romeo  
Executive Vice President and Director

Date      March 28, 1997  
-----  
By /s/ Richard B. Lieb  
-----  
Richard B. Lieb  
Executive Vice President and Director

Date      March 28, 1997  
-----  
By /s/ Donald C. Carroll  
-----  
Donald C. Carroll  
Director

Date      March 28, 1997  
-----  
By /s/ William M. Doran  
-----  
William M. Doran  
Director

Date      March 28, 1997  
-----  
By /s/ Henry H. Porter, Jr.  
-----  
Henry H. Porter, Jr.  
Director

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Microfilm Number \_\_\_\_\_ Filed in the Department of State on \_\_\_\_\_  
Entity Number \_\_\_\_\_  
Secretary of the Commonwealth

ARTICLES OF AMENDMENT-DOMESTIC BUSINESS CORPORATION  
DSCB:15-1915 (Per 81)

In compliance with the requirements of 15 Pa.C.S. (S) 1915 (relating to article of amendment), the undersigned business corporation, desiring to amend the Articles, hereby states that:

1. The name of the corporation is: SEI Corporation  
-----  
-----

2. The (a) address of this corporation's current registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is (the Department is hereby authorized to correct the following information to conform to the records of the Department):

(a) 680 Swedesford Road Wayne Pennsylvania 19087 Montgomery  
-----  
Number and Street City State Zip County

(b) c/o:  
-----  
Name of Commercial Registered Office Provider County

For a corporation represented by a commercial registered office provider, the county in (b) shall be deemed the county in which the corporation is located for venue and official publication purposes.

3. The statute by or under which it was incorporated is: Business Corporation  
-----  
Law of 1933  
-----

4. The date of its incorporation is: November 18, 1968  
-----

5. (Check, and if appropriate complete, one of the following):  
 The amendment shall be effective upon filing these Articles of Amendment in the Department of State.  
  
 The amendment shall be effective on: \_\_\_\_\_ at \_\_\_\_\_  
Date Hour

6. (Check one of the following):  
  
 The amendment was adopted by the shareholders (or members) pursuant to 15 Pa.C.S.(S) 1914(a) and (b).  
  
 The amendment was adopted by the board of directors pursuant to 15 Pa.C.S.(S) 1914(c).

7. (Check, and if appropriate complete, one of the following):  
  
 The amendment adopted by the corporation, set forth in full, is as follows:  
Article 1 of the corporation's Articles of Incorporation is hereby amended to read in full as follows: "1. The name of the corporation is SEI Investments Company."  
  
 The amendment adopted by the corporation is set forth in full in Exhibit A attached hereto and made a part hereof.

8. (Check if the amendment restates the Article):

The restated Article of incorporation supersedes the original Articles  
- - ---- and all amendments thereto.

IN TESTIMONY WHEREOF, the undersigned corporation has caused these  
Articles of Amendment to be signed by a duly authorized officer thereof this  
21st day of November, 1996.

SEI Corporation  
-----  
(Name of Corporation)

BY: /s/ Kevin Robins  
-----

TITLE: Kevin Robins, Assistant  
Secretary  
-----

DOCKETING STATEMENT

REVENUE      LABOR & INDUSTRY  
---      ---  
OTHER  
-----  
FILE CODE  
-----  
FILED DATE  
-----  
MICROFILM NUMBER  
-----

FILING FEE: NONE

This form (file in triplicate) and all accompanying documents shall be shall be mailed to:  
COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF STATE  
CORPORATION BUREAU  
208 NORTH OFFICE BUILDING  
HARRISBURG, PA 17120-0029

Part 1. COMPLETE FOR EACH FILING:

Current name of entity or registrant affected by the submittal to which this statement relates: (survivor or new corporation if merger or consolidation)  
SEI Corporation  
-----

Entity number, if known:                      NOTE: ENTITY NUMBER is the  
-----  
computer index number assigned to an entity upon initial filing in the  
Department of State.

Incorporation/qualification date in Pa: November 18, 1968 State of  
-----  
Incorporation: Pennsylvania  
-----

Federal Identification Number:                      -----

Specified effective date. If any:      Upon filing  
-----

Part II. COMPLETE FOR EACH FILING This statement is being submitted with (check proper box):

- X Articles of Amendment: complete Section A only  
---
- Amended Certificate of Authority: complete Section A only  
---
- Articles of Merger: complete Section B  
---
- Articles of Consolidation: complete Section C  
---
- Articles of Division: complete Section D  
---
- Articles of Conversion: complete Section A and E only  
---
- Statement of Merger, Consolidation or Division: complete Section B, C  
or D  
---
- Statement of Correction: complete Section A only  
---
- Statement of Termination: complete Section H  
---
- Statement of Revival: complete Section G  
---
- Dissolution by Shareholders or Incorporators before Commencement of  
Business: complete Section F only  
---
- Amendment of Certificate of Limited Partnership: complete Section A only  
---

Part III. COMPLETE IF APPROPRIATE: The delayed effective of the accompanying submittal is:

-----  
month      day      year      hour, if any



X Section A. CHANGES TO BE MADE TO THE ENTITY NAMED IN Part 1: (Check  
- - - - box/boxes which pertain)

XX Name: SEI Investments Company

-----

Registered Office:

-----

Number & street/RD number & box number City State Zip County

Purpose:

-----

Stock: aggregate number of shares authorized (attach additional provisions, if any)

-----

Term of Existence:

-----

Other:

-----

Section B. MERGER (Complete Section A if any changes to survivor corporation):

- - - -

MERGING CORPORATIONS ARE: (List only the merging corporations-SURVIVOR IS LISTED IN PART 1)

1. Name:

-----

Entity Number, if known: Inc./qual. date in Pa: State of Incorporation:

-----

2. Name:

-----

Entity Number, if known: Inc./qual. date in Pa: State of Incorporation:

-----

Attach sheet containing above corporate information if there are additional merging corporations.

Section C. CONSOLIDATION (NEW corporation information should be completed  
- - - - in Part 1. Also, complete and attach DOCKETING STATEMENT  
DSCB:15-134A for the NEW corporation formed.)

CONSOLIDATING CORPORATIONS ARE:

1. Name:

-----

Entity Number, if known: Inc./qual. date in Pa: State of Incorporation:

-----

2. Name:

-----

Entity Number, if known: Inc./qual. date in Pa: State of Incorporation:

-----

Attach sheet containing above corporate information if there are additional consolidation corporations.

SECTION D. DIVISION (Forming NEW corporation(s) named below. Also, complete and attach DOCKETING STATEMENT DSCB:15-134A for EACH new corporation formed by division.)

1. Entity Number Name
2. Entity Number Name

Attach sheet if there are additional corporations to be named.

CHECK ONE:

- Corporation named in Part I survives. (Any changes, complete Section A)
Corporation named in Part I does not survive.

Section E. CONVERSION (Complete Section A)

CHECK ONE:

- Converted from nonprofit to profit
Converted from profit to nonprofit

Section F. DISSOLVED BY SHAREHOLDERS OR INCORPORATORS BEFORE COMMENCEMENT OF BUSINESS

Section G. STATEMENT OF REVIVAL. Corporation named in Part I hereby revives its charter or articles which were forfeited by Proclamation or expired. (Complete Section A if any changes have been made to the revived corporation.)

Section H. STATEMENT OF TERMINATION

filed in the Department of State on is/are hereby terminated.
(type of filing made) month day year hour, if any

If merger, consolidation or division, list all corporations involved, other than that listed in Part I:

1. Entity Number Name
2. Entity Number Name

Attach sheet containing above information if there are additional corporations involved.

NINTH MODIFICATION AGREEMENT

THIS AGREEMENT is made as of and effective this 31st day of March, 1996, between and among SEI CORPORATION, a Pennsylvania corporation ("Company") and PNC BANK, NATIONAL ASSOCIATION, successor by merger to Provident National Bank ("Bank").

BACKGROUND

Bank and Company have entered into a Credit Agreement effective as of May 31, 1992 as amended by a Waiver and First Modification Agreement between Bank and Company dated as of September 30, 1992, a Second Modification Agreement between Bank and Company dated as of April 19, 1993, a Third Modification Agreement between Bank and Company dated as of May 31, 1993, a Fourth Modification Agreement between Bank and Company dated as of March 14, 1994, a Fifth Modification Agreement dated as of May 31, 1994, a Sixth Modification Agreement dated as of May 5, 1995, a Seventh Modification Agreement effective as of May 31, 1995 and an Eighth Modification Agreement dated October 19, 1995 (as so amended, the "Credit Agreement") pursuant to which Bank agreed to make up to \$20,000,000 in loans (the "Loans") to Company. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement. The Loans are evidenced by Company's note originally dated May 31, 1992 and amended and restated September 30, 1992 (the "Note") in the principal amount of \$20,000,000.

The obligations of Company under the Credit Agreement are secured by a Pledge Agreement, dated as of May 31, 1992 as amended by the First Modification Agreement (as so amended, the "Pledge Agreement") under which Company pledged to Bank the shares of capital stock of certain of the Subsidiaries.

Company and Bank desire to amend further certain provisions of the Credit Agreement.

Agreement

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto agree as follows:

1. Capitalized terms not defined herein shall have the meanings set forth in the Credit Agreement.

2. Section 7.10 of the Credit Agreement is hereby amended by adding a new subparagraph (k) thereto which shall read in full as follows:

"(k) Investments made by the Company in a mutual fund management company in Taiwan in an aggregate amount not to exceed \$2,000,000."

3. All references in the Note and the Pledge Agreement to the Credit Agreement are hereby deemed to be to the Credit Agreement as amended hereby.

4. Company represents and warrants that:

(a) Company is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has all requisite power and authority to make and perform this Agreement.

(b) The execution, delivery and performance of this Agreement have been duly authorized by all requisite corporate action of Company and will not violate any applicable provision of law or judgment, order or regulation of any court or of any public or governmental agency or authority nor conflict with or constitute a breach of or a default under any instrument to which Company is a party or by which Company or any of Company's properties is bound;

(c) This Agreement constitutes the legal, valid and binding obligation of Company, enforceable in accordance with its terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditor's rights generally and general principles of equity;

(d) No approval, consent or authorization of, or registration, declaration or filing with, any governmental or public body or authority is required in connection with the valid execution, delivery and performance by Company of this Agreement, except such as has been obtained; and

(e) All representations and warranties of Company set forth in Section 5 of the Credit Agreement are true and correct as of the date hereof.

All of the above representations and warranties shall survive the making of this Agreement.

5. Except as hereinabove modified and amended and except as necessary to conform to the intention of the parties hereinabove set forth, the Credit Agreement, the Note and the Pledge Agreement shall remain unchanged and in full force and effect and are hereby ratified and confirmed in all respects, as so amended.

6. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

7. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns.

8. This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

SEI CORPORATION

By: Henry H. Greer  
-----

Title: President and Chief Operating Officer  
-----

PNC BANK, NATIONAL ASSOCIATION

By: H. Todd Dissinger  
-----

Title: Vice President  
-----

TENTH MODIFICATION AGREEMENT

THIS AGREEMENT is made as of and effective this 31st day of May, 1996, between and among SEI CORPORATION, a Pennsylvania corporation ("Company") and PNC BANK, NATIONAL ASSOCIATION, successor by merger to Provident National Bank ("Bank").

BACKGROUND

Bank and Company have entered into a Credit Agreement effective as of May 31, 1992 as amended by a Waiver and First Modification Agreement between Bank and Company dated as of September 30, 1992, a Second Modification Agreement between Bank and Company dated as of April 19, 1993, a Third Modification Agreement between Bank and Company dated as of May 31, 1993, a Fourth Modification Agreement between Bank and Company dated as of March 14, 1994, a Fifth Modification Agreement dated as of May 31, 1994, a Sixth Modification Agreement dated as of May 5, 1995, a Seventh Modification Agreement effective as of May 31, 1995, an Eighth Modification Agreement dated October 19, 1995 and a Ninth Modification Agreement dated March 31, 1996 (as so amended, the "Credit Agreement") pursuant to which Bank agreed to make up to \$20,000,000 in loans (the "Loans") to Company. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement. The Loans are evidenced by Company's note originally dated May 31, 1992 and amended and restated September 30, 1992 (the "Note") in the principal amount of \$20,000,000.

The obligations of Company under the Credit Agreement are secured by a Pledge Agreement, dated as of May 31, 1992 as amended by the First Modification Agreement (as so amended, the "Pledge Agreement") under which Company pledged to Bank the shares of capital stock of certain of the Subsidiaries.

Company and Bank desire to increase the Loans to \$30,000,000 and to amend further certain provisions of the Credit Agreement.

Agreement

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto agree as follows:

1. Terms. Capitalized terms not defined herein shall have the meanings set forth in the Credit Agreement.
2. Restated Note. Concurrently with the execution and delivery of this Agreement, Borrower shall execute and deliver to Bank a restated note (the "Restated Note"), evidencing the Loans in the principal amount of \$30,000,000 in the form of Exhibit A attached hereto. Upon receipt by Bank of the Restated Note, the original Note shall be canceled and returned to the Borrower; the Loans and all accrued and unpaid interest on the original Note shall thereafter be evidenced by the Restated Note; and all references to the "Note" evidencing the Loans in any documents relating thereto shall thereafter be deemed to refer to the Restated Note. Without duplication, the Restated Note shall in no way extinguish the Borrower's unconditional obligation to repay all indebtedness, including accrued and unpaid interest, evidenced by the original Note.
3. Amendments to Credit Agreement. The Credit Agreement is hereby amended as follows:
  - (a) The definition of "Credit Commitment" contained in Section 1.1 of the Credit Agreement is hereby changed from "\$20,000,000" to "\$30,000,000".
  - (b) As contemplated by Section 9.15 of the Credit Agreement, the Termination Date and the date on which the Credit Commitment shall expire and the Credit Period shall end is hereby changed from May 31, 1996 to May 31, 1997.

(c) Section 7.8 of the Loan Agreement is hereby amended by adding a new subparagraph (l) thereto which shall read in full as follows:

"(l) Indebtedness of the Company, not to exceed an aggregate of \$50,000,000, for the purpose of financing the Company's new office campus; provided that, both before and after giving effect to the incurrence of such Indebtedness, the Company is in compliance with all covenants contained in this Agreement; and provided, further, -----  
that the terms of such Indebtedness are no more restrictive than the terms of this Agreement."

(d) Section 7.10 of the Credit Agreement is hereby amended by adding a new subparagraph (l) thereto which shall read in full as follows:

"(l) Investments made by the Company, in addition to those permitted in Section 7.10(a) through (k), in other entities, in an aggregate amount not to exceed \$10,000,000."

(e) Exhibit A to the Credit Agreement is hereby amended and restated to read in full as set forth in Exhibit A attached hereto.

4. Loan Documents. All references in the Restated Note, the Loan -----  
Agreement and the Pledge Agreement to the Note or the Credit Agreement are hereby deemed to be to the Restated Note or the Credit Agreement as amended hereby.

5. Representations and Warranties. Company represents and warrants -----  
that:

(a) Company is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has all requisite power and authority to make and perform this Agreement and the Restated Note.

(b) The execution, delivery and performance of this Agreement and the Restated Note have been duly authorized by all requisite corporate action of Company and will not violate any applicable provision of law or judgment, order or regulation of any court or of any public or governmental agency or authority nor conflict with or constitute a breach of or a default under any instrument to which Company is a party or by which Company or any of Company's properties is bound;

(c) This Agreement and the Restated Note constitute the legal, valid and binding obligations of Company, enforceable in accordance with their terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditor's rights generally and general principles of equity;

(d) No approval, consent or authorization of, or registration, declaration or filing with, any governmental or public body or authority is required in connection with the valid execution, delivery and performance by Company of this Agreement and the Restated Note, except such as have been obtained; and

(e) All representations and warranties of Company set forth in Section 5 of the Credit Agreement are true and correct as of the date hereof.

All of the above representations and warranties shall survive the making of this Agreement.

6. Company's Ratification. Except as hereinabove modified and amended -----  
and except as necessary to conform to the intention of the parties hereinabove set forth, the Credit Agreement, the Restated Note and the Pledge Agreement shall remain unchanged and in full force and effect and are hereby ratified and confirmed in all respects, as so amended.

7. Conditions to Effectiveness of Agreement. Bank's willingness to  
-----  
agree to the extension, increase and modifications contained herein are subject  
to the prior satisfaction of the following conditions:

and (a) Execution and delivery of this Agreement and the Restated Note;

(b) Delivery of certified resolutions of the Company authorizing the  
Company's execution, delivery and performance of this Agreement and the Restated  
Note.

8. Miscellaneous.  
-----

(a) This Agreement shall be governed by and construed in accordance  
with the laws of the Commonwealth of Pennsylvania.

(b) This Agreement shall inure to the benefit of, and be binding  
upon, the parties hereto and their respective successors and assigns.

(c) This Agreement may be executed in counterparts, each of which  
shall be deemed an original, and all of which, when taken together, shall  
constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as  
of the date and year first above written.

SEI CORPORATION

By: Henry H. Greer  
-----

Title: President and Chief Operating Officer  
-----

PNC BANK, NATIONAL ASSOCIATION

By: H. Todd Dissinger  
-----

Title: Vice President  
-----

EXHIBIT A

RESTATED LINE OF CREDIT NOTE

-----

\$30,000,000

Philadelphia, Pennsylvania  
Originally Dated as of May 31, 1992  
Amended and Restated as of September 30, 1992  
Restated as of May 31, 1996

FOR VALUE RECEIVED AND INTENDING TO BE LEGALLY BOUND, the undersigned hereby promises to pay to the order of PNC BANK, NATIONAL ASSOCIATION, successor by merger to Provident National Bank ("Bank"), at 100 South Broad Street, Philadelphia, Pennsylvania 19110 or at such other address as the Bank may designate, the principal sum of THIRTY MILLION DOLLARS (\$30,000,000), or if less, the aggregate unpaid principal amount of all loans made by the payee to the undersigned pursuant to the Credit Agreement dated as of May 31, 1992, as the same has been and may hereafter be amended from time to time (the "Agreement") between the undersigned and the payee. The principal hereof shall be due and payable on the Termination Date, as defined in the Agreement. The undersigned promises to pay interest from the date hereof on the unpaid principal hereof to and including the Termination Date (as defined in the Agreement) at the rates and times and in all cases in accordance with the terms of the Agreement.

This Note evidences borrowings under and is entitled to the benefits and provisions of the Agreement. The principal of this Note is subject to acceleration of the maturity thereof and certain prepayments are permitted in the manner and to the extent specified in the Agreement.

In case an Event of Default, as defined in the Agreement, shall occur, the entire principal of this Note may become or be declared due and payable in the manner and with the effect provided in the Agreement.

The parties hereto, including the undersigned maker and all guarantors and endorsers, hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note and assent to extensions of the time of payment of forbearance or other indulgence without notice.

This Note amends and restates, and is in substitution for, a Note in the principal amount of \$20,000,000 payable to Bank dated May 31, 1992, as amended (the "Original Note"). However, without duplication, this Restated Note shall in no way extinguish the undersigned's unconditional obligation to repay all indebtedness evidenced by the Original Note.

[CORPORATE SEAL]

SEI CORPORATION

Attest: H. Todd Dissinger By: Henry H. Greer  
-----  
Title: Vice President Title: President and Chief Operating Officer  
-----



## ELEVANTH MODIFICATION AGREEMENT

THIS AGREEMENT is made as of and effective this 1st day of October, 1996, between and among SEI CORPORATION, a Pennsylvania corporation ("Company") and PNC BANK, NATIONAL ASSOCIATION, successor by merger to Provident National Bank ("Bank").

## BACKGROUND

Bank and Company have entered into a Credit Agreement effective as of May 31, 1992 as amended by a Waiver and First Modification Agreement between Bank and Company dated as of September 30, 1992, a Second Modification Agreement between Bank and Company dated as of April 19, 1993, a Third Modification Agreement between Bank and Company dated as of May 31, 1993, a Fourth Modification Agreement between Bank and Company dated as of March 14, 1994, a Fifth Modification Agreement dated as of May 31, 1994, a Sixth Modification Agreement dated as of May 5, 1995, a Seventh Modification Agreement effective as of May 31, 1995, an Eighth Modification Agreement dated October 19, 1995, a Ninth Modification Agreement dated March 31, 1996 and a Tenth Modification Agreement dated as of May 31, 1996 (as so amended, the "Credit Agreement") pursuant to which Bank agreed to make up to \$30,000,000 in loans (the "Loans") to Company. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement. The Loans are evidenced by Company's note originally dated May 31, 1992 and amended and restated September 30, 1992 and May 31, 1996 (the "Note") in the principal amount of \$30,000,000.

The obligations of Company under the Credit Agreement are secured by a Pledge Agreement, dated as of May 31, 1992 as amended by the First Modification Agreement (as so amended, the "Pledge Agreement") under which Company pledged to Bank the shares of capital stock of certain of the Subsidiaries.

Company and Bank desire to increase the Loans to \$50,000,000 and to amend further certain provisions of the Credit Agreement.

## Agreement

NOW, THEREFORE, intending to be legally bound hereby, the parties hereto agree as follows:

1. Terms. Capitalized terms not defined herein shall have the

meanings set forth in the Credit Agreement.

2. Restated Note. Concurrently with the execution and delivery of this

Agreement, Borrower shall execute and deliver to Bank a restated note (the "Restated Note"), evidencing the Loans in the principal amount of \$50,000,000 in the form of Exhibit A attached hereto. Upon receipt by Bank of the Restated Note, the original Note shall be canceled and returned to the Borrower; the Loans and all accrued and unpaid interest on the original Note shall thereafter be evidenced by the Restated Note; and all references to the "Note" evidencing the Loans in any documents relating thereto shall thereafter be deemed to refer to the Restated Note. Without duplication, the Restated Note shall in no way extinguish the Borrower's unconditional obligation to repay all indebtedness, including accrued and unpaid interest, evidenced by the original Note.

3. Amendments to Credit Agreement. The Credit Agreement is hereby

amended as follows:

(a) The definition of "Credit Commitment" contained in Section 1.1 of the Credit Agreement is hereby changed from "\$30,000,000" to "\$50,000,000".

(b) Section 2.2 of the Credit Agreement is hereby amended by changing the Commitment Fee rate from 1/8% per annum to 1/10% per annum.

(c) Section 3.3(b) of the Credit Agreement is hereby amended to change the interest rate spread over the Eurodollar Rate from "five-eighths of one percent (5/8%)" to "three-tenths of one percent (.30%)".

(d) Exhibit A to the Credit Agreement is hereby amended and restated to read in full as set forth in Exhibit A attached hereto.

4. Loan Documents. All references in the Restated Note, the Loan

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Agreement and the Pledge Agreement to the Note or the Credit Agreement are hereby deemed to be to the Restated Note or the Credit Agreement, as the case may be, as restated or amended hereby.

5. Representations and Warranties. Company represents and warrants

-----

that:

(a) Company is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania and has all requisite power and authority to make and perform this Agreement and the Restated Note.

(b) The execution, delivery and performance of this Agreement and the Restated Note have been duly authorized by all requisite corporate action of Company and will not violate any applicable provision of law or judgment, order or regulation of any court or of any public or governmental agency or authority nor conflict with or constitute a breach of or a default under any instrument to which Company is a party or by which Company or any of Company's properties is bound;

(c) This Agreement and the Restated Note constitute the legal, valid and binding obligations of Company, enforceable in accordance with their terms, except as the same may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditor's rights generally and general principles of equity;

(d) No approval, consent or authorization of, or registration, declaration or filing with, any governmental or public body or authority is required in connection with the valid execution, delivery and performance by Company of this Agreement and the Restated Note, except such as have been obtained; and

(e) All representations and warranties of Company set forth in Section 5 of the Credit Agreement are true and correct as of the date hereof.

All of the above representations and warranties shall survive the making of this Agreement.

6. Company's Ratification. Except as hereinabove modified and amended

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and except as necessary to conform to the intention of the parties hereinabove set forth, the Credit Agreement, the Restated Note and the Pledge Agreement shall remain unchanged and in full force and effect and are hereby ratified and confirmed in all respects, as so amended.

7. Conditions to Effectiveness of Agreement. Bank's willingness

-----

to agree to the extension, increase and modifications contained herein are subject to the prior satisfaction of the following conditions:

(a) Execution and delivery of this Agreement and the Restated Note; and

(b) Delivery of certified resolutions of the Company authorizing the Company's execution, delivery and performance of this Agreement and the Restated Note.

8. Miscellaneous.

-----

(a) This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania.

(b) This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns.

(c) This Agreement may be executed in counterparts, each of which shall be deemed an original, and all of which, when taken together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

SEI CORPORATION

By: Henry H. Greer

-----

Title: President and Chief Operating Officer

-----

PNC BANK, NATIONAL ASSOCIATION

By: H. Todd Dissinger

-----

Title: Vice President

-----

EXHIBIT A

THIRD RESTATED LINE OF CREDIT NOTE

\$50,000,000

Philadelphia, Pennsylvania  
Originally Dated as of May 31, 1992  
Amended and Restated as of September 30, 1992  
Restated as of May 31, 1996  
Restated as of October 1, 1996

FOR VALUE RECEIVED AND INTENDING TO BE LEGALLY BOUND, the undersigned hereby promises to pay to the order of PNC BANK, NATIONAL ASSOCIATION, successor by merger to Provident National Bank ("Bank"), at 1600 Market Street, Philadelphia, Pennsylvania 19103 or at such other address as the Bank may designate, the principal sum of FIFTY MILLION DOLLARS (\$50,000,000), or if less, the aggregate unpaid principal amount of all loans made by the payee to the undersigned pursuant to the Credit Agreement dated as of May 31, 1992, as the same has been and may hereafter be amended from time to time (the "Agreement") between the undersigned and the payee. The principal hereof shall be due and payable on the Termination Date, as defined in the Agreement. The undersigned promises to pay interest from the date hereof on the unpaid principal hereof to and including the Termination Date (as defined in the Agreement) at the rates and times and in all cases in accordance with the terms of the Agreement.

This Note evidences borrowings under and is entitled to the benefits and provisions of the Agreement. The principal of this Note is subject to acceleration of the maturity thereof and certain prepayments are permitted in the manner and to the extent specified in the Agreement.

In case an Event of Default, as defined in the Agreement, shall occur, the entire principal of this Note may become or be declared due and payable in the manner and with the effect provided in the Agreement.

The parties hereto, including the undersigned maker and all guarantors and endorsers, hereby waive presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance and enforcement of this Note and assent to extensions of the time of payment of forbearance or other indulgence without notice.

This Note amends and restates, and is in substitution for, a Note in the principal amount of \$30,000,000 payable to Bank dated May 31, 1992, and last restated as of May 31, 1996 (the "Original Note"). However, without duplication, this Restated Note shall in no way extinguish the undersigned's unconditional obligation to repay all indebtedness evidenced by the Original Note.

[CORPORATE SEAL]

SEI CORPORATION

Attest: H. Todd Dissinger By: Henry H. Greer  
-----  
Title: Vice President Title: President and Chief Operating  
-----  
Officer  
-----

RELEASE AND MODIFICATION AGREEMENT

THIS AGREEMENT is made as of the 20th day of February, 1997, by and among PNC BANK, NATIONAL ASSOCIATION, successor by merger to Provident National Bank, a national banking association with offices at 1600 Market Street, Philadelphia, Pennsylvania 19103 (the "Bank"), SEI INVESTMENTS COMPANY (formerly SEI Corporation), a Pennsylvania corporation, (the "Borrower") and the Borrower, SEI FINANCIAL MANAGEMENT CORPORATION, SEI FINANCIAL SERVICES COMPANY and SEI INVESTMENTS, INC. (collectively, the "Pledgors").

BACKGROUND

Bank and Borrower have entered into a Credit Agreement effective as of May 31, 1992 as amended by a Waiver and First Modification Agreement between Bank and Borrower dated as of September 30, 1992, a Second Modification Agreement between Bank and Borrower dated as of April 19, 1993, a Third Modification Agreement between Bank and Borrower dated as of May 31, 1993, a Fourth Modification Agreement between Bank and Borrower dated as of March 14, 1994, a Fifth Modification Agreement dated as of May 31, 1994, a Sixth Modification Agreement dated as of May 5, 1995, a Seventh Modification Agreement effective as of May 31, 1995, an Eighth Modification Agreement dated October 19, 1995, a Ninth Modification Agreement dated March 31, 1996 a Tenth Modification Agreement dated as of May 31, 1996, and a Eleventh Modification Agreement dated October 1, 1996 (as so amended, the "Credit Agreement") pursuant to which Bank agreed to make up to \$50,000,000 in loans (the "Loans") to Borrower. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement. The Loans are evidenced by Borrower's note originally dated May 31, 1992 and amended and restated September 30, 1992, May 31, 1996 and October 1, 1996 (the "Note") in the principal amount of \$50,000,000.

Under the terms of a Pledge Agreement (the "Pledge Agreement") dated as of May 31, 1992, Pledgors pledged to Bank certain shares of stock, as set forth therein (the "Pledged Collateral") to secure the due and punctual payment and performance of all of the obligations of Borrower under the Note and the Credit Agreement and any renewals, extensions or modifications thereof.

Borrower has requested, and Bank has agreed to, the release of the Pledged Collateral and the termination of the Pledge Agreement upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties hereto, intending to be legally bound hereby, agree as follows:

AGREEMENT

- 1. Terms. Capitalized terms used herein and not otherwise

defined herein shall have the meanings given to such terms in the Credit Agreement.

- 2. Release. Bank hereby releases its lien on the Pledged

Collateral and agrees that the Pledge Agreement is hereby terminated. Promptly following execution of this Agreement, Bank will promptly return all certificates evidencing the Pledged Collateral to Pledgors.

- 3. Amendments to Credit Agreement.

(a) The Credit Agreement is hereby amended by deleting all references and provisions relating to the Pledge Agreement contained therein.

(b) The Credit Agreement is hereby further amended by amending and restating Section 7.8(1) thereof to read in full as follows:

"(1) Indebtedness of the Company, not to exceed an aggregate of \$50,000,000, for the purpose of financing the Company's new office campus; provided that, both before and after giving effect to the incurrence of such Indebtedness, the Company is in compliance with all covenants contained in this Agreement."

- 4. Loan Documents. Except where the context clearly requires

otherwise, all references to the Credit Agreement in the Note or any other document delivered to Bank in connection therewith shall be to the Credit Agreement as amended by this Agreement.

- 5. Borrower's Ratification. Borrower agrees that it has no

defenses or set-offs against the Bank, its officers, directors, employees, agents or attorneys with respect to the Note or the Credit Agreement, all of which are in full force and effect and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms. Borrower hereby ratifies and confirms its obligations under the Note and the Credit Agreement and agrees that the execution and the delivery of this Agreement does not in any way diminish or invalidate any of its obligations thereunder (except with respect to the Pledge Agreement and the Pledged Collateral).

6. Representations and Warranties. Borrower hereby certifies

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that:

(a) except as otherwise previously disclosed to Bank in any manner whatsoever, the representations and warranties made in the Credit Agreement are true and correct as of the date hereof.

(b) no Event of Default under the Note or the Credit Agreement and no event which with the passage of time or the giving of notice or both could become an Event of Default, exists on the date hereof; and

(c) this Agreement has been duly authorized, executed and delivered so as to constitute the legal, valid and binding obligation of Borrower, enforceable in accordance with its terms.

All of the above representations and warranties shall survive the making of this Agreement.

7. No Waiver. This Agreement does not and shall not be deemed to

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constitute a waiver by Bank of any Event of Default under the Note or Credit Agreement, or of any event which with the passage of time or the giving of notice or both would constitute an Event of Default, nor does it obligate Bank to agree to any further modifications of the terms of the Credit Agreement or constitute a waiver of any of Bank's other rights or remedies.

8. Miscellaneous.

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(a) All terms, conditions, provisions and covenants in the Note, the Credit Agreement, and all other documents delivered to Bank in connection therewith shall remain unaltered and in full force and effect except as modified or amended hereby. To the extent that any term or provision of this Agreement is or may be deemed expressly inconsistent with any term or provision in the Credit Agreement, the Note or any other document executed in connection therewith, the terms and provisions hereof shall control.

(b) This Agreement shall be governed by and construed according to the laws of the Commonwealth of Pennsylvania.

(c) This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their respective successors and assigns and may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

BORROWER

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[SEAL]

SEI INVESTMENTS COMPANY  
(formerly SEI Corporation)

Attest: H. Todd Dissinger  
-----

By: Henry H. Greer  
-----

Title: Vice President  
-----

Title: Chief Operating Officer  
-----

PLEDGORS

-----

[SEAL] SEI INVESTMENTS COMPANY  
(formerly SEI Corporation)

Attest: H. Todd Dissinger By: Henry H. Greer  
-----  
Title: Vice President Title: President and  
----- Chief Operating Officer  
-----

[SEAL] SEI FINANCIAL MANAGEMENT  
CORPORATION

Attest: H. Todd Dissinger By: Henry H. Greer  
-----  
Title: Vice President Title: President and  
----- Chief Operating Officer  
-----

[SEAL] SEI FINANCIAL SERVICES COMPANY

Attest: H. Todd Dissinger By: Henry H. Greer  
-----  
Title: Vice President Title: President and  
----- Chief Operating Officer  
-----

[SEAL] SEI INVESTMENTS, INC.

Attest: H. Todd Dissinger By: Kathy Heilig  
-----  
Title: Vice President Title: Assistant Controller  
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BANK

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PNC BANK, NATIONAL ASSOCIATION

By: H. Todd Dissinger  
-----  
Title: Vice President  
-----

SEI INVESTMENTS COMPANY

\$20,000,000 7.20% Senior Notes, Series A,  
due February 24, 2007

and

\$15,000,000 7.27% Senior Notes, Series B,  
due February 24, 2012

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NOTE PURCHASE AGREEMENT  
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Dated as of February 24, 1997

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SEI Investments Company  
Oaks, Pennsylvania 19456

7.20% Senior Notes, Series A, due February 24, 2007  
and

7.27% Senior Notes, Series B, due February 24, 2012

as of February 24, 1997

TO THE PURCHASERS LISTED IN  
THE ATTACHED SCHEDULE A:

Ladies and Gentlemen:

SEI INVESTMENTS COMPANY, a Pennsylvania corporation (the "Company"), agrees with the Purchasers named on Schedule A to this Agreement (the "Purchasers") as follows:

Section 1. Authorization of Notes.

The Company will authorize the issue and sale of \$20,000,000 aggregate principal amount of its 7.20% Senior Notes, Series A, due February 24, 2007 (the "Series A Notes", such term to include any such notes of such series issued in substitution therefor pursuant to Section 13 of this Agreement) and \$15,000,000 aggregate principal amount of its 7.27% Senior Notes, Series B, due February 24, 2012 (the "Series B Notes", such term to include any such notes of such series issued in substitution therefor pursuant to Section 13 of this Agreement; the Series A Notes and Series B Notes are hereinafter collectively referred to as the "Notes"). The Series A Notes shall be substantially in the form set out in Exhibit 1-A, and the Series B Notes shall be substantially in the form set out in Exhibit 1-B, in each case, with such changes therefrom, if any, as may be approved by each of the Purchasers and the Company. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a "Schedule" or an "Exhibit" are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

Section 2. Sale and Purchase of Notes.

Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and such Purchaser will purchase from the Company, at the Closing provided for in Section 3, Notes in the principal amount specified opposite such Purchaser's name in Schedule A at the purchase price of 100% of the principal amount thereof. The obligations of the each of the Purchasers under the this Agreement are several and not joint obligations and no Purchaser shall have any obligation under this Agreement nor any liability to any Person for the performance or nonperformance by any other Purchaser hereunder.

Section 3. Closing.

The sale and purchase of the Notes to be purchased by the Purchasers shall occur at the offices of Chapman and Cutler, 111 West Monroe Street, Chicago, Illinois 60603, at 10:00 a.m., Chicago time, at a closing (the "Closing") on February 24, 1997 or on such other Business Day thereafter on or prior to March 15, 1997 as may be agreed upon by the Company and each of the Purchasers. At the Closing the Company will deliver to each Purchaser the Notes to be purchased by such Purchaser in the form of a single Note of each series to be purchased by such Purchaser (or such greater number of Notes in denominations of at least \$3,000,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of its nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 2001-0687 at CoreStates Bank, N.A., Philadelphia, Pennsylvania, ABA # 03100011. If at the Closing the Company shall fail to tender such Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Purchaser's satisfaction, such Purchaser shall, at its election, be relieved of all further obligations under this Agreement, without thereby waiving any rights it may have by reason of such failure or such nonfulfillment.

Section 4. Conditions to Closing.

Each Purchaser's obligation to purchase and pay for the Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to or at the Closing, of the following conditions:

Section 4.1. Representations and Warranties. The representations and warranties of the Company in this Agreement shall be correct at the time of the Closing.

Section 4.2. Performance; No Default. The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by it prior to or at the Closing and after giving effect to the issue and sale of the Notes (and the application of the proceeds thereof as contemplated by Schedule 5.14) no Default or Event of Default shall have occurred and be continuing.

Section 4.3. Compliance Certificates.

(a) Officer's Certificate. The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of the Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) Secretary's or Assistant Secretary's Certificate. The Company shall have delivered to such Purchaser a certificate certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Notes and this Agreement.

Section 4.4. Opinions of Counsel. Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of the Closing (a) from Morgan, Lewis & Bockius LLP, counsel for the Company, covering the matters set forth in Exhibit 4.4(a) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to such Purchaser) and (b) from Chapman and Cutler, Purchasers' special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5. Purchase Permitted by Applicable Law, etc. On the date of the Closing such Purchaser's purchase of Notes to be purchased by it shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as Section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation G, T or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying, to such officer's knowledge, as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Notes. Contemporaneously with the Closing the Company shall sell to each of the Purchasers and each of the Purchasers shall purchase the Notes to be purchased by it at the Closing as specified in Schedule A.

Section 4.7. Payment of Special Counsel Fees. Without limiting the provisions of Section 15.1, the Company shall have paid on or before the Closing the fees, charges and disbursements of Purchaser's special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to the Closing.

Section 4.8. Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the National Association of Insurance Commissioners) shall have been obtained for each series of the Notes.

Section 4.9. Changes in Corporate Structure. Except as specified in Schedule 4.9, the Company shall not have changed its jurisdiction of incorporation or been a party to any merger or

consolidation and shall not have succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Schedule 5.5.

Section 4.10. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and Purchasers' special counsel, and such Purchaser and Purchasers' special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or they may reasonably request.

Notwithstanding anything herein to the contrary, all conditions to Closing listed in this Section 4 shall be deemed satisfied or waived by each Purchaser upon the consummation of the Closing.

## Section 5. Representations and Warranties of the Company.

The Company represents and warrants to each of the Purchasers that as of the date of the Closing:

Section 5.1. Organization; Power and Authority. The Company is a corporation duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Notes and to perform the provisions hereof and thereof.

Section 5.2. Authorization, Etc. This Agreement and the Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company, through its agent, PNC Capital Markets, has delivered to each of the Purchasers a copy of a Confidential Information Memorandum, dated November 18, 1996 (the "Memorandum"), relating to the transactions contemplated hereby. This Agreement, the Memorandum, the documents, certificates or other writings identified in Schedule 5.3 and the financial statements listed in Schedule 5.5, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Memorandum or as expressly described in Schedule 5.3, or in one of the documents, certificates or other writings identified therein, or in the financial statements listed in Schedule 5.5, since December 31, 1995, there has been no change in the financial condition, operations, business or properties of the Company or any of its Restricted Subsidiaries except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect.

Section 5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates. (a) Schedule 5.4 contains (except as noted therein) complete and correct lists as of the date of the Closing (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, (ii) of the Company's Affiliates, other than Subsidiaries, and (iii) of the Company's directors and senior officers. Those Subsidiaries listed in Section 1 of Schedule 5.4 shall constitute Restricted Subsidiaries as of the date of the Closing.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to any legal restriction or any agreement (other than this Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by corporate law statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5. Financial Statements. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments).

Section 5.6. Compliance with Laws, Other Instruments, etc. The execution, delivery and performance by the Company of this Agreement and the Notes will not (i) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Restricted Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Restricted Subsidiary is bound or by which the Company or any Restricted Subsidiary or any of their respective properties may be bound or affected, where such contravention, breach, default or Lien would reasonably be expected to have a Material Adverse Effect, (ii) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Restricted Subsidiary or (iii) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Restricted Subsidiary.

Section 5.7. Governmental Authorizations, etc. No consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Notes.

Section 5.8. Litigation; Observance of Statutes and Orders. (a) Except as disclosed in Schedule 5.8, there are no actions, suits or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Restricted Subsidiary or any property of the Company or any Restricted Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Restricted Subsidiary is in default under any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws) of any Governmental Authority, which default or violation, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company and its Restricted Subsidiaries have filed all income tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments payable by them, to the extent such taxes and assessments have become

due and payable and before they have become delinquent, except for any taxes and assessments (i) the amount of which is not individually or in the aggregate Material or (ii) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Restricted Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Federal income tax liabilities of the Company and its Restricted Subsidiaries have been determined by the Internal Revenue Service and paid for all fiscal years up to and including the fiscal year ended December 31, 1991.

Section 5.10. Title to Property; Leases. The Company and its Restricted Subsidiaries have good and sufficient title to their respective Material properties, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Restricted Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by Section 10.5 of this Agreement, except for those defects in title and Liens that, individually or in the aggregate, would not have a Material Adverse Effect. All Material leases are valid and subsisting and are in full force and effect in all material respects.

Section 5.11. Licenses, Permits, etc. Except as disclosed in Schedule 5.11, the Company and its Restricted Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, service marks, trademarks and trade names, or rights thereto, that are Material, without known conflict with the rights of others, except for those conflicts that, individually or in the aggregate, would not have a Material Adverse Effect.

Section 5.12. Compliance with ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in Section 3 of ERISA), and no event, transaction or condition has occurred or exists that would reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to Section 401(a)(29) or 412 of the Code, other than such liabilities or Liens as would not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans subject to Title IV of ERISA (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term "benefit liabilities" has the meaning specified in Section 4001 of ERISA and the terms "current value" and "present value" have the meaning specified in Section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected postretirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Restricted Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Notes hereunder will not involve any transaction that is subject to the prohibitions of section 406 of ERISA or in connection with which a tax could be imposed pursuant to section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of each of the Purchaser's representations in Section 6.2 as to the sources of the funds to be used to pay the purchase price of the Notes to be purchased by such Purchaser.

Section 5.13. Private Offering by the Company.

Neither the Company nor anyone acting on its behalf has offered the Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any person other than the Purchasers and not more than 30 other Institutional Investors, each of which has been offered the Notes at a private sale for investment. Neither the Company or anyone acting on its behalf has taken, nor will the Company take or authorize or direct anyone acting on its behalf to take, any action that would subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act.

Section 5.14. Use of Proceeds; Margin Regulations.

The Company will apply the proceeds of the sale of the Notes as set forth in Schedule 5.14. No part of the proceeds from the sale of the Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation G of the Board of Governors of the Federal Reserve System (12 CFR 207), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 5% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 5% of the value of such assets. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation G.

Section 5.15. Existing Debt. Schedule 5.15 sets forth

a complete and correct list of all outstanding Debt of the Company and its Restricted Subsidiaries as of the date of the Closing. Neither the Company nor any Restricted Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or such Restricted Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Restricted Subsidiary the total outstanding principal amount of which exceeds \$500,000 that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

Section 5.16. Foreign Assets Control Regulations,

etc. Neither the sale of the Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

Section 5.17. Status under Certain Statutes. Neither

the Company nor any Restricted Subsidiary is registered or required to be registered as an "investment company" under the Investment Company Act of 1940, as amended, or is subject to regulation under the Public Utility Holding Company Act of 1935, as amended, the Interstate Commerce Act, as amended, or the Federal Power Act, as amended. Except for SEI Financial Services Company and SEI Financial Management Corporation, which are registered under the Investment Advisers Act of 1940, as amended, neither the Company nor any Restricted Subsidiary is registered or required to be registered as an "investment adviser" under the Investment Advisers Act of 1940, as amended.

Section 6. Representations of the Purchaser.

Section 6.1. Purchase for Investment. Each Purchaser

represents that such Purchaser is purchasing the Notes for its own account or for one or more separate accounts maintained by it or for the account of one or more pension or trust funds and not with a view to the distribution thereof, provided that the disposition of such Purchaser's or their property shall at all times be within its or their control. Each Purchaser represents that it is either (i) an "accredited investor" as defined in Rule 501(a) promulgated under the Securities Act, with such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Notes and is able to bear the economic risk of an



investment in the Notes or (ii) a "qualified institutional buyer" as defined in Rule 144A of the Securities Act. Each Purchaser understands that the Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Notes.

Section 6.2. Source of Funds. Each Purchaser represents that at least one of the following statements is an accurate representation as to each source of funds (a "Source") to be used by such Purchaser to pay the purchase price of the Notes to be purchased by it hereunder:

(a) the Source is such Purchaser's "insurance company general account" as defined in Department of Labor Prohibited Transaction Exemption ("PTE") 95-60 (issued July 12, 1995) and in respect thereof such Purchaser represents that there is no "employee benefit plan" (as defined in Section 3(3) of ERISA and Section 4975(e)(1) of the Code) established or maintained by the Company (and affiliates thereof as defined in section V(a)(1) of PTE 95-60) with respect to which the amount of general account reserves and liabilities of all contracts held by or on behalf of such plan exceed ten percent (10%) of the total reserves and liabilities of such general account (exclusive of separate account liabilities) plus surplus, as set forth in the National Association of Insurance Commissioners' Annual Statement filed with such Purchaser's state of domicile; or

(b) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 (issued January 29, 1990), or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 (issued July 12, 1991) and, except as such Purchaser shall have disclosed to the Company in writing pursuant to this paragraph (b), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(c) the Source constitutes assets of an "investment fund" (within the meaning of Part V of the QPAM Exemption) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), and the purchase of the Notes satisfies the conditions of the QPAM Exemption; or

(d) the Source is a governmental plan; or

(e) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this paragraph (e); or

(f) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

If any Purchaser of the Notes indicates that such Purchaser is relying on any representation contained in paragraph (b) or (e) above, the Company shall deliver on the date of Closing a certificate, which shall state that it is neither a party in interest nor a "disqualified person" (as defined in Section 4975(e)(2) of the Internal Revenue Code of 1986, as amended), with respect to any plan identified pursuant to paragraphs (b) or (e) above. Anything contained herein to the contrary notwithstanding, any subsequent transferee of the Notes (i) shall not be entitled to rely on paragraph (e) above, and (ii) shall only be entitled to rely on paragraph (b) above to the extent no disclosure of plans with a greater than 10% interest in such separate account or investment fund is required to be given to the Company.

As used in this Section 6.2, the terms "employee benefit plan", "governmental plan", "party in interest" and "separate account" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

Section 7. Information as to Company.

Section 7.1. Financial and Business Information. The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) Quarterly Statements -- promptly, and in any event within 60 days after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of, (i) a consolidated balance sheet of the Company and its Restricted Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Restricted Subsidiaries, for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter, setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments, provided that, if for such quarterly fiscal period the gross revenues of all Unrestricted Subsidiaries, determined on a consolidated basis, shall be less than 5% of the gross revenues of the Company and its Subsidiaries, determined on a consolidated basis, delivery within the time period specified above of copies of the Company's Quarterly Report on Form 10-Q prepared in compliance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(a);

(b) Annual Statements-- promptly, and in any event within 105 days after the end of each fiscal year of the Company, duplicate copies of,

(i) a consolidated balance sheet of the Company and its Restricted Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, changes in shareholders' equity and cash flows of the Company and its Restricted Subsidiaries, for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, provided that, if for such fiscal year the gross revenues of all Unrestricted Subsidiaries, determined on a consolidated basis, shall be less than 5% of the gross revenues of the Company and its Subsidiaries, determined on a consolidated basis, the delivery within the time period specified above of the Company's Annual Report on Form 10-K for such fiscal year (together with the Company's annual report to shareholders, if any, prepared pursuant to Rule 14a-3 under the Exchange Act) prepared in accordance with the requirements therefor and filed with the Securities and Exchange Commission shall be deemed to satisfy the requirements of this Section 7.1(b);

(c) SEC and Other Reports -- promptly upon their becoming available, one copy of (i) each financial statement, report, notice or proxy statement sent by the Company or any Subsidiary to public securities holders generally, and (ii) each regular or periodic report, each registration statement that shall have become effective (without exhibits except as expressly requested by such holder), and each final prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission;

(d) Notice of Default or Event of Default -- promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(g), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) ERISA Matters -- promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(b) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a

trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, would reasonably be expected to have a Material Adverse Effect;

(f) Notices from Governmental Authority -- promptly, and in any event within 30 days of a Responsible Officer's receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect; and

(g) Requested Information -- with reasonable promptness, such other data and information (including, without limitation, management letters, if requested by any such holder of Notes) relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes.

Section 7.2. Officer's Certificate. Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) hereof shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) Covenant Compliance -- the information (including detailed calculations, where applicable) required in order to establish whether the Company was in compliance with the requirements of Section 10.1 through Section 10.6 hereof, inclusive, during the quarterly or annual period covered by the statements then being furnished (including with respect to each such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence); and

(b) Event of Default -- a statement that such officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default (to the extent a Senior Financial Officer has knowledge thereof after inquiry of the Responsible Officers) or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto.

Section 7.3. Inspection. The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) No Default -- if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries with the Company's officers, and, with the consent of the Company (which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Restricted Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) Default -- if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Restricted Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Restricted Subsidiaries), all at such times and as often as may be requested.

Section 8. Prepayment of the Notes.

Section 8.1. Required Prepayments. (a) Series A Notes. On February 24, 1998 and on each February 24 thereafter to and including February 24, 2002 the Company will prepay \$1,000,000 principal amount (or such lesser principal amount as shall then be outstanding) of the Series A Notes at par and

without payment of the Make-Whole Amount or any premium and on February 24, 2003 and on each February 24 thereafter to and including February 24, 2006 the Company will prepay \$3,000,000 principal amount (or such lesser principal amount as shall then be outstanding) of the Series A Notes at par and without payment of the Make-Whole Amount or any premium, provided that upon any partial prepayment of the Series A Notes pursuant to Section 8.2 or Section 8.4 or any purchase of the Series A Notes permitted by Section 8.6 the principal amount of each required prepayment of the Series A Notes becoming due under this Section 8.1 on and after the date of such prepayment or purchase shall be reduced in the same proportion as the aggregate unpaid principal amount of the Series A Notes is reduced as a result of such prepayment or purchase.

(b) Series B Notes. On February 24, 1998 and on each February 24 thereafter to and including February 24, 2011 the Company will prepay \$1,000,000 principal amount (or such lesser principal amount as shall then be outstanding) of the Series B Notes at par and without payment of the Make-Whole Amount or any premium, provided that upon any partial prepayment of the Series B Notes pursuant to Section 8.2 or Section 8.4 or any purchase of the Series B Notes permitted by Section 8.6 the principal amount of each required prepayment of the Series B Notes becoming due under this Section 8.1 on and after the date of such prepayment or purchase shall be reduced in the same proportion as the aggregate unpaid principal amount of the Series B Notes is reduced as a result of such prepayment or purchase.

Section 8.2. Optional Prepayments with Make-Whole Amount. The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part, of the Notes, in an amount not less than 10% of the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.2 not less than 20 days and not more than 90 days prior to the date fixed for such prepayment. Each such notice shall specify such date, the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.3), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.3. Allocation of Partial Prepayments. In the case of each partial prepayment of the Notes pursuant to Section 8.2, the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof .

Section 8.4. Prepayment upon Change in Control. (a) Notice of Change in Control or Control Event. The Company will, within three Business Days after any Responsible Officer has knowledge of the occurrence of any Change in Control or Control Event, give written notice of such Change in Control or Control Event to each holder of Notes unless notice in respect of such Change in Control (or the Change in Control contemplated by such Control Event) shall have been given pursuant to subparagraph (b) of this Section 8.4. If a Change in Control has occurred, such notice shall contain and constitute an offer to prepay Notes as described in subparagraph (c) of this Section 8.4 and shall be accompanied by the certificate described in subparagraph (g) of this Section 8.4.

(b) Condition to Company Action. The Company will not take any action that consummates or finalizes a Change in Control unless (i) at least 30 days prior to such action it shall have given to each holder of Notes written notice containing and constituting an offer to prepay Notes as described in subparagraph (c) of this Section 8.4, accompanied by the certificate described in subparagraph (g) of this Section 8.4, and (ii) contemporaneously with such action, it prepays all Notes required to be prepaid to be in accordance with this Section 8.4.

(c) Offer to Prepay Notes. The offer to prepay Notes contemplated by subparagraphs (a) and (b) of this Section 8.4 shall be an offer to prepay, in accordance with and subject to this Section 8.4, all, but not less than all, the Notes held by each holder (in this case only, "holder" in respect of any Note registered in the name of a nominee for a disclosed beneficial owner shall mean such beneficial owner) on a date specified in such offer (the "Proposed Prepayment Date"). If such Proposed Prepayment Date is in connection with an offer contemplated by subparagraph (a) of this Section 8.4, such date shall be not less than 30 days and not more than 40 days after the date of such offer (if the Proposed Prepayment Date shall not be specified in such offer, the Proposed Prepayment Date shall be the 30th day after the date of such offer).

(d) Acceptance; Rejection. A holder of Notes may accept the offer to prepay made pursuant to this Section 8.4 by causing a notice of such acceptance to be delivered to the Company at least 15 days prior to the Proposed Prepayment Date. If the offer is so accepted by any holder of Notes, the Company at least 10 days prior to the Proposed Prepayment Date shall give written notice to each holder of Notes that has not so accepted the offer, in which notice the Company shall (i) state the aggregate outstanding principal amount of Notes in respect of which the offer has been accepted and (ii) renew the offer and extend the time for acceptance by stating that any holder of Notes may yet accept the offer, whether theretofore rejected or not, by causing a notice of such acceptance to be delivered to the Company at least three days prior to the Proposed Prepayment Date. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this Section 8.4 shall be deemed to constitute a rejection of such offer by such holder.

(e) Prepayment. Prepayment of the Notes to be prepaid pursuant to this Section 8.4 shall be at 100% of the principal amount of such Notes, together with interest on such Notes accrued to the date of prepayment. The prepayment shall be made on the Proposed Prepayment Date except as provided in subparagraph (f) of this Section 8.4.

(f) Deferral Pending Change in Control. The obligation of the Company to prepay Notes pursuant to the offers required by subparagraph (b) and accepted in accordance with subparagraph (d) of this Section 8.4 is subject to the occurrence of the Change in Control in respect of which such offers and acceptances shall have been made. In the event that such Change in Control does not occur on the Proposed Prepayment Date in respect thereof, the prepayment shall be deferred until and shall be made on the date on which such Change in Control occurs. The Company shall keep each holder of Notes reasonably and timely informed of (i) any such deferral of the date of prepayment, (ii) the date on which such Change in Control and the prepayment are expected to occur, and (iii) any determination by the Company that efforts to effect such Change in Control have ceased or been abandoned (in which case the offers and acceptances made pursuant to this Section 8.4 in respect of such Change in Control shall be deemed rescinded).

(g) Officer's Certificate. Each offer to prepay the Notes pursuant to this Section 8.4 shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such offer, specifying: (i) the Proposed Prepayment Date; (ii) that such offer is made pursuant to this Section 8.4; (iii) the principal amount of each Note offered to be prepaid; (iv) the interest that would be due on each Note offered to be prepaid, accrued to the Proposed Prepayment Date; (v) that the conditions of this Section 8.4 have been fulfilled; and (vi) in reasonable detail, the nature and date or proposed date of the Change in Control.

(h) "Change in Control" Defined. A "Change in Control" shall occur on the first day that any Person or Persons acting in concert (other than any one or more of the Current Management Group), together with Affiliates thereof, shall (i) in the aggregate, directly or indirectly, control or own (beneficially or otherwise) a majority (by number of shares) of the issued and outstanding Voting Stock of the Company, or (ii) acquire all or substantially all of the assets of the Company and its Restricted Subsidiaries.

(i) "Control Event" Defined. "Control Event" means:  
(i) the execution by the Company or any of its Subsidiaries or Affiliates of any agreement or letter of intent with respect to any proposed transaction or event or series of transactions or events which, individually or in the aggregate, may reasonably be expected to result in a Change in Control,

(ii) the execution of any written agreement which, when fully performed by the parties thereto, would result in a Change in Control, or

(iii) the making of any written offer by any Person or Persons acting in concert to the holders of the Voting Stock of the Company, which offer, if accepted by the requisite number of holders, would result in a Change in Control.

(j) "Current Management Group" Defined. "Current Management Group" means Alfred P. West, Jr., Henry H. Greer, Carmen V. Romeo, Richard B. Lieb, William M. Doran, Donald C. Carroll and Henry H. Porter, Jr. and their respective Families and Family Trusts.

(k) "Family" Defined. "Family" means, in respect of any individual, lineal descendants to the second degree of consanguinity of such individual.

(1) "Family Trusts" Defined. "Family Trusts" means, in respect of any individual, any trusts for the exclusive benefit of such individual, his/her spouse and lineal descendants, so long as one or more of the Current Management Group (other than a Family Trust) has the exclusive right to control each such trust.

Section 8.5. Maturity; Surrender, Etc. In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and canceled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.6. Purchase of Notes. The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except (a) upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes or (b) pursuant to an offer to purchase made by the Company or an Affiliate pro rata to the holders of all Notes at the time outstanding upon the same terms and conditions (giving effect to the different maturities and interest rates applicable to each series of Notes). Any such offer shall provide each holder with sufficient information to enable it to make an informed decision with respect to such offer, and shall remain open for at least 15 Business Days. If the holders of more than 10% of the principal amount of the Notes then outstanding accept such offer, the Company shall promptly notify the remaining holders of such fact and the expiration date for the acceptance by holders of Notes of such offer shall be extended by the number of days necessary to give each such remaining holder at least 10 Business Days from its receipt of such notice to accept such offer. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.7. Make-Whole Amount. The term "Make-Whole Amount" means, with respect to any Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Note over the amount of such Called Principal, provided that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings: "Called Principal" means, with respect to any Note, the principal of such Note that is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

"Discounted Value" means, with respect to the Called Principal of any Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on such Note is payable) equal to the Reinvestment Yield with respect to such Called Principal.

"Reinvestment Yield" means, with respect to the Called Principal of any Note, 0.50% over the yield to maturity implied by (i) the yields reported, as of 10:00 A.M. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as "Page 678" on the Telerate Access Service (or such other display as may replace Page 678 on the Telerate Access Service) for actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable, the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond-equivalent yields in accordance with accepted financial practice and (b)

interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than the Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than the Remaining Average Life.

"Remaining Average Life" means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

"Remaining Scheduled Payments" means, with respect to the Called Principal of any Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, provided that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.2 or 12.1.

"Settlement Date" means, with respect to the Called Principal of any Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.2 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

## Section 9. Affirmative Covenants.

The Company covenants that so long as any of the Notes are outstanding:

Section 9.1. Compliance with Law. The Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations would not reasonably be expected, individually or in the aggregate, to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

Section 9.2. Insurance. The Company will, and will cause each of its Restricted Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 9.3. Maintenance of Properties. The Company will, and will cause each of its Restricted Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, provided that this Section shall not prevent the Company or any Restricted Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

Section 9.4. Payment of Taxes. The Company will, and will cause each of its Subsidiaries to, file all income tax or similar tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies payable by any of them, to the extent such taxes and assessments have

become due and payable and before they have become delinquent, provided that neither the Company nor any Subsidiary need pay any such tax or assessment if (i) the amount, applicability or validity thereof is contested by the Company or such Restricted Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or such Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate would not reasonably be expected to have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

Section 9.5. Corporate Existence, Etc. The Company will at all times preserve and keep in full force and effect its corporate existence. Subject to Section 10.4, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Restricted Subsidiaries and all rights and franchises of the Company and its Restricted Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise would not, individually or in the aggregate, have a materially adverse effect on the business, operations, affairs, financial condition, properties or assets of the Company and its Restricted Subsidiaries taken as a whole.

Section 10. Negative Covenants.

The Company covenants that so long as any of the Notes are outstanding:

Section 10.1. Fixed Charges Coverage Ratio. The Company will not, at any time, permit the Fixed Charges Coverage Ratio to be less than 1.25 to 1.

Section 10.2. Limitations on Debt. (a) The Company will not, at any time, permit Consolidated Debt to exceed 65% of Consolidated Capitalization.

(b) The Company will not, and will not permit any Restricted Subsidiary to, create, assume or incur or in any manner become liable in respect of any Debt, except:

(1) Debt evidenced by the Notes;

(2) Debt of the Company and its Restricted Subsidiaries outstanding as of the date of the Closing and reflected on Schedule 5.15 and any undrawn amounts available under the Revolving Credit Agreement (as defined in Schedule 5.15), provided that the total amount drawn under the Revolving Credit Agreement shall not exceed \$50,000,000;

(3) unsecured Debt of the Company and secured Debt of the Company secured by Liens permitted by Section 10.5(g) and Section 10.5(i), provided that at the time of issuance thereof and after giving effect thereto and to the application of the proceeds thereof:

(i) no Default or Event of Default exists,

and

(ii) in the case of the issuance of any such secured Debt of the Company secured by Liens permitted by Section 10.5(i), the aggregate amount of all Debt (excluding Debt permitted pursuant to Section 10.2(b)(8)) of the Company secured by Liens permitted by Section 10.5(i) and all Debt (excluding Debt permitted pursuant to Section 10.2(b)(8)) of Restricted Subsidiaries shall not exceed 20% of Consolidated Net Worth;

(4) unsecured Debt of Restricted Subsidiaries and secured Debt of Restricted Subsidiaries secured by Liens permitted by Section 10.5(g) and Section 10.5(i), provided that at the time of issuance thereof and after giving effect thereto and to the application of the proceeds thereof:

(i) no Default or Event of Default exists,

and

(ii) in the case of the issuance of any such Debt of Restricted Subsidiaries, the aggregate amount of all Debt (excluding Debt permitted pursuant to Section 10.2(b)(8)) of the Company secured by Liens permitted by Section 10.5(i) and all Debt (excluding Debt permitted pursuant to



Section 10.2(b)(8)) of Restricted Subsidiaries shall not exceed 20% of Consolidated Net Worth;

(5) Debt of the Company to a Restricted Subsidiary;

(6) Debt of a Restricted Subsidiary to the Company or to a Restricted Subsidiary;

(7) Debt which constitutes a renewal, extension, substitution, refinancing, or replacement (collectively, a "Restructuring") of Debt of the Company and its Restricted Subsidiaries, provided that the Debt resulting from such Restructuring shall not exceed the outstanding principal amount of such Debt being restructured unless the Company and its Restricted Subsidiaries would be permitted to issue such excess amount of Debt pursuant to clauses (3), (4), (5), (6) or (8), as the case may be, of this Section 10.2(b); and

(8) non-recourse Debt of the Company and its Restricted Subsidiaries incurred in connection with (i) the financing of the distribution of fund shares that do not assess a front-end load or sales charge which Debt expressly precludes the payment thereof from any properties or assets of the Company or any Restricted Subsidiary other than Rule 12b-1 Fees, contingent deferred sales charges, other substantially similar fees, charges, expenses or liabilities permitted under applicable law, and the proceeds thereof, or (ii) the financing, acquisition or purchase of trade finance receivables which Debt expressly precludes the payment thereof from any properties or assets of the Company or any Restricted Subsidiary other than such receivables and the proceeds thereof.

(c) Any Person which becomes a Restricted Subsidiary after the date hereof shall for all purposes of this Section 10.2 be deemed to have created, assumed or incurred at the time it becomes a Restricted Subsidiary all Debt of such Person existing immediately after it becomes a Restricted Subsidiary.

Section 10.3. Consolidated Net Worth. (a) The Company will not, at any time on or before December 31, 1999, permit Consolidated Net Worth to be less than the sum of (i) \$30,000,000, plus (ii) an aggregate amount equal to 30% of its Consolidated Net Income (but, in each case, only if a positive number) for each completed fiscal year beginning with the fiscal year ending on December 31, 1997, plus (iii) 30% of its Consolidated Net Income (but only if a positive number) for the period beginning on the first day of the then current fiscal year and ending at the end of the then most recently completed fiscal quarter.

(b) The Company will not, at any time after December 31, 1999, permit Consolidated Net Worth to be less than the sum of (i) \$30,000,000, plus (ii) an aggregate amount equal to 30% of its Consolidated Net Income (but, in each case, only if a positive number) for each fiscal year beginning with the fiscal year ending on December 31, 1997 and ending with the fiscal year ending on December 31, 1999, plus (iii) an aggregate amount equal to 50% of its Consolidated Net Income (but, in each case, only if a positive number) for each completed fiscal year beginning with the fiscal year ending on December 31, 2000, plus (iv) 50% of its Consolidated Net Income (but only if a positive number) for the period beginning on the first day of the then current fiscal year and ending at the end of the then most recently completed fiscal quarter.

Section 10.4. Mergers, Consolidations and Sales of Assets. (a) The Company will not, and will not permit any Restricted Subsidiary to, (i) consolidate with or be a party to a merger with any other Person or (ii) sell, lease or otherwise dispose of all or any substantial part (as defined in paragraph (d) of this Section 10.4) of the property or assets (an "Asset Disposition") of the Company and its Restricted Subsidiaries; provided, however, that:

(1) any Restricted Subsidiary may merge or consolidate with or into the Company or any Restricted Subsidiary so long as in any merger or consolidation involving the Company, the Company shall be the surviving or continuing corporation;

(2) the Company may consolidate or merge with any other Person if (i) the Company shall be the surviving or continuing corporation and (ii) at the time of such consolidation or merger and after giving effect thereto no Default or Event of Default shall have occurred and be continuing;

(3) any Restricted Subsidiary may consolidate or merge with any other Person if at the time of such consolidation or merger and after giving effect thereto:

(A) no Default or Event of Default shall have occurred and be continuing; and

(B) the property and assets of such Restricted Subsidiary do not constitute a substantial part of the property and assets of the Company and its Restricted Subsidiaries;

(4) any Restricted Subsidiary may make an Asset Disposition to the Company or any Restricted Subsidiary; and

(5) the Company or any Restricted Subsidiary may make an Asset Disposition to the extent related to:

(A) property and assets which are considered to be a part of operations which are deemed to be discontinued as of December 31, 1996, in accordance with GAAP,

(B) Rule 12b-1 Fees, contingent deferred sales charges, other substantially similar fees, charges, expenses or liabilities permitted under applicable law, and the proceeds thereof to which the Company or any Restricted Subsidiary is or will be entitled, or

(C) trade finance receivables and the proceeds thereof to which the Company or any Restricted Subsidiary is or will be entitled.

(b) The Company will not permit any Restricted Subsidiary to issue or sell any shares of stock of any class (including as "stock" for the purposes of this Section 10.4, any warrants, rights or options to purchase or otherwise acquire stock or other Securities exchangeable for or convertible into stock) of such Restricted Subsidiary (except to qualify directors) to any Person other than the Company or a Restricted Subsidiary, unless (i) at the time of such issuance or sale and after giving effect thereto, no Default or Event of Default exists, (ii) such issue or sale does not constitute a substantial part (as hereinafter defined) of the property and assets of the Company and its Restricted Subsidiaries, and (iii) the Minority Interests in such Restricted Subsidiary, after giving effect to such issuance or sale, would not exceed 20%.

(c) The Company will not sell, transfer or otherwise dispose of any shares of stock of any Restricted Subsidiary (except to qualify directors) or any Indebtedness of any Restricted Subsidiary, and will not permit any Restricted Subsidiary to sell, transfer or otherwise dispose of (except to the Company or a Restricted Subsidiary) any shares of stock or any Indebtedness of any other Restricted Subsidiary, unless:

(1) either

(A) such sale, transfer or disposition is made within the limitations of Section 10.4(b), or

(B) simultaneously with such sale, transfer, or disposition, all shares of stock and all Indebtedness of such Restricted Subsidiary at the time owned by the Company and by every other Restricted Subsidiary shall be sold, transferred or disposed of as an entirety, or

(C) at the time of such sale, transfer or disposition, any Investment in such Restricted Subsidiary, and each other Restricted Subsidiary (if any) which has or will be indirectly sold, transferred or disposed of as a result of such sale, transfer or disposition, (collectively, the "Transferred Subsidiaries") by the Company and by every other Restricted Subsidiary after giving effect to such sale, transfer or disposition shall be deemed an Investment made by the Company or such other Restricted Subsidiary at such time;

(2) the Board of Directors of the Company shall have determined, as evidenced by a resolution thereof, that the proposed sale, transfer or disposition of said shares of stock and Indebtedness is in the best interests of the Company;

(3) said shares of stock and Indebtedness are sold, transferred or otherwise disposed of to a Person, for consideration and on terms reasonably deemed by the Board of Directors to be adequate and satisfactory, provided that (i) the amount of any non-cash consideration received by the Company or a Restricted Subsidiary shall be determined in good faith to be a reasonable amount of non-cash consideration by the Board of Directors of the Company, as evidenced by an Officer's Certificate of the Company setting forth in reasonable detail the basis of such determination and delivered to the holders of the Notes, and (ii) any non-cash consideration which would be classified as an Investment of the Company or such Restricted Subsidiary shall be deemed an Investment made by the Company or such Restricted Subsidiary on the date of such sale, transfer or disposition in the amount of such valuation;

(4) except in the case of transactions permitted by Section 10.4(b) or 10.4(c)(1)(A), either (A) the Transferred Subsidiaries shall not have any continuing investment in the Company or any

other Restricted Subsidiary not being simultaneously disposed of, or (B) after giving effect to such sale, transfer or disposition, (x) any Debt of the Company and any other Restricted Subsidiary to such Transferred Subsidiaries (including Guaranties of Debt of such Transferred Subsidiaries) shall be deemed Debt incurred by the Company or such other Restricted Subsidiary at the time of such sale, transfer or disposition and (y) any shares of stock of the Company and any other Restricted Subsidiary held by such Transferred Subsidiaries shall be deemed to have been issued and sold to such Transferred Subsidiaries by the Company or such other Restricted Subsidiary for purposes of this Section 10.4;

(5) the property and assets of the Transferred Subsidiaries do not constitute a substantial part (as hereinafter defined) of the property and assets of the Company and its Restricted Subsidiaries; and

(6) at the time of such sale, transfer or disposition and after giving effect thereto, no Default or Event of Default exists.

(d) As used in this Section 10.4, a sale, lease or other disposition of property and assets shall be deemed to be a "substantial part" of the property and assets of the Company and its Restricted Subsidiaries if:

(i) the book value of such property and assets, when added to the book value of all other property and assets sold, leased or otherwise disposed of by the Company and its Restricted Subsidiaries (other than in the ordinary course of business) during the 12-month period ending with the date of such sale, lease or other disposition, exceeds 10% of Total Assets, determined as of the end of the immediately preceding fiscal year;

(ii) EBITDA associated with such property and assets, when added to EBITDA associated with all other property and assets sold, leased or otherwise disposed of by the Company and its Restricted Subsidiaries (other than in the ordinary course of business) during the 12-month period ending with the date of such sale, lease or other disposition, exceeds 10% of EBITDA associated with all property and assets of the Company and its Restricted Subsidiaries, determined in each case for the immediately preceding fiscal year;

(iii) the book value of such property and assets, when added to the book value of all other property and assets sold, leased or otherwise disposed of by the Company and its Restricted Subsidiaries (other than in the ordinary course of business) during the period beginning on January 1, 1997 and ending with the date of such sale, lease or other disposition, exceeds 30% of Total Assets, determined as of the end of the immediately preceding fiscal year; or

(iv) EBITDA associated with such property and assets, when added to EBITDA associated with all other property and assets sold, leased or otherwise disposed of by the Company and its Restricted Subsidiaries (other than in the ordinary course of business) during the period beginning on January 1, 1997 and ending with the date of such sale, lease or other disposition, determined in each case for the fiscal year immediately preceding such sale, lease or other disposition, exceeds 30% of EBITDA associated with all property and assets of the Company and its Restricted Subsidiaries, determined for the immediately preceding fiscal year.

If the Net Proceeds of any sale, lease or other disposition of assets are applied to a Debt Prepayment Application or a Property Reinvestment Application within 365 days after such sale, lease or other disposition, then such sale, lease or other disposition shall not be included in any computations under this paragraph (d) as of a date on or after the Net Proceeds are so applied; provided, that in the opinion of the Board of Directors of the Company, such sale, lease or other disposition is in exchange for consideration having a Fair Market Value at least equal to that of the property and assets exchanged and is in the best interest of the Company or such Restricted Subsidiary.

Section 10.5. Limitation on Liens. The Company will not, and will not permit any Restricted Subsidiary to, create or incur, or suffer to be incurred or to exist, any Lien on its or their property or assets, whether now owned or hereafter acquired, or upon any income or profits therefrom, or transfer any property for the purpose of subjecting the same to the payment of obligations in priority to the payment of its or their general creditors, or acquire or agree to acquire, or permit any Restricted Subsidiary to acquire, any property or assets upon conditional sales agreements or other title retention devices, except:

(a) Liens for property taxes and assessments or governmental charges or levies and Liens securing claims or demands of carriers, warehousemen, landlords, mechanics and materialmen, provided payment thereof is not at the time required by Section 9.4;

(b) Liens of or resulting from any judgment or award, the time for the appeal or petition for rehearing of which shall not have expired, or in respect of which the Company or a Restricted Subsidiary shall at any time in good faith be pursuing an appeal or proceeding for a review and in respect of which a stay of execution pending such appeal or proceeding for review shall have been secured;

(c) Liens incidental to the conduct of business or the ownership of properties and assets (including Liens in connection with worker's compensation, unemployment insurance and other like laws, warehousemen's and attorneys' liens and statutory landlords' liens) and Liens to secure the performance of bids, tenders or trade contracts, or to secure statutory obligations, surety or appeal bonds or other Liens of like general nature incurred in the ordinary course of business and not in connection with the borrowing of money; provided in each

case, the obligation secured is not overdue or, if overdue, is being contested in good faith by appropriate actions or proceedings;

(d) minor survey exceptions or minor encumbrances, easements or reservations, or rights of others for rights-of-way, utilities and other similar purposes, or zoning or other restrictions as to the use of real properties, which are necessary for the conduct of the activities of the Company and its Restricted Subsidiaries or which customarily exist on properties of corporations engaged in similar activities and similarly situated and which do not in any event materially impair their use in the operation of the business of the Company and its Restricted Subsidiaries;

(e) Liens securing Debt of a Restricted Subsidiary to the Company or to another Restricted Subsidiary;

(f) Liens existing as of the date of the Closing and securing Debt of the Company and its Restricted Subsidiaries referred to in item 2 of Schedule 5.15;

(g) Liens incurred after the date of the Closing given to secure Capitalized Leases or the payment of the purchase price incurred in connection with the acquisition of fixed assets useful and intended to be used in carrying on the business of the Company or a Restricted Subsidiary, including Liens existing on such fixed assets at the time of acquisition thereof or at the time of acquisition by the Company or a Restricted Subsidiary of any business entity then owning such fixed assets, whether or not such existing Liens were given to secure the payment of the purchase price of the fixed assets to which they attach so long as they were not incurred, extended or renewed in contemplation of such acquisition, provided that (i) the Lien shall attach solely to the fixed assets acquired or purchased, (ii) at the time of acquisition of such fixed assets, the aggregate amount remaining unpaid on all Indebtedness secured by Liens on such fixed assets whether or not assumed by the Company or a Restricted Subsidiary shall not exceed an amount equal to 100% of the lesser of the total purchase price or fair market value at the time of acquisition of such fixed assets (as determined in good faith by the chief financial officer of the Company), and (iii) all such Indebtedness shall have been incurred within the applicable limitations provided in Section 10.2(a) and Section 10.2(b);

(h) Liens renewing, extending or refunding any Lien permitted by paragraphs (f) or (g) of this Section 10.5, provided that (i) at the time of such extension, renewal or refunding and after giving effect thereto, no Default or Event of Default exists, (ii) the principal amount of Indebtedness secured by such Lien immediately prior to such extension, renewal or refunding is not increased or the maturity thereof reduced, and (iii) such Lien is not extended to any other property of the Company or any Restricted Subsidiary;

(i) other Liens not otherwise permitted by paragraphs (a) through (h), provided that the Indebtedness secured thereby is permitted pursuant to Section 10.2(b)(3) or Section 10.2(b)(4), as the case may be; and

(j) Liens on Rule 12b-1 Fees, contingent deferred sales charges, other substantially similar fees, charges, expenses or liabilities permitted under applicable law, and trade finance receivables and the proceeds thereof, provided that the Debt secured thereby is permitted pursuant to Section 10.2(b)(8).

For the purposes of this Section 10.5, any Person becoming a Restricted Subsidiary after the date of this Agreement shall be deemed to have incurred all of its then outstanding Liens at the time it becomes a Restricted Subsidiary, and any Person extending, renewing or refunding any Indebtedness secured by any Lien permitted pursuant to Section 10.5(i) shall be deemed to have incurred such Lien at the time of such extension, renewal or refunding.

Section 10.6. Investments. The Company will not, and will not permit any Restricted Subsidiary to, make any Investments, other than :

(a) Investments existing as of the date of the Closing and reflected on Schedule 10.6(a);

(b) Investments by the Company and its Restricted Subsidiaries in and to Subsidiaries, including any Investment in a corporation which, after giving effect to such Investment, will become a Subsidiary;

(c) Investments in commercial paper maturing in 270 days or less from the date of acquisition which, at the time of acquisition by the Company or any Restricted Subsidiary, is accorded the highest rating by S&P, Moody's or other nationally recognized credit rating agency of similar standing;

(d) Investments in direct obligations of the United States of America or any agency or instrumentality of the United States of America, the payment or guarantee of which constitutes a full faith and credit obligation of the United States of America, in either case, maturing in twelve months or less from the date of acquisition thereof;

(e) Investments in certificates of deposit maturing within one year from the date of

acquisition thereof, issued by an Acceptable Bank;

(f) Investments in property to be used in the ordinary course of business of the Company and its Restricted Subsidiaries, including assets designated as loans receivable available for sale in accordance with GAAP;

(g) Investments in new mutual funds or other pooled investment vehicles sponsored, managed or administered by the Company or any Restricted Subsidiary, provided that the amount of any Investment in any new mutual fund or other pooled investment vehicle administered (but not sponsored or managed) by the Company or any Restricted Subsidiary shall not exceed the lesser of (A) \$500,000, or (B) the minimum amount of such Investment required by applicable law;

(h) Investments in the Company's common stock related to a disclosed stock repurchase or buy-back plan;

(i) Investments in Repurchase Agreements with a term of not more than 365 days; and

(j) Restricted Investments, provided that immediately after giving effect thereto the aggregate outstanding value of all such Restricted Investments (valued immediately after giving effect thereto) would not exceed the greater of (A) \$6,000,000 and (B) 5% of Consolidated Net Worth determined as of the date such Restricted Investment is made.

In valuing any Investments for the purpose of applying the limitations set forth in this Section 10.6, such Investments shall be taken at the original cost thereof, without allowance for any subsequent write-offs or appreciation or depreciation therein, but less any amount repaid or recovered on account of capital or principal.

For purposes of this Section 10.6, at any time when a corporation becomes a Restricted Subsidiary, all Investments of such corporation at such time shall be deemed to have been made by such corporation, as a Restricted Subsidiary, at such time.

#### Section 10.7. Changes in Status of Subsidiaries.

(a) So long as no Default or Event of Default shall have occurred and be continuing, the Board of Directors of the Company may at any time and from time to time, upon not less than 30 days' prior written notice given to each holder of Notes, designate a previously Unrestricted Subsidiary (including a new Subsidiary designated on the date of its formation) which satisfies the requirements of clauses (i) and (ii) of the definition of "Restricted Subsidiary" contained in Exhibit B as a Restricted Subsidiary, provided that (1) immediately after such designation and after giving effect thereto no Default or Event of Default shall have occurred and be continuing and (2) after giving effect to such designation, the Consolidated Net Income of all Foreign Subsidiaries of the Company for the then most recently completed fiscal quarter shall not exceed 10% of the Consolidated Net Income of the Company and its Restricted Subsidiaries for the then most recently completed fiscal quarter, and provided, further, that any Subsidiary (other than a new Subsidiary designated a Restricted Subsidiary on the date of its formation) which is designated a Restricted Subsidiary by the Board of Directors of the Company subsequent to the date of this Agreement and thereafter is designated by the Board of Directors of the Company, or becomes, an Unrestricted Subsidiary, may not be redesignated a Restricted Subsidiary.

(b) So long as no Default or Event of Default shall have occurred and be continuing, the Board of Directors of the Company may at any time and from time to time, upon not less than 30 days' prior written notice given to each holder of Notes, designate a previously Restricted Subsidiary as an Unrestricted Subsidiary, provided that immediately after such designation and after giving effect thereto (i) no Default or Event of Default shall have occurred and be continuing, and (ii) either (1) such Subsidiary shall not have any continuing investment in the Company or any other Restricted Subsidiary not being simultaneously designated an Unrestricted Subsidiary, or (2) after giving effect to such designation, (x) any Debt of the Company and any other Restricted Subsidiary to such Subsidiary being designated an Unrestricted Subsidiary (including Guaranties of Debt of such Subsidiary being designated an Unrestricted Subsidiary) shall be deemed Debt incurred by the Company or such other Restricted Subsidiary at the time of such sale, transfer or disposition and (y) any shares of stock of the Company and any other Restricted Subsidiary held by such Subsidiary being designated an Unrestricted Subsidiary shall be deemed to have been issued and sold to such Subsidiary being designated an Unrestricted Subsidiary by the Company or such other Restricted Subsidiary for purposes of Section 10.4, and provided, further, that any Subsidiary which is designated by the Board of Directors of the Company, or becomes, an Unrestricted Subsidiary subsequent to the date of this

Agreement and thereafter is designated by the Board of Directors of the Company a Restricted Subsidiary, may not be redesignated an Unrestricted Subsidiary.

(c) Any notice of designation pursuant to this Section 10.7 shall be accompanied by a certificate signed by a Responsible Officer of the Company stating that the provisions of this Section 10.7 have been complied with in connection with such designation and setting forth the name of each other Subsidiary (if any) which has or will become a Restricted Subsidiary or an Unrestricted Subsidiary, as the case may be, as a result of such designation.

Section 10.8. Transactions with Affiliates. The Company will not and will not permit any Restricted Subsidiary to enter into directly or indirectly any Material transaction or Material group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Restricted Subsidiary), except pursuant to the reasonable requirements of the Company's or such Restricted Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Restricted Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate.

Section 11. Events of Default.

An "Event of Default" shall exist if any of the following conditions or events shall occur and be continuing:

(a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or

(b) the Company defaults in the payment of any interest on any Note for more than five days after the same becomes due and payable; or

(c) the Company defaults in the performance of or compliance with any term contained in Sections 10.1, 10.2(a), 10.2(b)(3), 10.2(b)(4), 10.2(b)(6), 10.3, 10.4, 10.5(g), 10.5(h), 10.5(i) or 10.6(i) and such default is not remedied within five Business Days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note; or

(d) the Company defaults in the performance of or compliance with any term contained in Section 8, 9 or 10 (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note; or

(e) the Company defaults in any material respect in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b), (c) and (d) of this Section 11) and such default is not remedied within 60 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note; or

(f) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made and, if the fact, circumstance or condition that is the subject of such representation or warranty can be made true and correct, such fact, circumstance or condition is not made true and correct within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge thereof and (ii) the Company receiving written notice thereof from any holder of a Note; or

(g) (i) the Company or any Restricted Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least \$5,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Restricted Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least \$5,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared due and payable before its stated maturity or before its regularly scheduled dates of payment; or

(h) the Company or any Restricted Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(i) a court or governmental authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Restricted Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization, or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Restricted Subsidiaries, or any such petition shall be filed against the Company or any of its Restricted Subsidiaries and such petition shall not be dismissed within 60 days; or

(j) a final judgment or judgments for the payment of money aggregating in excess of \$5,000,000 are rendered against one or more of the Company and its Restricted Subsidiaries and which judgments are not, within 90 days after entry thereof, bonded, discharged or stayed pending appeal; or

(k) If (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under Section 412 of the Code, (ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate "amount of unfunded benefit liabilities" (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed \$5,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, would reasonably be expected to have a Material Adverse Effect.

As used in Section 11(k), the terms "employee benefit plan" and "employee welfare benefit plan" shall have the respective meanings assigned to such terms in Section 3 of ERISA.

Section 12. Remedies on Default, Etc.

Section 12.1. Acceleration. (a) If an Event of Default with respect to the Company described in paragraph (h) or (i) of Section 11 has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding may at any time, at its or their option, by written notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any other Event of Default has occurred and is continuing, any holder or holders of more than 51% or more in principal amount of the Notes at the time outstanding may at any time at its or their option, by written notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (i) all accrued and unpaid interest thereon and (ii) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for) and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3. Rescission. At any time after any Notes have been declared due and

payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than 51% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes of each series, all principal of and Make-Whole Amount, if any, on any Notes of each series that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes of each series, at the respective Default Rates, (b) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant to Section 17, and (c) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay or failure on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

Section 13. Registration; Exchange; Substitution of Notes.

Section 13.1. Registration of Notes. The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2. Transfer and Exchange of Notes. Upon surrender of any Note at the principal executive office of the Company for registration of transfer or exchange (and in the case of a surrender for registration of transfer, duly endorsed or accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the address for notices of each transferee of such Note or part thereof), the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes of the same series (as requested by the holder thereof) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of Exhibit 1-A or 1-B, as the case may be (including, without limitation, the legend set forth therein). Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than (a) \$1,000,000, in the case of a transfer to an existing holder of the Notes, and (b) \$5,000,000, in the case of any other transfer of the Notes, provided that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than \$5,000,000 or \$1,000,000, as the case may be. Any transferee, by its acceptance of



a Note registered in its name (or the name of its nominee), shall be deemed to make the representations set forth in Section 6.

Anything contained in this Section 13.2 to the contrary notwithstanding. Notes shall not be transferred to any transferee, unless such transferee first delivers to the Company a duly authorized certificate, wherein the transferee makes the representations set forth in Section 6 (including, without limitation a representation that at least one of the representations set forth in Section 6.2, as required to be made by a transferee of the Notes, is accurate) and agrees to be subject to the undertakings and obligations required of a holder of Notes hereunder and under the Notes.

Section 13.3. Replacement of Notes. Upon receipt by the Company of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (provided that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least \$250,000,000, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof, the Company at its own expense shall execute and deliver, in lieu thereof, a new Note of the same series, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

#### Section 14. Payments on Notes.

Section 14.1. Place of Payment. Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in Oaks, Pennsylvania at the principal office of the Company in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in the United States or the principal office of a bank or trust company in the United States.

Section 14.2. Home Office Payment. So long as any Purchaser or its nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount, if any, and interest by the method and at the address specified for such purpose below such Purchaser's name in Schedule A, or by such other method or at such other address as such Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note purchased by any Purchaser under this Agreement and that has made the same agreement relating to such Note as such Purchaser has made in this Section 14.2.

#### Section 15. Expenses, Etc.

Section 15.1. Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all reasonable costs and expenses (including reasonable attorneys' fees of a special counsel and, if reasonably required, local or other counsel) incurred by any Purchaser or holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement or

the Notes or in responding to any subpoena or other legal process or informal investigative demand issue in connection with this Agreement or the Notes, or by reason of being a holder of any Note, and (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Restricted Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes. The Company will pay, and will save each of the Purchasers and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those retained by such Purchaser).

Section 15.2. Survival. The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement or the Notes, and the termination of this Agreement.

Section 16. Survival of Representations and Warranties; Entire Agreement.

All representations and warranties of the parties hereto contained herein shall survive the execution and delivery of this Agreement and the Notes, the purchase or transfer by each of the Purchasers of any Note or portion thereof or interest therein and the payment of any Note, and may be relied upon by any subsequent holder of a Note, regardless of any investigation made at any time by or on behalf of such Purchaser or any other holder of a Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company or the holder of any Note pursuant to this Agreement shall be deemed representations and warranties of such party under this Agreement. Subject to the preceding sentence, this Agreement and the Notes embody the entire agreement and understanding between each of the Purchasers and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

Section 17. Amendment and Waiver.

Section 17.1. Requirements. This Agreement and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (a) no amendment or waiver of any of the provisions of Section 1, 2, 3, 4, 5, 6 or 21 hereof, or any defined term (as it is used therein), will be effective as to any Purchaser unless consented to by such Purchaser in writing, and (b) no such amendment or waiver may, without the written consent of the holder of each Note at the time outstanding affected thereby, (i) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or change the rate or the time of payment or method of computation of interest or of the Make-Whole Amount on, the Notes, (ii) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (iii) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20.

Section 17.2. Solicitation of Holders of Notes.

(a) Solicitation. The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) Payment. The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof or of the Notes unless such remuneration is concurrently paid, or security is concurrently granted, on the same terms, ratably to each holder of Notes then outstanding whether or not such holder consented to such waiver or amendment.

Section 17.3. Binding Effect, Etc. Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent

thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term "this Agreement" and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 17.4. Notes Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

Section 18. Notices.

All notices and communications provided for hereunder shall be in writing and sent (a) by telecopy if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to any Purchaser or its nominee, to such Purchaser or it at the address specified for such communications in Schedule A, or at such other address as such Purchaser or it shall have specified to the Company in writing,

(ii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing, or

(iii) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of the General Counsel, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.  
Section 19. Reproduction of Documents.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser or the Company at the Closing (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser or the Company, may be reproduced by such Purchaser or the Company by any photographic, photostatic, microfilm, microcard, miniature photographic or other similar process and such Purchaser or the Company may destroy any original document so reproduced. The Purchasers and the Company agree and stipulate that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser or the Company in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Purchaser, the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

Section 20. Confidential Information.

For the purposes of this Section 20, "Confidential Information" means information delivered to any Purchaser or other holder of the Notes (each, a "Recipient") by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Recipient as being confidential information of the Company or such Subsidiary, provided that such term does not include information that (a) was publicly known or otherwise known to such Recipient prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Recipient or any Person acting on such Recipient's behalf, (c) otherwise becomes known to such Recipient other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Recipient under Section 7.1 that are otherwise publicly available. Each of the Recipients will maintain the confidentiality of such Confidential Information received by such Recipient in accordance with procedures adopted by such Recipient in good faith and using its best efforts to protect confidential information of third parties delivered to it, provided that such Recipient may deliver or disclose Confidential Information to (i) such Recipient's directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such

disclosure reasonably relates to the administration of the investment represented by its Notes), (ii) such Recipient's financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which such Recipient sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which such Recipient offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Recipient, (vii) the National Association of Insurance Commissioners or any similar organization, or any nationally recognized rating agency that requires access to information about such Recipient's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Recipient, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Recipient is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Recipient may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under its Notes and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement.

Section 21. Substitution of Purchaser.

Each of the Purchasers shall have the right to substitute any one of such Purchaser's Affiliates as the purchaser of the Notes that such Purchaser has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, wherever the word "Purchaser" is used in this Agreement (other than in this Section 21), such word shall be deemed to include such Affiliate in lieu of such substituting Purchaser. In the event that such Affiliate is so substituted as a purchaser hereunder and such Affiliate thereafter transfers to the substituting Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, wherever the word "Purchaser" is used in this Agreement (other than in this Section 21), such word shall no longer be deemed to include such Affiliate, but shall refer to such substituting Purchaser, and such substituting Purchaser shall have all the rights and obligations of an original holder of the Notes under this Agreement.

Section 22. Miscellaneous.

Section 22.1. Successors and Assigns. All covenants and other agreements contained in this Agreement by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2. Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day.

Section 22.3. Severability. Any provision of this Agreement that 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 (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.4. Construction. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to

excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

Section 22.5. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by fewer than all, but together signed by all, of the parties hereto.

Section 22.6. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

\* \* \* \* \*

## EXHIBIT 11

## SEI INVESTMENTS COMPANY AND SUBSIDIARIES

## EARNINGS PER SHARE CALCULATION

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 1996

	1996 ----	1995 ----	1994 ----
Earnings per common and common equivalent share (Primary EPS):			
Income from continuing operations	\$23,146,000 =====	\$21,126,000 =====	\$18,253,000 =====
Net income	\$ 6,811,000 =====	\$19,184,000 =====	\$19,250,000 =====
Weighted average number of shares issued and outstanding	18,497,000	18,607,000	18,845,000
Dilutive effect (excess of number of shares issuable over number of shares assumed to be repurchased with the proceeds, using the average market price during the period) of outstanding options	851,000 -----	838,000 -----	1,182,000 -----
Adjusted weighted average number of shares outstanding	19,348,000 =====	19,445,000 =====	20,027,000 =====
Earnings per common and common equivalent share from continuing operations	\$1.20 ====	\$1.09 ====	\$.91 ====
Earnings per common and common equivalent share	\$.35 ===	\$.99 ===	\$.96 ===

SEI INVESTMENTS COMPANY AND SUBSIDIARIES

EARNINGS PER SHARE CALCULATION

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 1996

	1996 ----	1995 ----	1994 ----
Earnings per common and common equivalent share, assuming full dilution (Fully diluted EPS):			
Income from continuing operations	\$23,146,000 =====	\$21,126,000 =====	\$18,253,000 =====
Net income	\$ 6,811,000 =====	\$19,184,000 =====	\$19,250,000 =====
Weighted average number of shares issued and outstanding	18,497,000	18,607,000	18,845,000
Dilutive effect (excess of number of shares issuable over number of shares assumed to be repurchased with the proceeds, using the higher of the average market price or year-end market price) of outstanding options	883,000 -----	968,000 -----	1,182,000 -----
Adjusted weighted average number of shares outstanding, assuming full dilution	19,380,000 =====	19,575,000 =====	20,027,000 =====
Earnings per common and common equivalent share from continuing operations, assuming full dilution	\$1.19 ====	\$1.08 ====	\$.91 ====
Earnings per common and common equivalent share, assuming full dilution	\$.35 ===	\$.98 ===	\$.96 ===

## EXHIBIT 21

## SUBSIDIARIES OF THE REGISTRANT

-----

NAME -----	JURISDICTION OF ORGANIZATION OR INCORPORATION -----
SEI Financial Services Company	Pennsylvania
SEI Financial Management Corporation	Delaware
SEI Financial Services Limited	Canada (Federal)
SEI Capital Limited	Canada (Federal)
Rembrandt Financial Services Company	Pennsylvania
SEI Developments, Inc.	Delaware
SEI Fund Resources	Delaware
SEI Fund Management	Delaware
SEI Trust Company	Pennsylvania
SEI Funds, Inc.	Delaware
SEI Investments, Inc.	Delaware
SEI Global Investments Corporation	Delaware
SEI Capital AG	Switzerland
Primus Capital Advisors Company	Canada (Federal)
SEI Advanced Capital Management, Inc.	Delaware
SEI Global Capital Investments, Inc.	Delaware
SEI Global Management (Cayman) Inc.	Cayman Islands, B.W.I
SEI Global Asset Management Limited	Ireland
Fund Resources International Limited	Ireland
SEI Investments Argentina, S.A.	Argentina
SEI Global Holdings (Cayman) Inc.	Cayman Islands, B.W.I



EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To SEI Investments Company:

As independent public accountants, we hereby consent to the incorporation of our report included in this Form 10-K, into the Company's previously filed Registration Statements File No. 2-73997, File No. 2-75629, File No. 2-78133, File No. 2-80841, File No. 2-89659, File No. 33-19952, File No. 33-24595, and File No. 33-41602.

ARTHUR ANDERSEN LLP

Philadelphia, Pa.  
March 28, 1997



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED BALANCE SHEETS AND CONSOLIDATED STATEMENTS OF OPERATIONS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

YEAR		
	DEC-31-1996	
	JAN-01-1996	
	DEC-31-1996	13,167
		0
		20,908
		(1,350)
		0
		64,956
		96,748
		(48,128)
		141,041
	79,957	0
	0	0
		0
		185
		55,923
141,041		0
	247,961	0
		0
		198,495
		12,138
		144
		(760)
		37,944
		14,798
	23,146	
		(16,335)
		0
		0
		6,811
		.35
		.35

The undertaking set forth below is filed for purposes of incorporation by reference into Part II of the registration statements on Form S-8, File No. 2-73997, File No. 2-75629, File No. 2-78133, File No. 2-80841, File No. 2-89659, File No. 33-19952, File No. 33-24595, and File No. 33-41602.

Item 9. Undertakings.

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(a) The undersigned registrant hereby undertakes:

Insofar as indemnification for liabilities arising under the Securities Act of 1933 (the "Securities Act") may be permitted to directors, officers or persons controlling the registrant pursuant to the provisions described in this registration statement, or otherwise, SEI Investments Company (the "Company") has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Company of expenses incurred or paid by a director, officer or controlling person of the Company in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Company will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.