

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, 1997  
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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 X No  
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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Exhibit Index on page 53  
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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, 1998: \$704,754,941. 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

\_\_\_\_\_

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, 1998: 17,729,912.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the following documents are incorporated by reference herein:

1. Notice of and Proxy Statement for the 1998 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.

(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") was incorporated in Pennsylvania in 1968. SEI Investments Distribution Company ("SIDCO"), formerly known as SEI Financial Services Company, SEI Investments Management Corporation ("SIMC"), formerly known as SEI Financial Management Corporation, and SEI Trust Company ("SEI Trust") are the principal wholly owned subsidiaries of the Company. SIDCO is a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. SIMC is an investment advisor registered with the SEC under the Investment Advisers Act of 1940. SEI Trust is a 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 SIDCO and SIMC, 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 SIDCO, 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 sold its Capital Resources Division ("CR") as of December 31, 1997 (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 SIMC. 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, SIDCO and SIMC 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 to trust institutions which allows them 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

The Company is organized around its two primary business lines: Investment Technology and Services and Asset Management. The Investment Technology and Services segment, which accounted for 62 percent of the Company's consolidated revenues in 1997, 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 38 percent of the Company's consolidated revenues in 1997, consists of the global distribution of the Company's asset management products to the institutional and high-net-worth markets.

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 Technology Services

The Company, through SIMC, 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 functionality 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 is a flexible combination of modular workstation application 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. This product provides standard, efficient, and reliable interfaces that update and retrieve TRUST 3000 information from any application operating in the customer's distributed computing environment.

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, 1997, the Company was providing processing or software services to approximately 110 trust departments, including trust departments of 36 of the top 100 banks, located in 37 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; \$750 million to \$20 billion in managed assets; and under \$750 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 service fees.

Principal competitors of the Company's trust accounting and processing services are Fidelity-Trust Technology Services LLC, SunGard Data Systems, and Marshall and Isley. 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 TRUST 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 technology services accounted for approximately 35 percent of the Company's consolidated revenues in 1997.

#### 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 \$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, 1997, SEI Trust had contracts to perform back-office processing services to 49 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. Revenues from trust back-office processing is not yet material as a percentage of the Company's consolidated revenues in 1997.

#### Proprietary Fund Services

In 1990, the Company, through SIDCO and SIMC, 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 and regulatory 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, 1997, SEI provided administration and distribution services for banks, money managers, and credit union proprietary fund complexes with assets under administration of approximately \$82.5 billion. These complexes include various open-end management investment companies.

The Company's market for its proprietary funds services and products consists primarily of bank trust departments and investment advisors. At the end of 1997, there were approximately 115 proprietary fund complexes that existed in the United States. SEI administered proprietary funds for approximately 35 clients at December 31, 1997. 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 The BISYS Group, Federated Investors, Inc., 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 and has already contributed to the increased amount of assets under administration. 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. If such legislation is passed, some banks may consider performing some or all of the services provided by SEI themselves. In addition, consolidation in the banking industry may reduce the number of bank proprietary fund complexes in existence. Revenues from proprietary fund services accounted for approximately 25 percent of the Company's consolidated revenues in 1997.

#### Asset Management

SEI, through SIDCO and SIMC, has created a number of investment products and services for institutional investors and high-net-worth investors distributed through 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 TRUST 3000 product line. In 1985, the Company began offering equity, fixed income, and tax-exempt products. Currently, the products offered by the Company include a series of Company sponsored domestic equity, fixed income, and tax-exempt mutual funds, separate account management, 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 modern portfolio theory, specialist sub-advisors selected and monitored by the Company, and active risk management.

SEI, through SIMC, serves as the administrator, transfer agent, and fund accountant for these products. SIMC also acts as the investment advisor for many of these products. SIMC's investment advisory and administration contracts 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.

#### Investment Management 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. Consideration is given to the client's financial and investment objectives, risk tolerance, investment restrictions, and time horizon. A client's strategy is implemented through SEI's Family of Funds that employ style specific sub-advisors. Through technology, SEI offers its clients continuous portfolio management and periodic reallocation of assets. 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 managers through separate accounts.

The Company also offers asset management programs tailored to meet the needs of high-net-worth individuals (defined by the Company as individuals with over \$500,000 of investable assets) and small institutions that are marketed through selected intermediaries such as independent broker-dealers, registered investment advisors, financial planners, life insurance producers, 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, 1997, there were approximately 1,600 clients invested in the Company's asset management programs through separate accounts or through the Company's Family of Funds with \$13.7 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 investment management services accounted for approximately 19 percent of the Company's consolidated revenues in 1997.

#### Liquidity Management Services

Since 1982, the Company has offered liquidity products to bank trust departments. The Company also provides cash sweep technology, cash management services and other financial management solutions to corporations. The Company's cash sweep technology enables a financial institution to sweep excess balances from demand deposit accounts into money market accounts. Recently, the Company began offering a complete cash management investment program, CashStrategies, 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 the Company's investment products and retrieve information about their accounts through SEI Direct, or by telephone orders to SIMC.

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 550 at December 31, 1997. Total assets invested in the Company's liquidity funds, including REPO, totaled \$17.9 billion at December 31, 1997.

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, SEI Direct, and its cash sweep technology. Revenues from liquidity management services accounted for approximately 8 percent of the Company's consolidated revenues in 1997.

## Other Investment Products and Services

The Company has several other operations that include performance measurement and consulting services to Canadian pension plans, brokerage and clearing services, and several other business ventures to expand the Company's asset management business both domestically and internationally.

The Company, through its wholly owned subsidiary, SEI Inc. ("SEI Inc."), formerly known as SEI Financial Services Limited, provides performance evaluation and other consulting services to Canadian pension plans. SEI Inc. 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 market for the Company's consulting services consists mostly of defined benefit plan sponsors and investment managers located in Canada. At December 31, 1997, the Company was providing consulting services to approximately 370 defined benefit plan sponsors and 40 investment managers.

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 SIDCO or SEI Inc. 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.

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 \$463 million of the Company's own mutual funds, LSV is managing approximately \$916 million of institutional assets as of December 31, 1997.

The Company also formed an asset management company in Canada in 1994, Primus Capital Advisors Co. ("Primus"). Primus is an investment counselor/portfolio manager offering investment advisory services to both large and small Canadian defined benefit pension plans. At December 31, 1997, Primus had 14 clients with total assets under management of \$261 million.

The Company is currently establishing its distribution channels in the global asset management marketplace through various acquisitions and the startup of several satellite offices outside the United States. The Company offers asset management programs and services to high-net-worth investors and institutions in foreign countries, including pension plans, governmental organizations, and private corporations. At December 31, 1997, the Company had approximately \$400 million of assets under management through its global asset management group.

Revenues from other investment products and services accounted for approximately 11 percent of the Company's consolidated revenues in 1997.

### Marketing and Sales - - - - -

SEI employs 26 sales representatives in its Investment Technology and Services segment and 64 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, Texas; Norcross, Georgia; Toronto, Ontario; Montreal, Quebec; Vancouver, British Columbia; Halifax, Nova Scotia; Zurich, Switzerland; Dublin, Ireland; Johannesburg, South Africa; Causeway Bay, Hong Kong, and Buenos Aires, Argentina.

### Customers - - - - -

The Company currently serves approximately 2,500 clients. For the year ended December 31, 1997, no single customer accounted for more than 10 percent of the Company's revenues in any industry segment.



#### 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. The Company currently releases new products as they are completed. 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 product development efforts are 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.

During 1997, 1996, and 1995, the Company expended (including amounts capitalized) approximately \$22,500,000 (7.7 percent of revenues), \$26,254,000 (10.6 percent of revenues), and \$16,744,000 (7.4 percent of revenues), respectively, to design, develop, and modify existing or new products and services.

#### Investment products

The Company is 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, East 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. The Company's global asset management group has made significant progress during the past two years, including the establishment of an offshore fund family 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 several South African institutions.

#### Year 2000

In 1995, the Company began a comprehensive program to address the Year 2000 compliance problem facing the Company's TRUST 3000 product line's technology and operating systems. The Company has completed an analysis of the impact Year 2000 will have on TRUST 3000 and has begun the necessary work to ensure that the product line is Year 2000 compliant by early 1999. Management estimates that it will cost about \$10 million to bring TRUST 3000 into Year 2000 compliance, the majority of which will be capitalized. Thus far, the Company has expended about \$3.5 million fixing TRUST 3000. Year 2000 is a major focus of the Company's development efforts.

In 1997, the Company expanded its Year 2000 review and analysis to include all other facets of its business. The Company has a dedicated staff that is reviewing the Year 2000 status of all software and technology vendors utilized in the Company's operations and by the mutual funds administered by the Company. Management does not expect to expend significant resources to bring all its internal proprietary systems into Year 2000 compliance. (See Assessment of Risks Associated with the Year 2000 in Management's Discussion and Analysis of Financial Condition and Results of Operations).

Regulatory Considerations

SIDCO and SIMC 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 SIDCO's or SIMC's engaging in business for specified periods of time, the revocation of SIDCO's or SIMC'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 are 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 in which 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

At February 28, 1998, the Company had 1,061 full-time and 72 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.

The Company relocated its corporate headquarters to Oaks, Pennsylvania in late 1996. The new campus consists of five buildings situated on approximately 90 acres. The buildings and the land are owned and operated by the Company, which encompasses approximately 225,000 square feet. The Company's data center and warehouse facility are housed in an additional 70,000 square feet of leased space in Wayne, Pennsylvania. The Company also leases an additional 67,500 square feet of space in Wayne for its mutual funds operation. All other offices leased by the Company aggregate 43,000 square feet. The Company owns a New York City condominium (3,400 square feet) used for business purposes.

Item 3. Legal Proceedings.

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.

There were no matters submitted to a vote of security holders during the fourth quarter of 1997.

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.

1997	High	Low
-----	-----	----
First Quarter	25 3/4	20
Second Quarter	24 3/8	18 3/4
Third Quarter	33 1/2	24
Fourth Quarter	44 1/2	32 3/4
1996	High	Low
-----	-----	----
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

As of February 28, 1998, there were approximately 1,100 shareholders of record. The Board of Directors declared a \$.14 dividend in May and December of 1997, and a \$.12 dividend in May and December of 1996. 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, 1997. 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 reports. 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	1997	1996	1995(A)	1994(A)	1993(A)
Revenues.....		\$292,749	\$247,817	\$225,964	\$205,051	\$185,064
Expenses:						
Operating and development.....		148,536	129,776	115,366	110,504	108,743
Sales and marketing.....		84,770	68,719	58,892	48,561	39,521
General and administrative.....		13,931	13,235	16,963	16,919	16,865
Income from continuing operations before interest and income taxes....		45,512	36,087	34,743	29,067	19,935
Gain on sale of investments available for sale.....		--	1,097	--	--	--
Interest income.....		983	808	1,019	407	350
Interest expense.....		(2,488)	(48)	(255)	(33)	(35)
Income from continuing operations before income taxes.....		44,007	37,944	35,507	29,441	20,250
Income taxes.....		17,163	14,798	14,381	11,188	7,493
Income from continuing operations... operations.....		26,844	23,146	21,126	18,253	12,757
Income (loss) from discontinued operations.....		--	--	(1,942)	997	3,382
Loss on disposal of discontinued operations.....		--	(16,335)	--	--	--
Net income.....		\$26,844	\$6,811	\$19,184	\$19,250	\$16,139
Basic earnings per common share from continuing operations.....		\$1.47	\$1.25	\$1.14	\$ .97	\$ .66
Basic earnings (loss) per common share from discontinued operations.....		--	(.88)	(.11)	.05	.18
Basic earnings per common share....		\$1.47	\$ .37	\$1.03	\$1.02	\$ .84
Shares used to calculate basic earnings per common share.....		18,315	18,497	18,607	18,845	19,275
Diluted earnings per common share from continuing operations.....		\$1.40	\$1.20	\$1.08	\$ .91	\$ .62
Diluted earnings (loss) per common share from discontinued operations.....		--	(.85)	(.10)	.05	.16
Diluted earnings per common share... earnings per common share.....		\$1.40	\$ .35	\$ .98	\$ .96	\$ .78
Shares used to calculate diluted earnings per common share.....		19,236	19,364	19,554	20,101	20,690
Cash dividends declared per common share.....		\$ .28	\$ .24	\$ .20	\$ .16	\$ .12
Year-end Financial Position						
Property and equipment, net.....		\$ 52,131	\$ 48,620	\$ 24,299	\$25,338	\$22,279
Total assets.....		\$168,884	\$141,041	\$101,347	\$91,148	\$88,229
Short-term borrowings.....		\$ --	\$ 20,000	\$ --	\$ --	\$ --
Long-term debt (including short-term portion).....		\$ 35,000	\$ --	\$ --	\$ --	\$ --
Shareholders' equity.....		\$ 46,410	\$ 56,108	\$ 56,002	\$51,309	\$51,541

(A) Information for 1995, 1994, and 1993 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.

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 primary business 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 included with Item 8 to this report.

Results of Operations

1997 Compared with 1996

The Company's results of operations for the year ended December 31, 1997 included revenues from continuing operations of \$292,749, compared to \$247,817 reported in the same period of 1996, an increase of approximately 18 percent. Income from continuing operations for 1997 was \$26,844, compared to \$23,146 reported in 1996, an increase of 16 percent. Diluted earnings per share from continuing operations for 1997 was \$1.40 compared to \$1.20 reported in 1996, an increase of 17 percent. Total fund balances at December 31, 1997 were \$115.7 billion compared to \$85.2 billion at December 31, 1996, an increase of 36 percent. Included in these totals are proprietary fund balances of \$82.5 billion at December 31, 1997 and \$61.4 billion at December 31, 1996, an increase of 34 percent. Revenues and earnings from continuing operations increased in 1997 primarily due to strong growth from the Company's Asset Management segment representing a major turnaround in this business. However, the growth in revenues and earnings from continuing operations was partially offset by the recognition of substantial one-time trust technology services revenues in 1996 due to bank clients involved in mergers and acquisitions. Also in 1996, the Company recognized a \$1.1 million one-time realized gain, or \$.03 diluted earnings per share, from the sale of investments held by the Company. Future revenues and earnings are expected to increase in the event fund balances continue to expand and the Company contracts new trust clients.

Investment Technology and Services

Revenues from the Investment Technology and Services segment for the year ended December 31, 1997 and 1996 were \$182,509 and \$171,034, respectively.

INVESTMENT TECHNOLOGY AND SERVICES REVENUES

	1997	1996	DOLLAR CHANGE	PERCENT CHANGE
Trust technology services	\$103,838	\$111,560	\$(7,722)	(7%)
Proprietary fund services	72,980	57,963	15,017	26%
Trust back-office processing services	5,691	1,511	4,180	277%
Total	\$182,509	\$171,034	\$11,475	7%

The comparison of trust technology services revenues were affected by the recognition of significant one-time contractual buyout fees in 1996. The Company recognized an additional \$4.5 million of one-time fees in 1996 compared to 1997 associated with trust clients that terminated their relationships with the Company. When a client terminates, recurring processing fees earned by the Company are negatively impacted in future periods. As a result, recurring processing fees in 1997 decreased approximately \$4.8 million associated with these lost clients in 1996. The Company recognized an increase of \$2.2 million in one-time implementation fees in 1997 compared to 1996. This was the result of the Company contracting with new trust clients and the expansion of services to existing bank clients involved in mergers or acquisitions. Once a client is fully implemented, recurring processing fees are favorably impacted in future periods. The full impact on recurring processing fees relating to the new trust client relationships established in 1997 will not be completely recognized until early 1999. Preliminary forecasts for trust technology services revenues in future years are optimistic primarily due to

the increased interest the Company has experienced in its trust products, as evidenced by the contracting of new trust clients in 1997. However, future revenues could be negatively affected by the loss of bank clients involved in mergers and acquisitions.

Proprietary fund services revenues reported another year of strong growth primarily fueled by the increase in average proprietary fund balances over the past year. Average proprietary fund balances increased \$22.4 billion or 44 percent from \$50.4 billion during 1996 to \$72.8 billion during 1997. Proprietary fund services revenues are derived from the administrative fees which the Company earns based on a fixed percentage, referred to as basis points, of the average daily net asset value of the proprietary funds. The amount of basis points earned is specific to each proprietary fund complex and can vary among complexes. Average basis points earned decreased primarily due to the Company entering into a new contract with one of its largest non-bank proprietary clients in mid-1996. This decrease in administrative fees earned by the Company was offset by an equal reduction in direct proprietary fund expenses. The growth in proprietary fund balances was mainly fueled by growth from existing proprietary fund complexes. This growth in existing complexes was primarily the result of banks becoming more successful at selling mutual funds and the favorable stock market environment. Additionally, proprietary fund balances were affected by regulatory changes in 1996 that permit the transfer of common trust assets into proprietary mutual funds on a tax-free basis. Proprietary fund services revenues are expected to expand in 1998 as banks continue to effectively compete in a rapidly growing mutual fund industry. However, future revenues may be negatively impacted by continued consolidation within the banking industry and an unfavorable change in the stock market environment.

The Company is currently experiencing significant growth in its trust back-office processing business which is an extension of its trust technology services business. Through this business, the Company handles all back-office administration functions of a trust department, thereby allowing trust officers to concentrate on expanding and servicing their clients. The increase in trust back-office processing services revenues was the result of the Company establishing new client relationships in 1997, including some larger banks. As the concept of total outsourcing gains credibility within the banking industry, especially among larger banks, the Company expects the growth in this business to continue into 1998.

#### INVESTMENT TECHNOLOGY AND SERVICES EXPENSES

	1997	1996	DOLLAR CHANGE	PERCENT CHANGE
	----	----	-----	-----
Operating and development	\$99,950	\$93,451	\$6,499	7%
Sales and marketing	\$36,433	\$31,372	\$5,061	16%

The 7 percent increase in operating and development expenses was the result of several distinct factors that occurred in 1997. First, the direct correlation between proprietary fund revenues and expenses accounted for the majority of the increase in operating and development expenses. Second, during the past two years, the Company expended significant resources to enhance its trust technology software, primarily through the open architecture project, as well as a concentrated effort to address the Year 2000 issue (See Assessment of Risks Associated with the Year 2000). The Company expects continued investments in its trust technology software to continue into 1998. With the completion and subsequent release of several capitalized software development projects, amortization of these capitalized software development projects increased significantly in 1997. Finally, the contracting of new trust back-office processing clients requires additional personnel and other operating costs to properly service and maintain the relationship. As a result, personnel and other operating expenses increased due to the significant growth in this product line.

Sales and marketing expenses increased 16 percent in 1997 primarily due to an increase in personnel and promotion costs. Personnel costs increased as a result of additional sales compensation associated with the contracting of new trust clients in 1997, an increase in personnel, and salary increases. The increase in promotion costs was the result of additional Company sponsored marketing events in 1997.

The Investment Technology and Services segment recorded an operating profit of \$46,126 with an operating margin of 25 percent for the year ended December 31, 1997, compared to an operating profit of \$46,211 with an operating margin of 27 percent for the year ended December 31, 1996. The decrease in operating margins in 1997 compared to 1996 was the result of the Company experiencing higher growth in its lower margin products and the increase in amortization of capitalized software development projects. Additionally, operating margins in 1996 were partially affected by the substantial one-time trust technology services revenues recognized by the Company in 1996. With the increased interest in the Company's trust products and the increased acceptance of total outsourcing, management believes these factors will create additional opportunities for the Company in future years. Additionally, if banks can continue to maintain their market share of invested assets in a rapidly growing mutual fund industry, future proprietary fund services revenues could continue to grow. Conversely, future revenues and operating profits in this segment could be negatively affected by the loss of bank clients as a result of continued consolidation within the banking industry and changes in banking regulations, as well as an unfavorable change in the stock market environment.

Asset Management  
 - - - - -

Revenues from the Asset Management segment for the year ended December 31, 1997 and 1996 were \$110,240 and \$76,783, respectively.

ASSET MANAGEMENT REVENUES  
 - - - - -

	1997	1996	DOLLAR CHANGE	PERCENT CHANGE
	----	----	-----	-----
Investment management services	\$ 54,694	\$37,439	\$17,255	46%
Liquidity management services	22,994	20,727	2,267	11%
Other investment products and services	32,552	18,617	13,935	75%
	-----	-----	-----	
Total	\$110,240	\$76,783	\$33,457	44%
	=====	=====	=====	

Investment management services revenues increased 46 percent from the prior-year period due to an increase in average fund balances from the Company's Family of Funds during the past year. Investment management services revenues are primarily derived from the management fees which the Company earns based on a fixed percentage, referred to as basis points, of the average daily net asset value of the Company's Family of Funds. Average basis points earned on the Company's Family of Funds increased slightly during 1997. Average assets under management increased \$3.2 billion to \$10.2 billion for 1997 compared to \$7.0 billion for 1996, an increase of 46 percent. This increase in average fund balances was primarily the result of increased sales of the Company's Family of Funds to high-net-worth individuals through various registered investment advisors, financial planners, and other financial intermediaries, as well as an increase in sales of its asset management programs to institutional investors during 1997. Additionally, the current favorable stock market environment has aided the growth in average assets under management. Future investment management services revenues are expected to increase as the Company continues to expand its high-net-worth client base and from increased acceptance of its asset management programs by institutional investors. However, these increases could be adversely affected by unfavorable changes in the stock market environment.

The 11 percent increase in liquidity management services revenues was mainly driven by the increase in average fund balances invested in the Company's lower-fee liquidity products. Liquidity management services revenues are derived from the management fees which the Company earns based on a fixed percentage, referred to as basis points, of the average daily net asset value of the Company's liquidity funds. Average basis points the Company earned decreased slightly in 1997. Average assets under management from the Company's liquidity funds grew \$1.9 billion to \$16.8 billion in 1997 compared to \$14.9 billion in 1996. Additionally, the increase in revenues was slightly influenced by the growth experienced from the Company's cash sweep services to smaller banks in 1997. The introduction of new liquidity products during the past few years may provide additional growth opportunities for the Company in the future. However, management anticipates modest growth in liquidity management services revenues in the near term.

Other investment products and services revenues increased 75 percent primarily due to an increase in bank-related brokerage services. Additionally, several of the Company's new business ventures have experienced significant revenue growth during the past year.

ASSET MANAGEMENT EXPENSES

	1997	1996	DOLLAR CHANGE	PERCENT CHANGE
	----	----	-----	-----
Operating and development	\$48,586	\$36,325	\$12,261	34%
Sales and marketing	\$48,337	\$37,347	\$10,990	29%

Operating and development expenses increased 34 percent over the prior-year period. The majority of this increase can be attributed to the direct correlation between revenues and certain expenses. The Company incurred additional direct brokerage expenses as a result of the growth in bank-related brokerage services revenues, as well as an increase in investment advisor fees associated with the increase in assets under management. Also, the Company incurred additional operating costs relating to the continued commitment by the Company to extend its asset management products into foreign markets.

Sales and marketing expenses increased 29 percent primarily due to an increase in personnel and promotion expenses. The increase in personnel costs related to additional sales compensation payouts associated with the increase in new sales of the Company's asset management products, as well as an overall increase in personnel. The additional promotion costs are primarily attributable to the Company's sponsorship of the television series "Beyond Wall Street", which aired in the fourth quarter of 1997. Also, the Company continued to make substantial investments to establish name recognition and distribution channels for its asset management products internationally.

The Asset Management segment recorded an operating profit of \$13,317 with an operating margin of 12 percent for the year ended December 31, 1997, compared to an operating profit of \$3,111 with an operating margin of 4 percent for the year ended December 31, 1996. The increased operating profit and margin in 1997 was primarily due to the substantial increase in assets under management, as well as improved performance from some of the Company's new business ventures. Management of the Company believes that with the increased acceptance of its asset management products and services, especially among high-net-worth investors and institutional investors, assets under management should continue to reflect strong growth that would increase operating profits and margins over the next several years. However, an unfavorable change in the stock market environment could adversely affect this segments future operating profits and margins.

Other Income and Expenses

General and administrative expenses for the year ended December 31, 1997 and 1996 were \$13,931 and \$13,235, respectively. General and administrative expenses increased 5 percent primarily due to increases in facilities and corporate overhead expenses.

Interest income for the year ended December 31, 1997 and 1996 was \$983 and \$808, respectively. Interest income is earned based upon the amount of cash that is invested daily and fluctuations in interest income recognized for one period in relation to another is due to changes in the average cash balance invested for the period.

Interest expense for the year ended December 31, 1997 and 1996 was \$2,488 and \$48, respectively. Interest expense for 1997 primarily relates to the Company's issuance of long-term debt in early 1997 (See Note 7 of The Notes to Consolidated Financial Statements). Interest costs associated with the Company's borrowings under its line of credit in 1996 were capitalized as it related to the construction of the Company's corporate campus.

The Company's effective tax rate from continuing operations was 39.0 percent for 1997 and 1996. The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (See Note 1 and Note 11 of the Notes to Consolidated Financial Statements).



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 diluted earnings per share, compared to \$21,126 or \$1.08 diluted earnings per share reported in 1995. Diluted earnings per share from continuing operations for 1996 increased 11 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 diluted earnings 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 asset management products and services, 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 technology services	\$111,560	\$109,819	\$ 1,741	2%
Proprietary fund services	57,963	47,074	10,889	23%
Trust back-office processing services	1,511	1,067	444	42%
	-----	-----	-----	-----
Total	\$171,034	\$157,960	\$13,074	8%
	=====	=====	=====	

Trust technology services revenues 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.

Proprietary fund services revenues 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.

Trust back-office processing services is an extension of the Company's trust technology services business. The 42 percent increase was primarily the result of an increase in processing fees associated with the contracting of new clients.

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 expenses was primarily attributable to increases in consulting and outsourcing expenses, in addition to direct expenses associated with the growth in proprietary fund balances. The increase in consulting and outsourcing expenses reflects the Company's significant investment in trust technology, mainly 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 expenses 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
	----	----	-----	-----
Investment management services	\$37,439	\$33,022	\$4,417	13%
Liquidity management services	20,727	21,944	(1,217)	(6%)
Other investment products and services	18,617	13,038	5,579	43%
Total	\$76,783	\$68,004	\$8,779	13%
	=====	=====	=====	

Investment management services revenues increased 13 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.

Liquidity management services revenues 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.

The 43 percent increase in other investment products and services revenues is primarily due 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 expenses was due primarily to an increase in direct expenses associated with the increase in brokerage and consulting services revenues.

The 30 percent increase in sales and marketing expenses was primarily attributable to increases in personnel, travel, and promotion expenses to strengthen the Company's 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.

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 certain marketable securities classified as Investments available for sale at an amount greater than original cost (See Note 5 of the Notes to Consolidated Financial Statements).

Interest income for the year ended December 31, 1996 and 1995 was \$808 and \$1,019, respectively. Interest income is earned based upon the amount of cash that is invested daily and fluctuations in interest income recognized for one period in relation to another is due to changes in the average cash balance invested for the period.

Interest expense for the year ended December 31, 1996 and 1995 was \$48 and \$255, respectively. Borrowings under the line of credit in 1996 were primarily used to finance the construction of the Company's new corporate campus. Therefore, in 1996, the majority of interest expense that related to the borrowings under the 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 and Note 11 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 6 of the Notes to Consolidated Financial Statements). At December 31, 1997, the Company's unused sources of liquidity consisted primarily of cash and cash equivalents of \$16,891 and the unused portion of the line of credit of \$50,000. The availability of the line of credit is subject to the Company's compliance with certain covenants set forth in the agreement. 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 at that date, which amounted to \$30,000. The Company made its first principal payment of \$2,000 on its long-term debt in February 1998.

Cash flow generated from operations was \$49,906, \$33,285, and \$24,352, in 1997, 1996, and 1995, respectively. The increase in operating cash flow is primarily due to the increase in income and the increase in various accrued liabilities. Cash flow provided by operations in 1997 was negatively affected by the increase in receivables. As a result of the contracting of new trust clients in 1997, the Company experienced a substantial increase in unbilled receivables relating to implementation fees. The increase in unbilled receivables is the result of timing differences between services provided and contractual billing schedules (See Note 3 of the Notes to Consolidated Financial Statements).

Cash flows provided by operations were also affected by several other factors. Receivables from regulated investment companies increased in 1997 primarily due to the increase in assets under management. These balances are paid off in the following month. In 1997, cash flows from operations were favorably affected by the sales of loans classified as Loans receivable available for sale by the Company's Swiss based subsidiary, whereas, cash flows from operations in 1996 were negatively affected by the purchase of these loans. In 1996 and 1995, a substantial amount of cash was used to support the Company's discontinued operations.

Capital expenditures, including capitalized software development costs, for 1997, 1996, and 1995 were \$21,051, \$43,728, and \$11,610, respectively, are the primary factors affecting cash flows from investing activities. Capital expenditures in 1996 included significant costs associated with the construction of the Company's new corporate campus, which was completed in late 1996, along with an increase in capitalized software development costs in connection with the open architecture project and Year 2000 program. Capitalized software development costs relating to these projects is expected to continue in 1998. Additionally, the Company is currently reviewing plans to expand its corporate campus. Construction is expected to begin in early 1998 and should be completed by late 1998 at an estimated cost of \$5,000. In 1996, the Company received \$6,536 from the sale of marketable securities classified as Investments available for sale (See Note 5 of the Notes to Consolidated Financial Statements). The Company acquired 1.4 million shares of its common stock at a cost of \$43,620 during 1997 pursuant to an open market stock purchase authorization of \$228,365 made by the Board of Directors. The Company has purchased approximately 14.9 million shares of its common stock at a cost of \$219,318 as of February 28, 1998 since the inception of the stock buyback program. At that date, the Company still had approximately \$9,047 remaining authorized for the purchase of its common stock.

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, future dividend payments, and principal and interest payments on its long-term debt.

## Discontinued Operations

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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. CR was sold to a private investment firm on December 31, 1997. DC provided administrative and processing services, recordkeeping services, and employee retirement planning materials for use by defined contribution plans. The Company completed the transfer of DC's operations to the acquiring firm in 1996.

Discontinued operations for the year ended December 31, 1997 had revenues of \$25,675 and pre-tax losses of \$3,294, compared to revenues of \$32,940 and pre-tax losses of \$6,170 for the year ended December 31, 1996. The 1997 losses were charged against the provision established for the disposal of discontinued operations and is reflected in Accrued discontinued operations disposal costs on the accompanying Consolidated Balance Sheets (See Note 2 of the Notes to Consolidated Financial Statements).

## Recent Accounting Pronouncements

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In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), and Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS No. 130 is required to be adopted for the Company's fiscal year ending December 31, 1998. The adoption of this pronouncement is expected to have no impact on the Company's financial position or results of operations. SFAS 131 is required to be adopted for the Company's 1998 year-end financial statements. The Company is currently evaluating the impact, if any, of the adoption of this pronouncement on the Company's existing disclosures (See Note 1 of the Notes to Consolidated Financial Statements).

## Assessment of Risks Associated with the Year 2000

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The Company began to address the Year 2000 issue in 1995, initially focusing on its TRUST 3000 product line. In 1997, a committee was formed with representatives from all areas of the Company's business in order to review all internal proprietary systems and every vendor with which the Company interacts. Each vendor was contacted in order for the Committee to assess the impact the Year 2000 will have on operations. The assessment included a questionnaire, review of financial information, and information available on the internet. In addition, if warranted, the Company will initiate appropriate systems testing in order to make a reasonable determination as to whether a vendor will, in fact, be Year 2000 compliant on time. SEI customers have been informed of the Company's Year 2000 program through a users group and periodic communications.

The current Year 2000 project has the highest level of corporate commitment. The Company will utilize both internal and external resources to reprogram, or replace, and test software for Year 2000 compliance. The Company plans to have all its systems Year 2000 compliant by early 1999. Management estimates that it will cost about \$10 million to bring TRUST 3000 into Year 2000 compliance, the majority of which will be capitalized. Management does not expect to expend significant resources to bring all its internal proprietary systems into Year 2000 compliance. Amounts incurred for internal systems are expensed, unless new software is purchased which is capitalized. The cost of the Year 2000 project and the date on which the Company plans to complete Year 2000 modifications are based on management's best estimates. At this time, management does not believe the financial impact of the Company's Year 2000 project will have a material adverse affect on its financial position or results of operations in any given year. However, if the Company or any significant vendors utilized in the Company's operations do not successfully achieve Year 2000 compliance in a timely manner, the Company's operations could be adversely affected.

## Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995

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Except for the historical information contained herein, the matters discussed in this report are forward-looking statements which involve risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting the Company's operations, markets, services and related products, prices, and other factors discussed in the Company's prior filings with the Securities and Exchange Commission. Although the Company believes the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk.

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Not Applicable.

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, 1997 and 1996  
Consolidated Statements of Operations -- For the years ended  
December 31, 1997, 1996, and 1995  
Consolidated Statements of Shareholders' Equity -- For the years ended  
December 31, 1997, 1996, and 1995  
Consolidated Statements of Cash Flows -- For the years ended  
December 31, 1997, 1996, and 1995  
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, 1997 and 1996, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1997. 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, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997 in conformity with generally accepted accounting principles.

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 data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Philadelphia, Pa.  
February 6, 1998



Consolidated Balance Sheets  
(In thousands)

SEI Investments Company  
and Subsidiaries

	December 31,	1997	1996
-----			
ASSETS			
Current Assets:			
Cash and cash equivalents.....		\$ 16,891	\$ 13,167
Receivables from regulated investment companies.....		14,452	10,836
Receivables, net of allowance for doubtful accounts of \$1,200 and \$1,350.....		31,192	19,558
Loans receivable available for sale.....		11,340	13,043
Deferred income taxes.....		6,337	4,527
Prepaid expenses.....		3,783	3,825
		-----	-----
TOTAL CURRENT ASSETS.....		83,995	64,956
		-----	-----
INVESTMENTS AVAILABLE FOR SALE.....		876	1,000
		-----	-----
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of \$49,493 and \$48,128.....		52,131	48,620
		-----	-----
CAPITALIZED SOFTWARE, net of accumulated amortization of \$7,959 and \$5,193.....		18,440	13,577
		-----	-----
CUSTOMER LISTS, net of accumulated amortization of \$291 and \$0.....		3,009	2,000
		-----	-----
OTHER ASSETS, net.....		10,433	10,888
		-----	-----
		\$168,884	\$141,041
		-----	-----

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,	1997	1996
<hr/>			
LIABILITIES AND SHAREHOLDERS' EQUITY	Current Liabilities:		
	Line of credit.....	\$ --	\$ 20,000
	Current portion of long-term debt.....	2,000	--
	Accounts payable.....	5,798	5,863
	Accrued compensation.....	20,920	14,503
	Accrued proprietary fund services.....	9,812	6,748
	Accrued discontinued operations disposal costs.....	7,228	7,417
	Other accrued liabilities.....	28,760	20,303
	Deferred revenue.....	7,158	5,123
		-----	-----
	TOTAL CURRENT LIABILITIES.....	81,676	79,957
		-----	-----
	LONG-TERM DEBT.....	33,000	--
		-----	-----
	DEFERRED INCOME TAXES.....	7,798	4,976
		-----	-----
	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; 17,767 and 18,498 shares issued and outstanding.....	178	185
	Capital in excess of par value.....	46,724	54,959
	Retained earnings.....	--	1,141
	Cumulative currency translation adjustments.....	(417)	(177)
	Unrealized holding loss on investments.....	(75)	--
		-----	-----
	TOTAL SHAREHOLDERS' EQUITY.....	46,410	56,108
		-----	-----
		\$168,884	\$141,041
		-----	-----

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,	1997	1996	1995
REVENUES.....		\$292,749	\$247,817	\$225,964
EXPENSES:				
Operating and development.....		148,536	129,776	115,366
Sales and marketing.....		84,770	68,719	58,892
General and administrative.....		13,931	13,235	16,963
INCOME FROM CONTINUING OPERATIONS BEFORE INTEREST AND INCOME TAXES.....		45,512	36,087	34,743
GAIN ON SALE OF INVESTMENTS AVAILABLE FOR SALE.....		--	1,097	--
INTEREST INCOME.....		983	808	1,019
INTEREST EXPENSE.....		(2,488)	(48)	(255)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES.....		44,007	37,944	35,507
INCOME TAXES.....		17,163	14,798	14,381
INCOME FROM CONTINUING OPERATIONS.....		26,844	23,146	21,126
LOSS FROM DISCONTINUED OPERATIONS, NET OF INCOME TAX BENEFIT OF \$(1,295).....		--	--	(1,942)
LOSS ON DISPOSAL OF DISCONTINUED OPERATIONS, NET OF INCOME TAX BENEFIT OF \$(5,139).....		--	(16,335)	--
NET INCOME.....		\$ 26,844	\$ 6,811	\$ 19,184
BASIC EARNINGS PER COMMON SHARE:				
Earnings per common share from continuing operations.....		\$ 1.47	\$ 1.25	\$ 1.14
Loss per common share from discontinued operations.....		--	(.88)	(.11)
BASIC EARNINGS PER COMMON SHARE.....		\$ 1.47	\$ .37	\$ 1.03
DILUTED EARNINGS PER COMMON SHARE:				
Earnings per common share from continuing operations.....		\$ 1.40	\$ 1.20	\$ 1.08
Loss per common share from discontinued operations.....		--	(.85)	(.10)
DILUTED EARNINGS PER COMMON SHARE.....		\$ 1.40	\$ .35	\$ .98

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 IN EXCESS OF PAR VALUE	RETAINED EARNINGS	CUMULATIVE CURRENCY TRANSLATION ADJUSTMENTS	UNREALIZED HOLDING GAIN ON INVESTMENTS	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT					
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
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 Shareholders' Equity  
(In thousands)

SEI Investments Company  
and Subsidiaries

	COMMON STOCK		CAPITAL	RETAINED	CUMULATIVE	UNREALIZED	TOTAL
	SHARES	AMOUNT	IN EXCESS OF PAR VALUE	EARNINGS	TRANSLATION ADJUSTMENTS	HOLDING LOSS ON INVESTMENTS	SHAREHOLDERS' EQUITY
BALANCE, DECEMBER 31, 1996.....	18,498	\$185	\$54,959	\$ 1,141	\$(177)	\$ --	\$56,108
Net income.....	--	--	--	26,844	--	--	26,844
Purchase and retirement of common stock.....	(1,403)	(14)	(20,666)	(22,940)	--	--	(43,620)
Issuance of common stock under the employee stock purchase plan	47	1	1,053	--	--	--	1,054
Issuance of common stock upon exercise of stock options.....	625	6	8,009	--	--	--	8,015
Tax benefit on stock options exercised.....	--	--	3,369	--	--	--	3,369
Cash dividends.....	--	--	--	(5,045)	--	--	(5,045)
Currency translation adjustments.	--	--	--	--	(240)	--	(240)
Unrealized holding loss on investments.....	--	--	--	--	--	(75)	(75)
BALANCE, DECEMBER 31, 1997.....	17,767	\$178	\$46,724	\$ --	\$(417)	\$(75)	\$46,410

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,	1997	1996	1995
<hr/>				
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income.....		\$ 26,844	\$ 6,811	\$19,184
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization.....		14,068	10,039	11,574
Provision for losses on receivables.....		--	144	--
Deferred income tax expense (benefit).....		893	3,821	(672)
Discontinued operations.....		--	6,046	3,055
Tax benefit on stock options exercised.....		3,369	2,738	1,693
Gain on sale of investments available for sale.....		--	(1,097)	--
Other.....		(1,214)	(3,739)	(673)
Change in current assets and liabilities:				
Decrease (increase) in				
Receivables from regulated investment companies.....		(3,616)	(2,079)	(2,471)
Receivables.....		(11,634)	2,734	(5,168)
Loans receivable available for sale.....		1,703	(7,891)	(5,152)
Prepaid expenses.....		42	1,065	(2,539)
Increase (decrease) in				
Accounts payable.....		(65)	(389)	1,821
Accrued compensation.....		6,417	779	(397)
Accrued discontinued operations disposal costs.....		(189)	7,417	--
Accrued proprietary fund services.....		3,064	4,065	1,383
Other accrued liabilities.....		8,189	3,493	1,186
Deferred revenue.....		2,035	(672)	1,528
		-----	-----	-----
Total adjustments.....		23,062	26,474	5,168
		-----	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES.....		\$ 49,906	\$33,285	\$24,352
<hr/>				

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,	1997	1996	1995
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Additions to property and equipment.....	(12,955)	(33,060)	(8,611)
Additions to capitalized software.....	(8,096)	(10,668)	(2,999)
Proceeds from sale (purchase) of investments available for sale	--	5,536	(5,361)
Other.....	(803)	(3,738)	(961)
	-----	-----	-----
<b>NET CASH USED IN INVESTING ACTIVITIES.....</b>	<b>(21,854)</b>	<b>(41,930)</b>	<b>(17,932)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of long-term debt.....	35,000	--	--
Proceeds from (payment on) line of credit.....	(20,000)	20,000	--
Purchase and retirement of common stock.....	(43,620)	(9,770)	(18,378)
Proceeds from issuance of common stock.....	9,069	5,416	5,377
Payment of dividends.....	(4,777)	(4,090)	(3,395)
	-----	-----	-----
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES.....</b>	<b>(24,328)</b>	<b>11,556</b>	<b>(16,396)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	<b>3,724</b>	<b>2,911</b>	<b>(9,976)</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....</b>	<b>13,167</b>	<b>10,256</b>	<b>20,232</b>
	-----	-----	-----
<b>CASH AND CASH EQUIVALENTS, END OF YEAR.....</b>	<b>\$ 16,891</b>	<b>\$ 13,167</b>	<b>\$ 10,256</b>

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") is organized around its two primary business 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 and services 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 1997 revenues, the Investment Technology and Services segment accounted for 62 percent of the Company's consolidated revenues and the Asset Management segment accounted for 38 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 Investments Distribution Company ("SIDCO"), formerly SEI Financial Services Company, SEI Investments Management Corporation ("SIMC"), formerly SEI Financial Management Corporation, and SEI Trust Company. All intercompany accounts and transactions have been eliminated.

CASH AND CASH EQUIVALENTS - At December 31, 1997 and 1996, Cash and cash equivalents included \$10,436,000 and \$11,783,000, respectively, primarily invested in SEI Tax Exempt Trust, one of several mutual funds sponsored by SIMC. Interest and dividend income for 1997, 1996, and 1995 was \$983,000, \$808,000, and \$1,019,000, respectively (See Note 13).

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

	1997	1996	ESTIMATED USEFUL LIVES (IN YEARS)
Equipment.....	\$ 42,376,000	\$ 40,390,000	3 to 5
Buildings.....	27,940,000	25,907,000	25 to 39
Land.....	6,993,000	6,730,000	N/A
Purchased software.....	9,181,000	9,397,000	3
Furniture and fixtures.....	9,790,000	9,030,000	3 to 5
Leasehold improvements.....	5,344,000	5,294,000	Lease Term
	-----	-----	
	101,624,000	96,748,000	
Less: Accumulated depreciation and amortization.....	(49,493,000)	(48,128,000)	
	-----	-----	
Property and Equipment, net.....	\$ 52,131,000	\$ 48,620,000	

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 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. 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. Customer Lists are amortized on a straight-line basis over 10 years. Amortization expense for 1997 was \$291,000. There was no amortization expense in 1996 or 1995. 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 its net realizable value. As of December 31, 1997, 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:

	1997 -----	1996 -----	1995 -----
Interest paid.....	\$1,499,000	\$ 794,000	\$ 211,000
Interest and dividends received.....	\$ 957,000	\$ 876,000	\$ 1,024,000
Income taxes paid (Federal and state).....	\$8,667,000	\$5,525,000	\$12,846,000

REVENUE RECOGNITION - Principal sources of revenues are information processing and software services, management, administration, 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 in the period ended December 31, 1997.

**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 ten years, with a weighted average remaining life of 7.4 years.

Capitalized software development costs consist primarily of salary, consulting, and computer costs incurred to develop new products and enhancements to existing products. During 1997, 1996, and 1995, software development costs of \$8,096,000, \$10,668,000, and \$2,999,000 were capitalized, respectively. Amortization expense was \$3,233,000, \$1,447,000, and \$1,522,000 in 1997, 1996, and 1995, 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 \$22,500,000, \$26,254,000, and \$16,744,000 in 1997, 1996, and 1995, respectively.

**EARNINGS PER SHARE** - In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"), which supersedes Accounting Principles Board Opinion No. 15. Pursuant to SFAS 128, dual presentation of basic and diluted earnings per common share is required on the face of the statements of operations for companies with complex capital structures. Basic earnings per common share, which replaced primary earnings per common share, is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share, which replaced fully diluted earnings per common share, reflects the potential dilution from the exercise or conversion of securities into common stock, such as stock options. If the inclusion of common stock equivalents has an anti-dilutive effect in the aggregate, it is excluded from the diluted earnings per common share calculation. The Company adopted SFAS 128 in its December 31, 1997 financial statements. All prior period earnings per common share data has been restated to conform with the provisions of SFAS 128.

	FOR THE YEAR ENDED DECEMBER 31, 1997		
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
Basic earnings per common share from continuing operations.....	\$26,844,000	18,315,000	\$1.47
Dilutive effect of stock options.....	--	921,000	
Diluted earnings per common share from continuing operations.....	\$26,844,000	19,236,000	\$1.40

FOR THE YEAR ENDED DECEMBER 31, 1996			
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
Basic earnings per common share from continuing operations.....	\$23,146,000	18,497,000	\$1.25
Dilutive effect of stock options.....	--	867,000	
Diluted earnings per common share from continuing operations.....	\$23,146,000	19,364,000	\$1.20
FOR THE YEAR ENDED DECEMBER 31, 1995			
	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER SHARE AMOUNT
Basic earnings per common share from continuing operations.....	\$21,126,000	18,607,000	\$1.14
Dilutive effect of stock options.....	--	947,000	
Diluted earnings per common share from continuing operations.....	\$21,126,000	19,554,000	\$1.08

Options to purchase 580,000, 544,000, and 658,000 shares of common stock with an average exercise price per share of \$42.00, \$24.20, and \$23.82 were outstanding during the years 1997, 1996, and 1995, respectively, but were excluded from the diluted earnings per common share calculation because the option's exercise price was greater than the average market price of the Company's common stock.

According to SFAS 128, all earnings per common share data previously reported has been restated to comply with its provisions. The effect of this accounting change on previously reported earnings per common share data is as follows:

	1996	1995
Per common share amounts from continuing operations:		
Primary earnings per common share as reported.....	\$1.20	\$1.09
Effect of SFAS 128.....	.05	.05
Basic earnings per common share as restated.....	\$1.25	\$1.14
Fully diluted earnings per common share as reported.....	\$1.20	\$1.09
Effect of SFAS 128.....	.00	(.01)
Diluted earnings per common share as restated.....	\$1.20	\$1.08

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.

NEW ACCOUNTING PRONOUNCEMENTS - In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), and Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 130 establishes standards for reporting and presentation of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements and requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is presented with equal prominence as other financial statements. SFAS No. 130 is required to be adopted for the Company's fiscal year ending December 31, 1998. The adoption of this pronouncement is expected to have no impact on the Company's financial position or results of operations. SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports issued to stockholders. It also establishes standards for related disclosures about products and services, geographic areas, and major customers. SFAS 131 is required to be adopted for the Company's 1998 year-end financial statements. The Company is currently evaluating the impact, if any, of the adoption of this pronouncement on the Company's existing disclosures.

#### 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 (\$.88 basic earnings per common share and \$.85 diluted earnings per common 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 included 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 and other future commitments. The Company's management believes that the provision established in the fourth quarter of 1996 is sufficient to cover all future costs associated with CR. This provision is reflected in Accrued discontinued operations disposal costs on the accompanying Consolidated Balance Sheets.

In July 1997, the Company entered into a definitive agreement to sell the remaining net assets of CR to a private investment firm. The deal was closed on December 31, 1997. Based upon the terms of the agreement, the Company received a specified amount at closing which was subject to adjustment. The adjustment to the purchase price consisted of a working capital adjustment plus an amount representing the net amount of cash activity from CR's operations during the period between August 18, 1997 and December 31, 1997. Additionally, the Company received a note from the acquiring firm which is due in two installments over the next two years. No additional gain or loss has been recorded at December 31, 1997. Any additional gain will be recorded when realized.

NOTE 3 - RECEIVABLES:

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

	1997	1996
Trade receivables.....	\$16,219,000	\$10,124,000
Fees earned, not received.....	2,308,000	3,511,000
Fees earned, not billed.....	13,865,000	7,273,000
	-----	-----
	32,392,000	20,908,000
Less: Allowance for doubtful accounts.....	(1,200,000)	(1,350,000)
	-----	-----
	\$31,192,000	\$19,558,000

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, SIDCO and SIMC, for distribution, investment advisory, and administration services provided by these subsidiaries to various regulated investment companies sponsored by the Company (See Note 13).

NOTE 4 - LOANS RECEIVABLE AVAILABLE FOR SALE:

Loans receivable available for sale represent loans which were purchased through SEI Capital AG, which is based in Zurich. 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. The Company intends to sell these loans within a year from the balance sheet date.

NOTE 5 - INVESTMENTS AVAILABLE FOR SALE:

Investments available for sale consist of mutual funds sponsored by the Company which are primarily invested in equity securities. The Company accounts for investments in marketable securities 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, net of income taxes, are reported as a separate component of Shareholders' equity. Realized gains and losses, as determined on a specific identification basis, are reported separately on the accompanying Consolidated Statements of Operations.

At December 31, 1997 and 1996, Investments available for sale had an aggregate cost of \$1,000,000. These securities had an aggregate market value of \$876,000 with gross unrealized losses of \$124,000 at December 31, 1997. At that date, the unrealized holding losses of \$75,000 (net of income tax benefit of \$49,000) were reported as a separate component of Shareholders' equity on the accompanying Consolidated Balance Sheets. There were no unrealized holding gains as of December 31, 1997. At December 31, 1996, the fair value of these securities approximated their original cost and accordingly, no unrealized holding gains or losses were recorded.

In 1996, proceeds from the sale of securities classified as Investments available for sale were \$6,536,000. The aggregate cost of these securities prior to sale was \$5,439,000, 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. The Company did not sell any of its investments in 1997.

#### NOTE 6 - LINE OF CREDIT:

The Company has a line of credit agreement (the "Agreement") with its principal lending institution which provides for borrowings of up to \$50,000,000. The Agreement ends on May 31, 1998, 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 on the Company's line of credit for the years ended December 31, 1997 and 1996 was \$30,000,000 and \$20,000,000, respectively. Interest expense, including commitment fees, on the Company's line of credit was \$302,000, \$794,000, and \$255,000 based on a weighted average interest rate of approximately 5.8 percent, 6.0 percent, and 6.6 percent for the years ended December 31, 1997, 1996, and 1995, respectively.

#### NOTE 7 - LONG-TERM DEBT:

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 were used to repay the outstanding balance on the Company's line of credit at that time. 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. Principal payments on the Notes are made annually from the date of issuance while interest payments are made semi-annually. The current portion of the Notes amounted to \$2,000,000 at December 31, 1997 which was paid in February 1998. The Company had no long-term debt at December 31, 1996. The carrying amount of the Company's long-term debt approximates its fair value.

Annual maturities of long-term debt are: \$2,000,000 per year through the year 2002; \$4,000,000 per year for the years 2003 through 2007; \$1,000,000 per year for the years 2008 through 2012. Interest expense relating to the Company's long-term debt was \$2,186,000 for the year ended December 31, 1997.

NOTE 8 - SHAREHOLDERS' EQUITY:

STOCK-BASED COMPENSATION PLANS - The Company has several 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. The Board of Directors has reserved an aggregate 13,105,000 shares for grant under these plans. All options outstanding were granted at prices equal to the fair market value of the stock on the date of grant and expire 10 years after the date of grant. Generally, all options vest ratably over a four year period, with the exception of those granted in 1997 which vest ratably upon the Company's attainment of specific earnings levels or seven years.

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 common share would have been reduced to the following pro forma amounts:

	1997	1996	1995
Net income:			
As reported.....	\$26,844	\$6,811	\$19,184
Pro forma.....	\$25,334	\$6,201	\$18,958
Basic earnings per common share:			
As reported.....	\$ 1.47	\$ .37	\$ 1.03
Pro forma.....	\$ 1.38	\$ .34	\$ 1.02
Diluted earnings per common share:			
As reported.....	\$ 1.40	\$ .35	\$ .98
Pro forma.....	\$ 1.32	\$ .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 1997, 1996, and 1995 was \$59.71, \$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:

	1997	1996	1995
Risk-free interest rate.....	6.55%	6.70%	6.35%
Expected dividend yield.....	1.00%	1.00%	1.00%
Expected life.....	7 Years	7 Years	7 Years
Expected volatility.....	37.36%	34.87%	35.31%

Certain information relating to the Company's stock option plans for 1997, 1996, and 1995 is summarized as follows:

	Number of Shares	Weighted Average Exercise Price
Balance as of December 31, 1994.....	4,530,000	\$12.78
Granted.....	209,000	22.09
Exercised.....	(464,000)	9.42
Expired or canceled.....	(148,000)	18.03
<hr/>		
Balance as of December 31, 1995.....	4,127,000	13.44
Granted.....	365,000	21.65
Exercised.....	(554,000)	8.02
Expired or canceled.....	(82,000)	20.44
<hr/>		
Balance as of December 31, 1996.....	3,856,000	14.85
Granted.....	622,000	40.55
Exercised.....	(625,000)	12.83
Expired or canceled.....	(58,000)	22.25
<hr/>		
Balance as of December 31, 1997.....	3,795,000	\$19.27
Exercisable as of December 31, 1997.....	2,725,000	\$14.11
Available for future grant as of December 31, 1997.....	342,000	--

As of December 31, 1996 and 1995, there were 3,010,000 shares and 3,157,000 shares exercisable, respectively. The expiration dates for options at December 31, 1997 range from April 4, 1998 to December 8, 2007, with a weighted average remaining contractual life of 5.8 years.

The following table summarizes information relating to all options outstanding at December 31, 1997:

Range of Exercise Prices (Per Share)	Options Outstanding at December 31, 1997		Options Exercisable at December 31, 1997		Weighted Average Remaining Contractual Life (Years)
	Number of Shares	Weighted Average Exercise Price (Per Share)	Number of Shares	Weighted Average Exercise Price (Per Share)	
\$ 7.75 - \$13.00	1,513,000	\$ 9.79	1,513,000	\$ 9.79	2.9
13.75 - 18.50	786,000	16.62	707,000	16.44	5.9
19.50 - 26.25	916,000	22.81	505,000	23.79	7.7
42.00	580,000	42.00	--	--	9.9
	3,795,000		2,725,000		



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, 1997, 733,000 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 \$228,365,000, including an additional authorization in early 1998. Through December 31, 1997, a total of 14,636,000 shares at an aggregate cost of \$209,122,000 have been purchased and retired. The Company purchased 1,403,000 shares at a cost of \$43,620,000 during 1997.

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 14, 1997, the Board of Directors declared a cash dividend of \$.14 per share on the Company's common stock, which was paid on June 27, 1997, to shareholders of record on June 12, 1997. On December 4, 1997, the Board of Directors declared a cash dividend of \$.14 per share on the Company's common stock, which was paid on January 21, 1998, to shareholders of record on December 31, 1997.

The dividends declared in 1997 and 1996 were \$5,045,000 and \$4,468,000, 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 \$1,412,000, \$1,345,000, and \$1,065,000 to the Plan in 1997, 1996, and 1995, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

The Company has entered into various operating leases for facilities, data processing equipment, and software. Some of these leases contain escalation clauses for increased taxes and operating expenses. Rent expense was \$16,192,000, \$17,527,000, and \$16,570,000 in 1997, 1996, and 1995, respectively.

Aggregate noncancellable minimum lease commitments at December 31, 1997 are:

1998.....	\$ 8,936,000
1999.....	4,848,000
2000.....	3,686,000
2001.....	2,807,000
2002.....	452,000
2003 and thereafter.....	115,000
	-----
	\$20,844,000

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 Accrued discontinued operations disposal costs on the accompanying Consolidated Balance Sheets. Management of the Company believes this provision will be adequate to cover all future costs incurred relating to these facilities.

The Company, through SEI AG, has commitments for \$4,826,000 to purchase additional Loans receivable available for sale. In the normal course of business, SEI AG will time these purchases with the sales of other loans, thereby relieving the Company of any additional outlay of cash associated with these commitments (See Note 4).

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,	1997	1996	1995
Current			
Federal.....	\$15,544,000	\$10,491,000	\$13,476,000
State.....	726,000	486,000	1,577,000
	-----	-----	-----
	16,270,000	10,977,000	15,053,000
	-----	-----	-----
Deferred, including current deferred			
Federal.....	607,000	2,963,000	(682,000)
State.....	286,000	858,000	10,000
	-----	-----	-----
	893,000	3,821,000	(672,000)
	-----	-----	-----
Total income taxes from continuing operations.....	\$17,163,000	\$14,798,000	\$14,381,000

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

YEAR ENDED DECEMBER 31,	1997	1996	1995
Statutory rate.....	35.0%	35.0%	35.0%
State taxes, net of Federal tax benefit.....	1.3	2.3	2.5
Other, net.....	2.7	1.7	3.0
	-----	-----	-----
	39.0%	39.0%	40.5%

Deferred income taxes for 1997, 1996, and 1995 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,	1997	1996	1995
Difference in financial reporting and income tax depreciation methods.....	\$ 996,000	\$ 598,000	\$(555,000)
Reserves not currently deductible.....	(73,000)	(28,000)	213,000
Capitalized software currently deductible for tax purposes, net of amortization.....	1,662,000	3,461,000	512,000
State deferred income taxes.....	186,000	558,000	6,000
Revenue and expense recognized in different periods for financial reporting and income tax purposes.....	(1,508,000)	(724,000)	(657,000)
Other, net.....	(370,000)	(44,000)	(191,000)
	-----	-----	-----
	\$ 893,000	\$3,821,000	\$(672,000)

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

YEAR ENDED DECEMBER 31,	1997	1996
Current deferred income taxes:		
Gross assets.....	\$ 6,461,000	\$ 4,689,000
Gross liabilities.....	(124,000)	(162,000)
	-----	-----
	6,337,000	4,527,000
Long-term deferred income taxes:		
Gross assets.....	243,000	1,108,000
Gross liabilities.....	(8,041,000)	(6,084,000)
	-----	-----
	(7,798,000)	(4,976,000)
Net deferred income tax liability.....	\$(1,461,000)	\$ (449,000)

The Company did not record any valuation allowance against deferred tax assets at December 31, 1997 and 1996.

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

YEAR ENDED DECEMBER 31,	1997	1996
Difference in financial reporting and income tax depreciation methods.....	\$ 52,000	\$ 846,000
Reserves not currently deductible.....	750,000	945,000
Capitalized software currently deductible for tax purposes, net of amortization.....	(8,088,000)	(6,082,000)
State deferred income taxes.....	324,000	223,000
Revenue and expense recognized in different periods for financial reporting and income tax purposes.....	5,388,000	3,277,000
Unrealized holding gain on investments.....	48,000	303,000
Other, net.....	65,000	39,000
	\$ (1,461,000)	\$ (449,000)

Note 12 - Segment Information:

The Company defines its business segments to reflect the Company's focus around two primary business lines: Investment Technology and Services and Asset Management. The Investment Technology and Services segment consists of the Company's trust technology, proprietary mutual fund, and back-office trust processing businesses. 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, 1997, 1996, and 1995.

1997	Investment Technology and Services	Asset Management	General and Administrative	Consolidated
Revenues.....	\$182,509,000	\$110,240,000		\$292,749,000
Operating profit.....	\$ 46,126,000	\$ 13,317,000	\$(13,931,000)	\$ 45,512,000
Interest income.....				\$ 983,000
Interest expense.....				\$ (2,488,000)
Income from continuing operations before income taxes.....				\$ 44,007,000
Depreciation and amortization.....	\$ 9,973,000	\$ 3,371,000	\$ 724,000	\$ 14,068,000
Capital expenditures.....	\$ 9,848,000	\$ 2,106,000	\$ 1,001,000	\$ 12,955,000
Total identifiable assets at December 31, 1997.....	\$ 89,444,000	\$ 64,155,000	\$ 15,285,000	\$168,884,000

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	\$(13,235,000)	\$ 36,087,000
Gain on sale of investments available for sale.....				\$ 1,097,000
Interest income.....				\$ 808,000
Interest expense.....				\$ (48,000)
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	\$(16,963,000)	\$ 34,743,000
Interest income.....				\$ 1,019,000
Interest expense.....				\$ (255,000)
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

NOTE 13 - RELATED PARTY TRANSACTIONS:

SIMC, 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, SIMC 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 \$119,606,000, \$92,143,000, and \$73,807,000 in 1997, 1996, and 1995, respectively. SIDCO is a party to Distribution Agreements with several RICs, which are advised and/or administered by SIMC. SIDCO 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 \$7,269,000, \$4,026,000, and \$5,897,000 in 1997, 1996, and 1995, respectively.

NOTE 14 - QUARTERLY FINANCIAL DATA (UNAUDITED):

1997	For the Three Months Ended			
	March 31	June 30	Sept. 30	Dec. 31
Revenues.....	\$63,504,000	\$70,730,000	\$74,283,000	\$84,232,000
Income before income taxes.....	\$ 8,001,000	\$ 8,568,000	\$11,105,000	\$16,333,000
Net income.....	\$ 4,801,000	\$ 5,141,000	\$ 6,939,000	\$ 9,963,000
Basic earnings per common share.....	\$ .26	\$ .28	\$ .38	\$ .55
Diluted earnings per common share.....	\$ .25	\$ .27	\$ .36	\$ .52

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)
Basic earnings per common share from continuing operations.....	\$ .31	\$ .26	\$ .32	\$ .36
Basic earnings (loss) per common share.....	\$ .31	\$ .26	\$ .32	\$(.53) (a)
Diluted earnings per common share from continuing operations.....	\$ .30	\$ .25	\$ .31	\$ .34
Diluted earnings (loss) per common share.....	\$ .30	\$ .25	\$ .31	\$(.51) (a)

(a) Includes the loss from the disposal of discontinued operations of \$16,335,000 or \$.89 basic earnings per common share and \$.85 diluted earnings per common share (See Note 2).

SEI INVESTMENTS COMPANY AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 1997

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, 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 =====
For the Year Ended December 31, 1997:					
Allowance for doubtful accounts	\$1,350,000 =====	\$ -- =====	\$ -- =====	\$(150,000) =====	\$1,200,000 =====

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

None.



PART III

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ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

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The information required by this item concerning directors is hereby incorporated by reference to the Company's definitive proxy statement for its 1998 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 1997 pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1998 Proxy Statement").

The executive officers of the Company are as follows:

ALFRED P. WEST, JR., 55, 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, 60, 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, 54, 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, 50, has been an Executive Vice President since October 1990, and a Director since May 1995.

CARL A. GUARINO, 40, has been a Senior Vice President since April 1988, and was General Counsel from April 1988 to January 1994.

EDWARD D. LOUGHLIN, 47, has been an Executive Vice President since January 1994 and a Senior Vice President since January 1988.

DENNIS J. MCGONIGLE, 37, 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, 36, has been a Senior Vice President and General Counsel since January 1994 and a Vice President since January 1992.

ITEM 11. EXECUTIVE COMPENSATION.  
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The information called for in this item is hereby incorporated by reference to the 1998 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.  
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The information called for in this item is hereby incorporated by reference to the 1998 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.  
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The information called for in this item is hereby incorporated by reference to the 1998 Proxy Statement.

PART IV

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

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(a) 1 and 2. Financial Statements and Financial Statement Schedules. The

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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, 1997 and 1996  
Consolidated Statements of Operations -- For the years ended December 31, 1997, 1996, and 1995  
Consolidated Statements of Shareholders' Equity -- For the years ended December 31, 1997, 1996, and 1995  
Consolidated Statements of Cash Flows -- For the years ended December 31, 1997, 1996, and 1995  
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.

3. Exhibits, Including Those Incorporated by Reference. The exhibits

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to this Report are listed on the accompanying index to exhibits and are incorporated herein by reference or are filed as part of this annual report on Form 10-K.

(b) Reports on Form 8-K. No reports on Form 8-K were filed by the

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Company during the quarter ended December 31, 1997.

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 27, 1998  
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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 27, 1998  
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By /s/ Alfred P. West, Jr.  
-----  
Alfred P. West, Jr.  
Chairman of the Board,  
Chief Executive Officer,  
and Director

Date March 27, 1998  
-----

By /s/ Carmen V. Romeo  
-----  
Carmen V. Romeo  
Executive Vice President and  
Director

Date March 27, 1998  
-----

By /s/ Richard B. Lieb  
-----  
Richard B. Lieb  
Executive Vice President and  
Director

Date March 27, 1998  
-----

By /s/ William M. Doran  
-----  
William M. Doran  
Director

Date March 27, 1998  
-----

By /s/ Henry H. Porter, Jr.  
-----  
Henry H. Porter, Jr.  
Director

EXHIBIT INDEX  
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The following is a list of exhibits filed as part of this annual report on Form 10-K. 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. (Incorporated by reference to exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1982.)
- 3.1.1 Designation of Series A Junior Participating Preferred Shares, dated December 19, 1988. (Incorporated by reference to exhibit 3.1.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.)
- 3.1.2 Amendment to Articles of Incorporation of the Registrant, dated May 21, 1992. (Incorporated by reference to exhibit 3.1.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.)
- 3.1.3 Amendment to Articles of Incorporation of the Registrant, dated May 26, 1994. (Incorporated by reference to exhibit 3.1.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- 3.1.4 Amendment to Articles of Incorporation of the Registrant, dated November 21, 1996. (Incorporated by reference to exhibit 3.1.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- 3.2 By-Laws. (Incorporated by reference to exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1983.)
- 3.2.1 Amendment to By-Laws, dated December 19, 1988. (Incorporated by reference to exhibit 3.2.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.)
- 3.2.2 Amendment to By-Laws, dated July 12, 1990. (Incorporated by reference to exhibit 3.2.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990.)
- 4.1 Form of Certificate for Shares of Common Stock. (Incorporated by reference to exhibit 4.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.)
- 4.1.1 Form of Rights Certificate. (Incorporated by reference to exhibit B to exhibit 1 to the Registrant's Report on Form 8-K filed on January 12, 1989.)

Note: Exhibits 10.1 through 10.10 constitute the management contracts and executive compensatory plans or arrangements in which certain of the directors and executive officers of the Registrant participate.

- 10.1\* Stock Option Plan, Amended, Restated and Renewed as of February 11, 1997. (Page 56)
- 10.1.1\* 1997 Stock Option Plan. (Page 67)
- 10.1.2\* 1997 Option Share Deferral Plan. (Page 77)
- 10.2 Employee Stock Ownership Plan. (Incorporated by reference to exhibit 10.3 (b) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.)
- 10.3 Employee Stock Purchase Plan, Amended and Restated as of May 8, 1991. (Incorporated by reference to exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.)
- 10.3.1\* Resolutions amending the Stocks Purchase Plan, effective as of October 15, 1997. (Page 88)
- 10.4 SEI Capital Accumulation Plan. (Incorporated by reference to exhibit 99(e) to the Registrant's Registration Statement on Form S-8 (No. 333-41343) filed December 2, 1997.)
- 10.5 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.)
- 10.5.1\* Amendment 1997-1 to Stock Option Plan for Non-Employee Directors. (Page 89)
- 10.5.2\* 1997 Option Share Deferral Plan for Non-Employee Directors. (Page 90)
- 10.6 Employment Agreement, dated May 25, 1979, between Alfred P. West, Jr. and the Registrant. (Incorporated by reference to exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.)
- 10.7 Employment Agreement, dated January 21, 1987, between Gilbert L. Beebower and the Registrant. (Incorporated by reference to exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.)

- 10.8.1 Employment Agreement, dated July 1, 1987, between Richard B. Lieb and the Registrant. (Incorporated by reference to exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.)
- 10.8.2 Stock Option Agreement, dated February 23, 1989, between Richard B. Lieb and a subsidiary of the Registrant, as amended. (Incorporated by reference to exhibit 10.8.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.)
- 10.9 Summary of Company Bonus Plan for Senior Management. (Incorporated by reference to exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
- 10.10 Employment Agreement, dated February 28, 1992, between Charles A. Marsh and the Registrant. (Incorporated by reference to exhibit 10.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
- 10.11 Directors and Officers Liability Insurance Policy. (Incorporated by reference to exhibit 10.9 to the Registrant's Registration Statement on Form S-8 (No.2-78133) filed June 25, 1982.)
- 10.12 Lease Agreement, dated as of January 1, 1990, between The Canada Life Assurance Company and the Registrant. (Incorporated by reference to exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.)
- 10.13 Lease Agreement, dated as of May 1, 1991, between Two North Riverside Plaza Joint Venture and the Registrant. (Incorporated by reference to exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.)
- 10.14 Credit Agreement, dated May 31, 1992, between Provident National Bank and the Registrant, as amended. (Incorporated by reference to exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.)
- 10.14.1 Second Modification Agreement to the Credit Agreement, dated April 19, 1993, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
- 10.14.2 Third Modification Agreement to the Credit Agreement, dated May 31, 1993, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
- 10.14.3 Fourth Modification Agreement to the Credit Agreement, dated March 14, 1994, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- 10.14.4 Fifth Modification Agreement to the Credit Agreement, dated May 31, 1994, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- 10.14.5 Sixth Modification Agreement to the Credit Agreement, dated May 5, 1995, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.5 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
- 10.14.6 Seventh Modification Agreement to the Credit Agreement, dated June 15, 1995, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
- 10.14.7 Eighth Modification Agreement to the Credit Agreement, dated October 19, 1995, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
- 10.14.8 Ninth Modification Agreement to the Credit Agreement, dated March 31, 1996, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)

- 10.14.9 Tenth Modification Agreement to the Credit Agreement, dated May 31, 1996, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- 10.14.10 Eleventh Modification Agreement to the Credit Agreement, dated October 1, 1996, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- 10.14.11 Release and Modification Agreement to the Credit Agreement, dated February 20, 1997, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- 10.14.12\* Thirteenth Modification Agreement to the Credit Agreement, dated May 30, 1997, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Page 101)
- 10.14.13\* Fourteenth Modification Agreement to the Credit Agreement, dated December 31, 1997, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Page 103)
- 10.15 Pledge Agreement, dated May 31, 1992, between Provident National Bank and the Registrant. (Incorporated by reference to exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.)
- 10.16 Master Lease Agreement, dated December 29, 1989, between Varilease Corporation and the Registrant, as amended. (Incorporated by reference to exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.)
- 10.17 Note Purchase Agreement, dated as of February 24, 1997, with respect to the issuance by the Registrant of \$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. (Incorporated by reference to exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- 21\* Subsidiaries of the Registrant. (Page 105)
- 23\* Consent of Independent Public Accountants. (Page 106)
- 27\* Financial Data Schedule for the Year ended December 31, 1997.
- 27.1\* Restated Financial Data Schedule for the Year ended December 31, 1996.
- 27.2\* Restated Financial Data Schedule for the Year ended December 31, 1995.
- 27.3\* Restated Financial Data Schedule for the Three Months ended March 31, 1997.
- 27.4\* Restated Financial Data Schedule for the Six Months ended June 30, 1997.
- 27.5\* Restated Financial Data Schedule for the Nine Months ended September 30, 1997.
- 27.6\* Restated Financial Data Schedule for the Three Months ended March 31, 1996.
- 27.7\* Restated Financial Data Schedule for the Six Months ended June 30, 1996.
- 27.8\* Restated Financial Data Schedule for the Nine Months ended September 30, 1996.
- 99\* Miscellaneous exhibits. (Page 116)

\* Filed herewith as an exhibit to this Form 10-K.

AMENDED, RESTATED AND RENEWED  
AS OF FEBRUARY 11, 1997SEI INVESTMENTS COMPANY  
STOCK OPTION PLAN

## 1. Background.

The Board of Directors of SEI Investments Company (formerly known as SEI Corporation), a Pennsylvania corporation (the "Company"), by resolution dated January 21, 1981, adopted the Stock Option Plan (the "Plan") providing for the grant of stock options for the purchase of shares of Non-Voting Common Stock of the Company, which shares were subsequently converted to Common Stock, par value \$.01 (the "Shares"), to employees of the Company and its subsidiaries. The Plan was initially approved by the shareholders of the Company on February 9, 1981. The Plan has been subsequently amended and restated from time to time by all requisite action of the Board of Directors and shareholders of the Company. The Plan was again amended and restated by action of the Board of Directors on February 11, 1997, subject to approval by shareholders of the Company.

## 2. Purpose of Plan.

The purpose of the Plan is to allow for the issuance thereunder of Incentive Stock Options and Non-Qualified Options in order to provide an additional means through which the Company can attract and retain employees and consultants. The Company believes that the Plan will encourage the participants to contribute materially to the growth of the Company, thereby benefitting the Company's shareholders, and will align the economic interests of the participants with those of the shareholders.

## 3. Administration of the Plan.

(a) Committee. The Plan shall be administered and interpreted by a Stock Option Committee (the "Committee"). The Committee shall consist of two or more persons appointed by the Board of Directors, all of whom shall be "outside directors" as defined under section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code") and related Treasury regulations and "non-employee directors" as defined under Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act").



(b) Committee Authority. The Committee shall have the sole authority to (i) determine the individuals to whom grants shall be made under the Plan, (ii) determine the type, size and terms of the grants to be made to each such individual, (iii) determine the time when the grants will be made and the duration of any applicable exercise period, including the criteria for exercisability and the acceleration of exercisability and (iv) deal with any other matters arising under the Plan.

(c) Committee Determinations. The Committee shall have full power and authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan and for the conduct of its business as it deems necessary or advisable, in its sole discretion. The Committee's interpretations of the Plan and all determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in any awards granted hereunder. All powers of the Committee shall be executed in its sole discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated individuals.

#### 4. Shares Subject to the Plan.

(a) Plan Share Limits. The maximum aggregate number of Shares with respect to which options may be granted from time to time under the Plan (subject to the provisions of Section 12) shall be 12,304,988 Shares. The maximum aggregate number of Shares that shall be subject to grants made under the Plan to any individual during any calendar year shall be 25,000 Shares.

(b) Other Share Requirements. If an option granted under the Plan ceases to be exercisable in whole or in part by reason of (i) the expiration of the term of the option; (ii) the cancellation of the option with the consent of the optionee; (iii) upon or following termination of employment of the optionee in accordance with Section 10; or (iv) the forfeiture, exchange or surrender of the option, the Shares which were subject to such option, but to which the option had not been exercised at the time of termination of the option, shall continue to be available under the Plan. The Shares to be issued upon exercise of options granted under the Plan shall be either authorized but unissued Shares or Shares reacquired by the Company and held in the treasury of the Company, including Shares purchased by the Company on the open market for purposes of the Plan.

## 5. Designation of Participants

(a) Eligible Individuals. Employees of the Company, and affiliates of the Company, shall be eligible to receive options under the Plan. Consultants who perform services to the Company or any of its affiliates shall be eligible to participate in the Plan if the consultants render bona fide services and such services are not in connection with the offer or sale of securities in a capital-raising transaction. Notwithstanding the foregoing, only employees of the Company or its subsidiaries shall be eligible to receive Incentive Stock Options.

(b) Selection of Optionees. From time to time, the Committee shall designate from such eligible persons those who will receive options and the number of Shares to be covered by each option.

(c) Rights of Participants. Nothing in the Plan shall entitle any employee, consultant or other person to any claim or right to be granted an option under this Plan. Nothing in this Plan, in any option granted pursuant to this Plan, or in any action taken hereunder shall be construed as conferring on any individual any rights to continue in the employ (or as a consultant) of the Company or any of its subsidiaries, or any other employment (or consulting) rights. Nothing in the Plan or in any option granted pursuant to this Plan shall in any way interfere with the right of the Company or any of its subsidiaries to terminate the optionee's employment (or consulting relationship) at any time. Options may be granted to eligible persons whether or not they hold or have held options under the Plan or under plans or arrangements previously adopted by the Company.

(d) Definitions. For the purposes of the Plan, the term "subsidiary" shall mean any corporation now existing or hereafter organized or acquired by the Company in an unbroken chain of corporations beginning with the Company if, at the time of the granting of the option, each of the corporations (including the Company) other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one or the other corporations, in such chain. The term "affiliate" shall mean any corporation, partnership or other entity in which the Company holds, directly or indirectly, fifty percent (50%) or more of the entity's equity interest.

## 6. Types of Options.

Options granted under the Plan may be of two types: (a) options intended to meet the requirements of section 422 of the Code ("Incentive Stock Options") and (b) options not intended to meet the requirements of section 422 of the Code ("Non-Qualified Options"). The Committee shall have authority and discretion to grant to an eligible person either Incentive Stock Options, Non-Qualified Options or both but shall clearly designate the nature of each option at the time of option grant.

## 7. Stock Option Agreement.

Each option granted under the Plan shall be subject to the terms and conditions set forth herein and shall be evidenced by a stock option agreement, which shall be executed by the Company. The agreement shall contain such terms and provisions, not inconsistent with the Plan, as shall be determined by the Committee, including (a) a clear designation of the status of the options granted thereby; and (b) in the case of Incentive Stock Options such terms as shall be requisite to cause such options to comply with the provisions of section 422 of the Code. The Committee shall approve the form and provisions of each stock option agreement, and any amendment thereto. Incentive Stock Options and Non-Qualified Options may be granted simultaneously and subject to a single option agreement, provided that, in no event shall a Non-Qualified Option be granted in tandem with an Incentive Stock Option, such that the exercise of one affects the right to exercise the other. The terms and provisions of such option agreements may vary between optionees and between different options granted to the same optionee. By accepting any option granted under the Plan, an optionee will be deemed to have agreed to all provisions contained in the option agreement.

## 8. Option Price.

(a) Determination of Option Price. The option price shall be determined by the Committee and shall be not less than the Fair Market Value (as defined below) of the Shares at the time the option is granted provided; however, that the option price of Shares with respect to Incentive Stock Options granted to any person possessing (at the time of option grant) over ten percent of the total combined voting power of all classes of stock of the Company and any parent and subsidiary corporations (such person hereinafter a "control person") shall be 110% of such Fair Market Value of a Share on the date the Incentive Stock Option is granted.

(b) Determination of Fair Market Value. For the purposes of this Plan, the Fair Market Value of the Shares shall mean the average (mean) of the closing bid and asked prices of the Shares as reported on the relevant date through the National Association of Securities Dealers Automated Quotation System or, if the Shares are listed or admitted to trading on the Nasdaq National Market System or any national securities exchange or if the last reported sale price of such Shares is generally available, the last reported sale price on such system or exchange on the relevant date. The Fair Market Value for any day for which there is no such bid and asked price or last reported sales price shall be the Fair Market Value of the next preceding day for which there is such a price.

Should the Shares be traded otherwise than on the markets referred to above, then the Fair Market Value shall be determined by the Committee. If the Shares are not publicly traded, then the Fair Market Value shall be not less than the value established for the Shares by an independent appraisal as of a date not more than twelve months before such value determination by the Committee.

9. Amount of Incentive Stock Options.

With respect to Incentive Stock Options granted after December 31, 1986, if the aggregate Fair Market Value (determined as of the time of option grant) of the Shares with respect to which such Incentive Stock Options first become exercisable during any calendar year under this Plan and any other plan of the Company or any parent or subsidiary, exceeds \$100,000, then such Incentive Stock Options, to the extent of such excess, shall be treated for all tax purposes as Non-Qualified Options.

10. Terms of Options.

The Committee shall have the authority to determine the term of each option, provided that no Incentive Stock Option granted to a control person shall be exercisable after the expiration of five (5) years from the date of option grant and no other option shall be exercisable after the expiration of ten (10) years from the date of option grant. Subject to the limitation periods hereinabove set forth, no option, or portion thereof, granted under the Plan shall vest after the optionee ceases to be employed by (and is employed by neither) the Company or one of its subsidiaries or affiliates (a "termination of employment") and all options shall terminate automatically on the earliest to occur of the expiration of the option term (as described above), or one of the following events:

a. Upon the expiration of ten (10) days after notice by the Company pursuant to Section 12(d) of the sale of all or substantially all of its assets;

b. Thirty (30) days after a termination of employment (or within such other period of time as may be specified by the Committee) for any reason other than death, retirement or disability;

c. One year from the date of a termination of employment (or within such other period of time as may be specified by the Committee) by reason of the optionee's death;

d. Three months from the date of a termination of employment (or within such other period of time as may be specified by the Committee) by reason of the optionee's disability or retirement; or

e. As of the date of a termination of employment by reason of a termination for cause.

For purpose of determining whether or not a termination of employment has occurred, (i) the transfer of an optionee among the Company or any subsidiary or affiliate shall not be deemed a termination of employment, (ii) the sale of any subsidiary or affiliate to an unaffiliated party shall be deemed a termination of employment of any optionee who continues to be employed by such subsidiary or affiliate subsequent to such sale, (iii) a consultant shall be deemed to have incurred a termination of employment at the time he is no longer required to perform services for the Company or any subsidiary or affiliate, as determined by the Committee, (iv) an optionee shall be deemed to have been terminated for cause if the Committee finds that the optionee has breached his employment or service contract with the Company, any subsidiary or affiliate, or has been engaged in disloyalty to the Company, any subsidiary or affiliate, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of his employment or service, or has disclosed trade secrets or confidential information of the Company, any subsidiary or affiliate to persons not entitled to receive such information, and (v) an optionee shall be deemed to be disabled if the optionee becomes disabled within the meaning of section 22(e)(3) of the Code. Notwithstanding the foregoing, with respect to an option granted to a consultant, the Committee, in its sole discretion, shall establish the provisions concerning termination of such option at the time of option grant. In the absence of such establishment, the provisions of (a) through (e) above shall apply.

#### 11. Exercise of Options.

(a) Exercisability of Options. The time or times at which or during which options granted under this Plan may be exercised, and any conditions pertaining to such exercise, shall be determined by the Committee and specified in the stock option agreement or an amendment to the stock option agreement; provided however, that no Incentive Stock Option granted on or before December 31, 1986 shall become exercisable while the optionee has outstanding any previously granted incentive stock option (as defined in section 422 of the Code) to purchase stock in the Company, in a corporation that (at the time of option grant) was a parent or subsidiary of the Company or in a predecessor corporation of any of such corporations.

#### (b) Transferability of Options.

(i) Nontransferability of Options. Except as provided below, no option granted under this Plan shall be assignable or otherwise transferable except by will or the laws of descent and distribution or, with respect to Non-Qualified Options, if permitted in any specific case by the Committee, pursuant to a domestic relations order (as defined under the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the regulations thereunder). Any option shall be exercisable solely by

the optionee during the lifetime of the optionee and, after the death of the optionee, an option shall be exercisable (subject to the provision of Section 10) solely by either the duly qualified personal representative or representatives of the optionee, or the person or persons who acquire the right to exercise such option by will or the laws of descent and distribution and such person or persons furnish proof satisfactory to the Company of his or their right to receive the option under the optionee's will or under the applicable laws of descent and distribution.

(ii) Transfer of Non-Qualified Options. Notwithstanding the foregoing, the Committee may provide, in a stock option agreement, that an optionee may transfer Non-Qualified Options to family members or other persons or entities according to such terms as the Committee may determine; provided that the optionee receives no consideration for the transfer of a Non-Qualified Option and the transferred Option shall continue to be subject to the same terms and conditions as were applicable to the Option immediately before the transfer.

(c) Payment of Option Price. The purchase price of the Shares as to which an option is exercised shall be paid in full in cash or in any other manner approved by the Committee which may include, but shall not be limited to, payment by surrender of unrestricted Shares owned by the optionee (including Shares acquired in connection with the exercise of the option, subject to such restrictions as the Committee deems appropriate) and having a Fair Market Value on the date of exercise equal to the purchase price, or payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board. The optionee shall pay the option price and the amount of any withholding tax due (pursuant to Subsection (d)) at the time of exercise.

(d) Withholding of Taxes.

(i) Required Withholding. All options under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements. The Company may require the optionee or other person receiving such Shares to pay to the Company the amount of any such taxes that the Company is required to withhold with respect to the exercise of such options, or the Company may deduct from other wages paid by the Company the amount of any withholding taxes due with respect to such exercise.

(ii) Withholding Shares. If the Company is required to withhold any taxes arising from an exercise of options under the Plan, the Treasurer of the Company may, in such person's discretion, withhold delivery of Shares issuable upon exercise of an option in an amount (valued at the Fair Market Value of such Shares on the date of exercise of the option) sufficient to cover the Company's withholding obligation with respect to such taxes.

(e) Notice of Exercise. Notice in writing shall be given by the optionee to the Treasurer of the Company, or such other person as may be designated from time to time by the Treasurer, on any day on which the offices of the Company are generally open for the conduct of business, which notice shall indicate the exercise of any option and specify the number of Shares desired at the option price.

(f) Limitations on Issuance of Shares. The obligation of the Company to deliver Shares upon such exercise shall be subject to all applicable laws, rules, regulations, and such approvals by governmental agencies as may be deemed appropriate by the Committee, including, among others, such steps as counsel for the Company shall be deemed necessary or appropriate to comply with requirements of relevant securities laws. Such obligation shall also be subject to the condition that the Shares reserved for issuance upon the exercise of options granted under the Plan shall have been duly listed on any national securities exchange which then constitutes the principal trading market for the Shares.

## 12. Capital Change of the Company.

(a) Adjustments. In the event that there is a change in, reclassification of, subdivision of, combination of, split-up or spin-off with respect to, stock dividend on, or exchange of stock of the Company for the outstanding Shares of the Company, the maximum aggregate number and class of Shares as to which options may be granted under the Plan, the maximum aggregate number of Shares that any individual participating in the Plan may be granted in any calendar year, and the number and class of Shares as to which each outstanding option and the option price may (but need not) be adjusted by the Committee in any manner in which the Committee, in its absolute discretion, deems appropriate. Such adjustment to Shares subject to the Plan or to Shares subject to options under the Plan shall not in any event take place with respect to any dividend payable in Shares of the Company, unless such dividend would result in either (i) an increase of ten percent (10%) or more in the outstanding Shares of the Company since the adoption of the Plan or the grant of the subject option thereunder, as the case may be; or (ii) an increase in any one transaction of five percent (5%) or more in the outstanding Shares.

(b) Consolidation or Merger of the Company. If the Company shall be consolidated or merged with another corporation, each optionee who has an outstanding option hereunder shall, at the time for issuance of Shares upon exercise or partial exercise of such option, be entitled to receive the same number and kind of shares, or the same amount of other property, cash, or securities as the optionee would have been entitled to receive upon the happening of such consolidation or merger if the optionee had been, immediately prior to such event, the holder of the number of Shares to which the optionee has an outstanding option hereunder (to the extent of such exercise or partial exercise) adjusted in the manner provided in this Section, or, if another

corporation shall be the survivor, such other corporation shall substitute therefor a substantially equivalent number and kind of shares of stock or other property, cash, or securities of such other corporation. Notwithstanding anything in the Plan to the contrary, in the event of a consolidation or merger described above, the Committee shall not have the right to take any actions described in the Plan that would make the consolidation or merger ineligible for pooling of interests accounting treatment or that would make the consolidation or merger ineligible for desired tax treatment if, in the absence of such right, the consolidation or merger would qualify for such treatment and the Company intends to use such treatment with respect to the consolidation or merger.

(c) Further Adjustments. In the event that there shall be any change, other than as specified above, in the number or kind of the outstanding Shares or of any stock or other securities into which such Shares shall have been changed or for which they shall have been exchanged, or in the event of a dividend to holders of the Shares payable other than in cash or stock of the Company, then if the Committee shall determine that such change equitably requires an adjustment in the number or kind of Shares theretofore appropriated for the purposes of the Plan but not yet covered by an option, an adjustment in the number or kind of Shares that may be granted to any individual during any calendar year under the limit set forth in Section 4 of the Plan, or an adjustment with respect to the number, price or kind of Shares then subject to an option or options, such adjustment shall be made and shall be effective and binding for all purposes of the Plan.

(d) Sale of Substantially all Assets. Notwithstanding the above, if all or substantially all of the assets of the Company shall be sold or exchanged (otherwise than by merger or consolidation), each optionee shall have the right to exercise such option in full, to the extent that it has not previously been exercised within ten (10) days after the notice by the Company of the right to exercise, and any such option not so exercised shall lapse.

### 13. Termination and Amendment.

(a) Termination and Amendment of Plan. Unless the Plan shall theretofore have been terminated as hereinafter provided, it shall terminate on, and no option shall be granted thereunder after, January 1, 2001. The Board of Directors may also terminate the Plan or make such modifications or amendments thereof as it shall deem advisable; provided, however, that the Board of Directors shall not, amend the Plan without further approval by the holders of a majority of the outstanding common stock of the Company if such approval is required by section 162(m) of the Code or such approval is required by section 422 of the Code.

(b) Termination and Amendment of Outstanding Options. The Committee may authorize amendments of outstanding options including without limitation the reduction of the option prices specified therein (or the



granting of new options at lower prices upon the cancellation of outstanding options), so long as all options granted hereunder outstanding at any one time shall not call for issuance of more shares of common stock than those provided in Section 4 hereof and so long as the provisions of any amended option would have been permissible under the Plan if such option had been originally granted as of the date of such amendment with such amended terms. No termination, modification, or amendment of this Plan may adversely affect any then outstanding option under such Plan without the consent of the person to whom such option has been granted. Whether or not the Plan has terminated, an outstanding option may be terminated or amended under Section 18(c) or may be amended by agreement of the Company and the optionee consistent with the Plan.

(c) Governing Document. The Plan shall be the controlling document. No other statements, representations, explanatory materials or examples, oral or written, may amend the Plan in any manner. The Plan shall be binding upon and enforceable against the Company and its successors and assigns.

#### 14. Funding of the Plan.

This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of grants under this Plan. In no event shall interest be paid or accrued on any grant.

#### 15. No Fractional Shares

No fractional Shares shall be issued or delivered pursuant to the Plan or any option. The Committee shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

#### 16. Headings.

Section headings are for reference only. In the event of a conflict between a title and the content of a Section, the content of the Section shall control.

#### 17. Effective Date.

Subject to the approval of the Company's shareholders, the Plan, as amended and restated, shall be effective on February 11, 1997.

18. Miscellaneous.

(a) Grants in Connection with Corporate Transactions and Otherwise. Nothing contained in this Plan shall be construed to (i) limit the right of the Committee to make grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including options to employees thereof who become employees of the Company, or for other proper corporate purposes, or (ii) limit the right of the Company to grant stock options or make other awards outside of this Plan. Without limiting the foregoing, the Committee may make a grant to an employee of another corporation who becomes an employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company or any of its subsidiaries in substitution for a stock option or restricted stock grant made by such corporation. The terms and conditions of the substitute grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives. The Committee shall prescribe the provisions of the substitute grants.

(b) Rights of an Optionee. No optionee shall have any rights of a shareholder with respect to any Shares unless and until the optionee has exercised the option with respect to such Shares and has paid the full option price therefor.

(c) Compliance with Law. The Plan and the exercise of options shall be subject to all applicable laws and to approvals by any governmental or regulatory agency as may be required. With respect to persons subject to section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. The Committee may revoke any grant if it is contrary to law or modify a grant to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt rules regarding the withholding of taxes on payments to optionees. The Committee may, in its sole discretion, agree to limit its authority under this Section.

(d) Governing Law. The validity, construction, interpretation and effect of the Plan and stock option agreements issued under the Plan shall exclusively be governed by and determined in accordance with the law of the Commonwealth of Pennsylvania, to the extent such law is not superseded by or inconsistent with Federal law.

SEI INVESTMENTS COMPANY  
1997 STOCK OPTION PLAN

## 1. Background.

The Board of Directors of SEI Investments Company, a Pennsylvania corporation (the "Company"), by resolution dated December 4, 1997, adopted the 1997 Stock Option Plan (the "Plan") providing for the grant of stock options for the purchase of shares of Common Stock, par value \$.01 (the "Shares"), to eligible employees of and consultants to the Company and its affiliates, and directors of the Company who are not also employees of the Company or any affiliate of the Company ("Non-Employee Directors").

## 2. Purpose of Plan.

The purpose of the Plan is to allow for the issuance thereunder of stock options in order to provide an additional means through which the Company can attract and retain employees and independent Non-Employee Directors. The Company believes that the Plan will encourage the participants to contribute materially to the growth of the Company, thereby benefitting the Company's shareholders, and will align the economic interests of the participants with those of the shareholders.

## 3. Administration of the Plan.

(a) Committee. The Plan shall be administered and interpreted by a Stock Option Committee (the "Committee"). The Committee shall consist of two or more persons appointed by the Board of Directors.

(b) Committee Authority. Subject to the further terms and conditions of the Plan, the Committee shall have the sole authority to (i) determine the individuals to whom grants shall be made under the Plan, (ii) determine the size and terms of the grants to be made to each such individual, (iii) determine the time when the grants will be made and the duration of any applicable exercise period, including the criteria for exercisability and the acceleration of exercisability and (iv) deal with any other matters arising under the Plan.

(c) Committee Determinations. The Committee shall have full power and authority to administer and interpret the Plan, to make factual determinations and to adopt or amend such rules, regulations, agreements and instruments for implementing the Plan and for the conduct of its business as it deems necessary or advisable, in its sole discretion. The Committee's interpretations of the Plan and all determinations made by the Committee pursuant to the powers vested in it hereunder shall be conclusive and binding on all persons having any interest in the Plan or in any awards granted hereunder. All powers of the Committee shall be executed in its sole discretion, in the best interest of the Company, not as a fiduciary, and in keeping with the objectives of the Plan and need not be uniform as to similarly situated individuals.

#### 4. Shares Subject to the Plan.

(a) Plan Share Limits. The maximum aggregate number of Shares that may be issued under the Plan with respect to options granted from time to time under the Plan (subject to the provisions of Section 12) shall be 400,000 Shares. The maximum aggregate number of Shares that may be issued with respect to options granted made under the Plan to directors eligible hereunder shall be 25,000.

(b) Other Share Requirements. If an option granted under the Plan ceases to be exercisable in whole or in part by reason of (i) the expiration of the term of the option; (ii) the cancellation of the option with the consent of the optionee; (iii) upon or following termination of employment of the optionee in accordance with Section 9; or (iv) the forfeiture, exchange or surrender of the option, the Shares which were subject to such option, but to which the option had not been exercised at the time of termination of the option, shall continue to be available under the Plan. The Shares to be issued upon exercise of options granted under the Plan shall be either authorized but unissued Shares or Shares reacquired by the Company and held in the treasury of the Company, including Shares purchased by the Company on the open market for purposes of the Plan.

#### 5. Designation of Participants

(a) Eligible Individuals. Employees of the Company and affiliates of the Company, other than any employees who are officers or directors of the Company or an affiliate of the Company, shall be eligible to receive options under the Plan. Consultants who perform services to the Company or any of its affiliates shall be eligible to participate in the Plan if the consultants render bona fide services and such services are not in connection with the offer or sale of securities in a capital-raising transaction. Non-Employee Directors shall be eligible to receive options under the Plan only in accordance with Section 11.

(b) Selection of Optionees. From time to time, the Committee shall designate from such eligible persons those who will receive options and the number of Shares to be covered by each option.

(c) Rights of Participants. Nothing in the Plan shall entitle any employee, consultant, Non-Employee Director or other person to any claim or right to be granted an option under this Plan. Nothing in this Plan, in any option granted pursuant to this Plan, or in any action taken hereunder shall be construed as conferring on any individual any rights to continue in the employ or as a consultant or Non-Employee Director of the Company or any of its affiliates, or any other employment, consulting or similar rights. Nothing in the Plan or in any option granted pursuant to this Plan shall in any way interfere with the right of the Company or any of its affiliates to terminate the optionee's employment, consulting relationship or directorship, at any time. Options may be granted to eligible persons whether or not they hold or have held options under the Plan or under any other plan or arrangement of the Company or any affiliate of the Company.

(d) Definitions. For the purposes of the Plan, the term "affiliate" shall mean any corporation, partnership or other entity in which the Company holds, directly or indirectly, fifty percent (50%) or more of the entity's equity interest. The term "director" shall mean a member of the Board of Directors of the Company.

6. Type of Options.

Options granted under the Plan shall consist solely of options not intended to meet the requirements of section 422 of the Code.

7. Stock Option Agreement.

Each option granted under the Plan shall be subject to the terms and conditions set forth herein and shall be evidenced by a stock option agreement, which shall be executed by the Company. The agreement shall contain such terms and provisions, not inconsistent with the Plan, as shall be determined by the Committee. The Committee shall approve the form and provisions of each stock option agreement, and any amendment thereto. The terms and provisions of such option agreements may vary between optionees and between different options granted to the same optionee. By accepting any option granted under the Plan, an optionee will be deemed to have agreed to all provisions contained in the option agreement.

8. Option Price.

(a) Determination of Option Price. The option price shall be determined by the Committee and shall be not less than the Fair Market Value (as defined below) of the Shares at the time the option is granted.

(b) Determination of Fair Market Value. For the purposes of this Plan, the Fair Market Value of the Shares shall mean the average (mean) of the closing bid and asked prices of the Shares as reported on the relevant date through the National Association of Securities Dealers Automated Quotation System or, if the Shares are listed or admitted to trading on the Nasdaq National Market System or any national securities exchange or if the last reported sale price of such Shares is generally available, the last reported sale price on such system or exchange on the relevant date. The Fair Market Value for any day for which there is no such bid and asked price or last reported sales price shall be the Fair Market Value of the next preceding day for which there is such a price.

Should the Shares be traded otherwise than on the markets referred to above, then the Fair Market Value shall be determined by the Committee. If the Shares are not publicly traded, then the Fair Market Value shall be not less than the value established for the Shares by an independent appraisal as of a date not more than twelve months before such value determination by the Committee.

9. Terms of Options.

The Committee shall have the authority to determine the term of each option, provided that no option shall be exercisable after the expiration of ten (10) years from the date of option grant. Subject to the limitation periods hereinabove set forth, no option, or portion thereof, granted under the Plan shall vest after the optionee ceases to be employed by (and is employed by neither) the Company or one of its affiliates (a "termination of employment") and all options shall terminate automatically on the earliest to occur of the expiration of the option term (as described above), or one of the following events:

a. Upon the expiration of ten (10) days after notice by the Company pursuant to Section 12(d) of the sale of all or substantially all of its assets;

b. Thirty (30) days after a termination of employment (or within such other period of time as may be specified by the Committee) for any reason other than death, retirement or disability;

c. One year from the date of a termination of employment (or within such other period of time as may be specified by the Committee) by reason of the optionee's death;

d. Three months from the date of a termination of employment (or within such other period of time as may be specified by the Committee) by reason of the optionee's disability or retirement; or

e. As of the date of a termination of employment by reason of a termination for cause.

For purpose of determining whether or not a termination of employment has occurred, (i) the transfer of an optionee between the Company and any affiliate or between affiliates shall not be deemed a termination of employment, (ii) the sale of any affiliate to an unaffiliated party, or the consummation of any other transaction whereby an affiliate ceases to be an affiliate of the Company, shall be deemed a termination of employment of any optionee who continues to be employed by such affiliate subsequent to such sale or transaction, (iii) a consultant shall be deemed to have incurred a termination of employment at the time he is no longer required to perform services for the Company or any affiliate, as determined by the Committee, (iv) an optionee shall be deemed to have been terminated for cause if the Committee finds that the optionee has breached his employment or service contract with the Company or an affiliate, or has been engaged in disloyalty to the Company or an affiliate, including, without limitation, fraud, embezzlement, theft, commission of a felony or proven dishonesty in the course of his employment or service, or has disclosed trade secrets or confidential information of the Company or an affiliate to persons not entitled to receive such information, and (v) an optionee shall be deemed to be disabled if the optionee becomes disabled within the meaning of section 22(e)(3) of the Code. Notwithstanding the foregoing, with respect to an option granted to a consultant, the Committee, in its sole discretion, shall establish the provisions concerning termination of such option at the time of option grant. In the absence of such establishment, the provisions of (a) through (e) above shall apply.

#### 10. Exercise of Options.

(a) Exercisability of Options. The time or times at which or during which options granted under this Plan may be exercised, and any conditions pertaining to such exercise, shall be determined by the Committee and specified in the stock option agreement or an amendment to the stock option agreement.

(b) Transferability of Options.

(i) Nontransferability of Options. Except as provided below, no option granted under this Plan shall be assignable or otherwise transferable except by will or the laws of descent and distribution or if permitted in any specific case by the Committee, pursuant to a domestic relations order (as defined under the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the regulations thereunder). Any option shall be exercisable solely by the optionee during the lifetime of the optionee and, after the death of the optionee, an option shall be exercisable (subject to the provision of Section 9) solely by either the duly qualified personal representative or representatives of the optionee, or the person or persons who acquire the right to exercise such option by will or the laws of descent and distribution and such person or persons furnish proof satisfactory to the Company of his or their right to receive the option under the optionee's will or under the applicable laws of descent and distribution.

(ii) Family Transfers. Notwithstanding the foregoing, the Committee may provide, in a stock option agreement, that an optionee may transfer options to family members or other persons or entities according to such terms as the Committee may determine; provided that the optionee receives no consideration for the transfer of the option and the transferred option shall continue to be subject to the same terms and conditions as were applicable to the option immediately before the transfer.

(c) Payment of Option Price. The purchase price of the Shares as to which an option is exercised shall be paid in full in cash or in any other manner approved by the Committee which may include, but shall not be limited to, payment by surrender of unrestricted Shares owned by the optionee (including Shares acquired in connection with the exercise of the option, subject to such restrictions as the Committee deems appropriate) and having a Fair Market Value on the date of exercise equal to the purchase price, or payment through a broker in accordance with procedures permitted by Regulation T of the Federal Reserve Board. The optionee shall pay the option price and the amount of any withholding tax due (pursuant to Subsection (d)) at the time of exercise.

(d) Withholding of Taxes.

(i) Required Withholding. All options under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements. The Company may require the optionee or other person receiving such Shares to pay to the Company the amount of any such taxes that the Company is required to withhold with respect to the exercise of such options, or the Company may deduct from other wages paid by the Company the amount of any withholding taxes due with respect to such exercise.

(ii) Withholding Shares. If the Company is required to withhold any taxes arising from an exercise of options under the Plan, the Treasurer of the Company may, in such person's discretion, withhold delivery of Shares issuable upon exercise of an option in an amount (valued at the Fair Market Value of such Shares on the date of exercise of the option) sufficient to cover the Company's withholding obligation with respect to such taxes.

(e) Notice of Exercise. Notice in writing shall be given by the optionee to the Treasurer of the Company, or such other person as may be designated from time to time by the Treasurer, on any day on which the offices of the Company are generally open for the conduct of business, which notice shall indicate the exercise of any option and specify the number of Shares desired at the option price.

(f) Limitations on Issuance of Shares. The obligation of the Company to deliver Shares upon such exercise shall be subject to all applicable laws, rules, regulations, and such approvals by governmental agencies as may be deemed appropriate by the Committee, including, among others, such steps as counsel for the Company shall be deemed necessary or appropriate to comply with requirements of relevant securities laws. Such obligation shall also be subject to the condition that the Shares reserved for issuance upon the exercise of options granted under the Plan shall have been duly listed on any national securities exchange which then constitutes the principal trading market for the Shares.

#### 11. Formula Option Grants to Non-Employee Directors.

A Non-Employee Director shall be entitled to receive options under the Plan only in accordance with this Section 11.

(a) Initial Grant. Each Non-Employee Director who first becomes a member of the Board of Directors of the Company after the effective date of this Plan (as specified in Section 17) shall receive a grant of an option to purchase 8,000 Shares on the date as of which he or she first becomes a member of the Board or at such other proximate time as the Committee may determine.

(b) Annual Grants. Each Non-Employee Director shall receive an annual grant of an option to purchase 4,000 Shares; provided that such Non-Employee Director qualifies as such on the date of grant. The date of grant of each such annual grant shall be December 31, the date of any year end grants to employees under this Plan or such other proximate time as the Committee shall determine.

(c) Option Price. The option price of the Shares subject to an option granted under this Section 11 shall be equal to the Fair Market Value of the Shares on the date of grant.

(d) Option Term and Exercisability. The term of each option granted pursuant to this Section 11 shall be ten years. Options granted under this Section 11 shall become exercisable in four equal installments of whole number of shares on the first, second, third and fourth anniversaries of the date of grant, unless otherwise determined by the Committee. No option, or portion thereof, granted under this Section 11 shall vest or become exercisable after the optionee ceases to be a Non-Employee Director and all options shall terminate automatically on the earliest to occur of the expiration of the option term (as described above), or one of the following events:

(1) Upon expiration of ten (10) days after notice by the Company pursuant to Section 12(d) of the sale of all or substantially all of its assets;

(2) Thirty (30) days after the date the Non-Employee Director ceases to be a Non-Employee Director for any reason other than death, disability or the employment of the Non-Employee Director by the Company or an affiliate of the Company; or



(3) One year after the date the Non-Employee Director ceases to be a Non-Employee Director as a result of death, disability or the Non-Employee Director's employment by the Company or an affiliate of the Company.

(e) Applicability of Plan Provisions. Except as otherwise provided in this Section 11, options granted to Non-Employee Directors shall be subject to the provisions of this Plan applicable to options granted to other persons.

(f) Administration. Except to the extent provided herein, the provisions of this Section 11 are intended to operate automatically and not require administration. To the extent that any administrative determinations are required, any determinations with respect to the provisions of this Section 11 shall be made by the Committee. If at any time there are not sufficient Shares available under the Plan to permit a grant as described in this Section 11, the Grant shall be reduced pro rata (to zero, if necessary) so as not to exceed the number of Shares then available under the Plan.

## 12. Capital Change of the Company.

(a) Adjustments. In the event that there is a change in, reclassification of, subdivision of, combination of, split-up or spin-off with respect to, stock dividend on, or exchange of stock of the Company for the outstanding Shares of the Company, the maximum aggregate number and class of Shares as to which options may be granted under the Plan, but not the maximum aggregate number of Shares that may be subject to grants to Non-Employee Directors, and the number and class of Shares subject to each outstanding option and the option price pertaining to such Shares, may (but need not) be adjusted by the Committee in any manner in which the Committee, in its absolute discretion, deems appropriate. Such adjustment to Shares that may be subject to options granted under the Plan or to outstanding Shares subject to options under the Plan shall not in any event take place with respect to any dividend payable in Shares of the Company, unless such dividend would result in either (i) an increase of ten percent (10%) or more in the outstanding Shares of the Company since the adoption of the Plan or the grant of the subject option thereunder, as the case may be; or (ii) an increase in any one transaction of five percent (5%) or more in the outstanding Shares.

(b) Consolidation or Merger of the Company. If the Company shall be consolidated or merged with another corporation, each optionee who has an outstanding option hereunder shall, at the time for issuance of Shares upon exercise or partial exercise of such option, be entitled to receive the same number and kind of shares, or the same amount of other property, cash, or securities as the optionee would have been entitled to receive upon the happening of such consolidation or merger if the optionee had been, immediately prior to such event, the holder of the number of Shares to which the optionee has an outstanding option hereunder (to the extent of such exercise or partial exercise) adjusted in the manner provided in this Section, or, if another corporation shall be the survivor, such other corporation shall substitute therefor a substantially equivalent number and kind of shares of stock or other property, cash, or securities of such other corporation. Notwithstanding anything in the Plan to the contrary, in the event of a consolidation or merger described above, the Committee shall not have the right to take any actions described in the Plan that would make the consolidation or merger ineligible for pooling of interests accounting treatment or that would make the consolidation or merger ineligible for desired tax treatment if, in the absence of such right, the consolidation or merger would qualify for such treatment and the Company intends to use such treatment with respect to the consolidation or merger.

(c) Further Adjustments. In the event that there shall be any change, other than as specified above, in the number or kind of the outstanding Shares or of any stock or other securities into which such Shares shall have been changed or for which they shall have been exchanged, or in the event of a dividend to holders of the Shares payable other than in cash or stock of the Company, then if the Committee shall determine that such change equitably requires an adjustment in the number or kind of Shares available for grants under the Plan (other than grants to Non-Employee Directors) but not yet covered by an option, or an adjustment with respect to the number, price or kind of Shares then subject to an option or options, such adjustment shall be made and shall be effective and binding for all purposes of the Plan.

(d) Sale of Substantially all Assets. Notwithstanding the above, if all or substantially all of the assets of the Company shall be sold or exchanged (otherwise than by merger or consolidation), each optionee shall have the right to exercise such option in full, to the extent that it has not previously been exercised within ten (10) days after the notice by the Company of the right to exercise, and any such option not so exercised shall lapse.

### 13. Termination and Amendment.

(a) Termination and Amendment of Plan. Unless the Plan shall theretofore have been terminated as hereinafter provided, it shall terminate on, and no option shall be granted thereunder after, the second anniversary of the effective date of the Plan (as specified in Section 17). The Board of Directors, in its sole discretion, may, at any time and from time to time, terminate the Plan or make such modifications or amendments thereof as it shall deem advisable.

(b) Termination and Amendment of Outstanding Options. The Committee may authorize amendments of outstanding options including without limitation the reduction of the option prices specified therein (or the granting of new options at lower prices upon the cancellation of outstanding options), so long as all options granted hereunder outstanding at any one time shall not call for issuance of more Shares than those provided in Section 4 and so long as the provisions of any amended option would have been permissible under the Plan if such option had been originally granted as of the date of such amendment with such amended terms. No termination, modification, or amendment of this Plan may adversely affect any then outstanding option under such Plan without the consent of the person to whom such option has been granted. Whether or not the Plan has terminated, an outstanding option may be terminated or amended under Section 18(c) or may be amended by agreement of the Company and the optionee consistent with the Plan.

(c) Governing Document. The Plan shall be the controlling document. No other statements, representations, explanatory materials or examples, oral or written, may amend the Plan in any manner. The Plan shall be binding upon and enforceable against the Company and its successors and assigns.

### 14. Funding of the Plan.

This Plan shall be unfunded. The Company shall not be required to establish any special or separate fund or to make any other segregation of assets to assure the payment of grants under this Plan. In no event shall interest be paid or accrued on any grant.

15. No Fractional Shares

No fractional Shares shall be issued or delivered pursuant to the Plan or any option. The Committee shall determine whether cash, other awards or other property shall be issued or paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

16. Headings.

Section headings are for reference only. In the event of a conflict between a title and the content of a Section, the content of the Section shall control.

17. Effective Date.

The Plan shall be effective on December 4, 1997, the date of its adoption by the Board of Directors of the Company.

18. Miscellaneous.

(a) Grants in Connection with Corporate Transactions and Otherwise. Nothing contained in this Plan shall be construed to (i) limit the right of the Committee to make grants under this Plan in connection with the acquisition, by purchase, lease, merger, consolidation or otherwise, of the business or assets of any corporation, firm or association, including options to employees thereof who become employees of the Company, or for other proper corporate purposes, or (ii) limit the right of the Company to grant stock options or make other awards outside of this Plan. Without limiting the foregoing, the Committee may make a grant to an employee of another corporation who becomes an employee by reason of a corporate merger, consolidation, acquisition of stock or property, reorganization or liquidation involving the Company or any of its subsidiaries in substitution for a stock option or restricted stock grant made by such corporation. The terms and conditions of the substitute grants may vary from the terms and conditions required by the Plan and from those of the substituted stock incentives. The Committee shall prescribe the provisions of the substitute grants.

(b) Rights of an Optionee. No optionee shall have any rights of a shareholder with respect to any Shares unless and until the optionee has exercised the option with respect to such Shares, has paid the full option price therefor, and the Shares have been issued to the optionee on the books of the Company.

(c) Compliance with Law. The Plan and the exercise of options shall be subject to all applicable laws and to approvals by any governmental or regulatory agency as may be required. With respect to persons subject to section 16 of the Exchange Act, it is the intent of the Company that the Plan and all transactions under the Plan comply with all applicable provisions of Rule 16b-3 or its successors under the Exchange Act. The Committee may revoke any grant if it is contrary to law or modify a grant to bring it into compliance with any valid and mandatory government regulation. The Committee may also adopt rules regarding the withholding of taxes on payments to optionees. The Committee may, in its sole discretion, agree to limit its authority under this Section.

(d) Governing Law. The validity, construction, interpretation and effect of the Plan and stock option agreements issued under the Plan shall exclusively be governed by and determined in accordance with the law of the Commonwealth of Pennsylvania, to the extent such law is not superseded by or inconsistent with Federal law.

SEI INVESTMENTS COMPANY  
OPTION SHARE DEFERRAL PLAN

(EFFECTIVE DECEMBER 1, 1997)

SEI INVESTMENTS COMPANY

OPTION SHARE DEFERRAL PLAN

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In recognition of the services provided to SEI Investments Company (the "Company") by certain of its officers and other key management and highly compensated employees, the Company has established the SEI Investments Company Option Share Deferral Plan (the "Plan") to offer such employees the opportunity to defer receipt of the "profit shares," as defined herein, when they exercise options under the Company's Stock Option Plan. The Plan shall be effective, December 1, 1997, under the terms and conditions hereinafter set forth.

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ARTICLE 1

DEFINITIONS AND CONSTRUCTION  
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Sec. 1.01 DEFINITIONS. Whenever used in this Plan:  
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"ACCOUNT" means entries maintained in the records of the Company which reflect the number of Profit Shares deferred by a Participant pursuant to Section 2.01 or which otherwise stand to the credit of the Participant under the Plan.

"AFFILIATE" means any corporation, partnership or other entity in which the Company holds, directly or indirectly, fifty percent (50%) or more of the entity's equity interest.

"BENEFICIARY" means any individual or entity designated by a Participant pursuant to Section 4.02 to receive death benefits described in Section 4.01 subsequent to the Participant's death.

"BOARD" means the Board of Directors or other governing body of the Company.

"CODE" means the Internal Revenue Code of 1986, as amended, and any successor statute of similar nature and purpose.

"COMMON STOCK" means shares of Common Stock, par value \$.01 per share, of the Company.

"COMPANY" means SEI Investments Company or any successor thereto.

"DEFERRAL ELECTION FORM" means the form provided to Participants by the Plan Administrator on which the Participants elect (a) to defer Profit Shares in accordance with Section 2.01, (b) to have cash dividends payable with respect to Common Stock credited to his or her Account in the form of additional Profit Shares or paid in cash, in accordance with Section 2.02, and (c) the time of distribution of Profit Shares credited to his or her Account in accordance with Section 3.01.

"EFFECTIVE DATE" means December 1, 1997.

"ELIGIBLE EMPLOYEE" means an Employee who (a) is a participant in the Stock Option Plan, and (b) is designated and approved for participation in the Plan by the Plan Administrator, in its sole discretion.

"EMPLOYEE" means any individual employed by the Company (as determined in accordance with the personnel policies and practices of the Company).

"FAIR MARKET VALUE" means the fair market value of Common Stock as determined by the Plan Administrator in accordance with the rules established under the Stock Option Plan for making such determination.

"HARDSHIP" means an unforeseeable financial emergency that is an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence.

"OPTION SHARE DEFERRAL" means a deferral of Profit Shares by a Participant pursuant to Section 2.01 upon exercise of a nonqualified stock option under the Stock Option Plan.

"PARTICIPANT" means (a) any Eligible Employee who makes an Option Share Deferral pursuant to Section 2.01, or (b) any former Eligible Employee who has a balance in his or her Account greater than zero which has not been fully distributed pursuant to Article 3 or 4.

"PLAN" means this SEI Investments Company Option Share Deferral Plan.

"PLAN ADMINISTRATOR" means the individual or committee designated as the administrator of the Plan by the Board or its designee, or, if such position is vacant, the Company.

"PLAN YEAR" means the calendar year.

"PROFIT SHARES" means with respect to an exercise of an option under the Stock Option Plan, a number of shares of Common Stock (rounded to the nearest one-one hundredth of a share) equal to (a) the excess of the Fair Market Value per share of Common Stock at the date of exercise multiplied by the number of shares covered by the option exercise over the aggregate exercise price of the shares so purchased, divided by (b) the Fair Market Value per share at the date of exercise.

"STOCK OPTION PLAN" means the SEI Investments Company Stock Option Plan or any successor thereto.

"TERMINATION FROM EMPLOYMENT" means, for any Participant, his termination from employment for any reason other than death, including retirement, disability, discharge or any absence that causes him to cease to be an employee of the Company and any affiliates.

Sec. 1.02 GENDER AND NUMBER. The masculine pronoun shall include the  
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feminine; the singular shall include the plural; and vice versa.



ARTICLE 2

PARTICIPANT DEFERRALS AND ACCOUNTS  
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Sec. 2.01 OPTION SHARE DEFERRALS.  
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(a) An Eligible Employee may irrevocably elect on the Deferral Election Form to defer receipt of all or a portion of the Profit Shares pursuant to the exercise of a nonqualified stock option under the Stock Option Plan for a Plan Year, subject to such rules and procedures as the Plan Administrator deems appropriate. Such Deferral Election Form must be provided to the Plan Administrator by November 30 of the calendar year prior to the beginning of the Plan Year in which the options are exercised; at any time on or before provided, however, that such Deferral Election Form may be provided to the Administrator at any time on or before December 31, 1997 for deferrals to be made during the Plan Year beginning January 1, 1998. Any election hereunder shall apply only to the extent that payment of the exercise price for the option to which the election relates is satisfied by surrender (including a constructive surrender) of unrestricted mature shares of Common Stock owned by the Participant having a Fair Market Value on the date of exercise equal to the exercise price. Any election hereunder shall be irrevocable with respect to option exercises during the Plan Year to which it relates.

(b) Subject to such reasonable rules as may be prescribed by the Plan Administrator, the number of Profit Shares deferred under this Section 2.01 shall be credited to a Participant's Account immediately upon the exercise of the option from which such Profit Shares derive. The number of Profit Shares credited to the Participant's Account shall be reduced as necessary to satisfy any applicable employment tax withholding obligations of the Company in connection with the option exercise, all as determined by the Plan Administrator in accordance with procedures similar to those established under the Stock Option Plan.

(c) The Plan Administrator shall provide a statement at least annually to each Participant showing such information as is appropriate, including the aggregate number of Profit Shares credited to his or her Account.

Sec. 2.02 ACCOUNT ADJUSTMENTS.  
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(a) In the event a dividend is declared with respect to the Common Stock, a Participant's Account shall be credited with additional Profit Shares (rounded to the nearest one-one hundredth of a share) equal to the amount of the aggregate cash dividend that would have been distributed on shares represented by the Profit Shares then credited to a Participant's Account, divided by the then current per share Fair Market Value of the Common Stock, unless the Participant has made an irrevocable election on a Deferral Election Form to receive instead an amount equal to such cash dividends at the time such dividends become payable.

(b) Unless otherwise determined by the Plan Administrator, in the event of a stock split, stock dividend, reclassification, reorganization or other capital adjustment in the shares of Common Stock, the number of Profit Shares then credited to the Participant's Account shall be adjusted in the same manner as the shares of the Common Stock are adjusted.

### ARTICLE 3

#### DISTRIBUTIONS TO PARTICIPANTS

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##### Sec. 3.01 DISTRIBUTION UPON TERMINATION FROM EMPLOYMENT OR AFTER A

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FIXED PERIOD OF TIME. A Participant shall irrevocably elect on the Deferral

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Election Form to receive a number of shares of Common Stock equal to the number of Profit Shares credited to his or her Account, as a result of a deferral election made pursuant to Section 2.01 or an adjustment in his or her Account pursuant to the terms of the Plan, upon:

- (a) the Participant's Termination from Employment;
- (b) a specified date or the expiration of a specified number of years after the date of exercise of the option from which the Profit Shares are derived; provided that in no event may such specified date be less than, or deferral period end before, three (3) years from the date of exercise of the option from which such Profit Shares are derived;
- (c) the earlier of (a) or (b); or
- (d) the later of (a) or (b).

A Participant shall receive the entire number of shares of Common Stock to which he or she is entitled in a single distribution at the time determined above, unless the Participant has made an irrevocable election on the Deferral Election Form or supplement thereto, at least thirteen (13) months in advance of the distribution date determined above, to receive such shares instead in substantially equal annual installments over a period of not more than five (5) years from the distribution date determined above.

##### Sec. 3.02 WITHDRAWALS ON ACCOUNT OF HARDSHIP. Prior to the date a

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Participant becomes entitled to a distribution under Section 3.01, the Participant may request, and the Plan Administrator, in its sole and absolute discretion, may approve, a withdrawal of all or a portion of the Profit Shares credited to the Participant's Account on account of a Hardship. The Plan Administrator may request the Participant to provide such information as it deems necessary and proper for it to determine the existence of a Hardship. The Plan Administrator shall review the Participant's request and determine the extent, if any, to which such request is justified. It is intended that the Plan Administrator's determination as to whether a Participant has suffered a Hardship shall be made consistent with the requirements for an "unforeseeable emergency," within the meaning of section 457(d) of the Code. Any such withdrawal shall be limited to an amount reasonably necessary to meet the Hardship.

Sec. 3.03 WITHDRAWALS WITH PENALTY. Prior to the date a Participant

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becomes entitled to a distribution under Section 3.01, the Participant may request and the Plan Administrator, in its sole and absolute discretion, may approve, a withdrawal of all or a portion of the Profit Shares credited to the Participant's Account. In the event of a withdrawal pursuant to this Section 3.03, the Participant shall forfeit from his or her Account a number (rounded up to the next whole number) of Profit Shares equal to ten (10%) percent of the number of Profit Shares withdrawn. The forfeited Profit Shares shall be deducted from the Participant's Account prior to giving effect to the requested withdrawal, and neither the Participant, nor his or her Beneficiary or any other person claiming an interest in the Participant's Account shall have any right or claim to the forfeited amount.

Sec. 3.04 ACCELERATION OF PAYMENTS.  
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(a) In the event of the liquidation, dissolution or winding up of the Company or the distribution or sale of all or substantially all of the Company's assets and property, the Company shall immediately distribute to the Participant shares of Common Stock equal to the number of Profit Shares then credited to the Participant's Account.

(b) In the event the Plan Administrator determines, based on a change in the applicable tax laws, a published ruling or similar announcement issued by the Internal Revenue Service, a regulation issued by the Secretary of the Treasury or his or her delegate, a decision by a court of competent jurisdiction involving a Participant, or a closing agreement involving a Participant made under section 7121 of the Code that is approved by the Commissioner, that a Participant has recognized or will recognize income for Federal income tax purposes with respect to any amounts that are or will be payable to the Participant under this Article 3 before they otherwise would be paid to the Participant, upon the request of the Participant, the Plan Administrator shall immediately distribute to the Participant shares of Common Stock equal to the number of Profit Shares with a Fair Market Value at the time of such distribution equal to the amount of income so recognized.

(c) The Company reserves the right, in its sole discretion, upon termination of the Plan or at any other time to accelerate payments hereunder by distributing to Participants' shares of Common Stock equal to the number of Profit Shares then credited to the Participants' Accounts in full satisfaction of its obligations hereunder.

ARTICLE 4

DEATH BENEFITS

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Sec. 4.01 DISTRIBUTION OF BENEFITS UPON DEATH OF PARTICIPANT. In the

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event of a Participant's death prior to the complete distribution of his or her Account pursuant to Article 3, shares of Common Stock equal to the number of Profit Shares remaining in the Participant's Account shall be distributed to the Participant's Beneficiary in a single distribution as soon as administratively practicable following the Participant's death.

Sec. 4.02 DESIGNATION OF BENEFICIARY. For purposes of Section 4.01,

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the Participant's Beneficiary shall be the person or persons so designated by the Participant in a written instrument submitted to the Plan Administrator. In the event the Participant fails to properly designate a Beneficiary, his or her Beneficiary shall be the Participant's surviving spouse or, if none, his or her estate.

ARTICLE 5

VESTING

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Sec. 5.01 FULL VESTING OF BENEFITS. A Participant, at all times,

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shall have a fully (100%) vested interest in his or her Account.

ARTICLE 6

NATURE OF COMPANY'S OBLIGATION

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Sec. 6.01 FUNDING OF BENEFITS. In any event, the obligation of the

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Company hereunder shall constitute a general, unsecured obligation, payable solely out of general assets of the Company, and anything contained herein to the contrary notwithstanding, until delivery of Common Stock is made to the Participant or the Participant's Beneficiary hereunder, neither the Participant, nor the Participant's Beneficiary or any other person claiming an interest hereunder shall have any right to or property interest in, any Common Stock or other specific assets of the Company.

Sec. 6.02 NO RIGHTS AS SHAREHOLDER. Until delivery of Common Stock

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is made to the Participant or the Participant's Beneficiary hereunder, no Participant, Participant's Beneficiary or any other person claiming an interest hereunder shall have any rights as a shareholder of the Company, including the right to any cash dividends (except as provided in Section 2.01) or the right to vote, with respect to any Common Stock or the Profit Shares credited to the Participant's Account hereunder.

ARTICLE 7

ADMINISTRATION  
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Sec. 7.01 PLAN ADMINISTRATOR. The individual or committee designated  
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by the Board as the Plan Administrator of the Plan shall be the administrator of the Plan for purposes of the Employee Retirement Income Security Act of 1974 (ERISA), as amended from time to time. However, if such position is vacant, the Company shall be the Plan Administrator.

Sec. 7.02 DUTIES AND POWERS OF PLAN ADMINISTRATOR. The Plan  
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Administrator shall have full discretionary power and authority to construe, interpret and administer this Plan and may, to the extent permitted by law, make factual determinations, correct defects, supply omissions and reconcile inconsistencies to the extent necessary to effectuate the Plan and, subject to Section 7.03, the Plan Administrator's actions in doing so shall be final and binding on all persons interested in the Plan. The Plan Administrator may from time to time adopt rules and regulations governing the operation of this Plan and may employ and rely on such legal counsel, such actuaries, such accountants and such agents as it may deem advisable to assist in the administration of the Plan.

Sec. 7.03 CLAIMS PROCEDURE.  
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(a) The Company will advise each Participant and Beneficiary of any benefits to which he or she is entitled under the Plan. If any person believes that the Company has failed to advise him or her of any benefit to which he or she is entitled, he or she may file a written claim with the Plan Administrator. The claim shall be reviewed, and a response provided, within a reasonable time after receiving the claim. Any claimant who is denied a claim for benefits shall be provided with written notice setting forth:

(1) the specific reasons or reasons for the denial;

(2) specific reference to pertinent Plan provisions on which denial is based;

(3) a description of any additional material or information necessary for the claimant to perfect the claim; and

(4) an explanation of the claim review procedure set forth in paragraph (b), below.

(b) Within 60 days of receipt by a claimant of a notice denying a claim under the Plan under paragraph (a), the claimant or his or her duly authorized representative may request in writing a full and fair review of the claim by the Plan Administrator or a claims committee appointed by the Plan Administrator (hereinafter the "Committee"). The Committee may extend the 60-day period where the nature of the benefit involved or other attendant circumstances make such extension appropriate. In connection with such review, the claimant or his or her duly authorized representative may review pertinent documents and may submit issues and comments in writing. The Committee shall make a decision promptly, and not later than 60 days after the Committee's receipt of a request for review, unless special circumstances (such as the need to hold a hearing, if the Committee deems one necessary) require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than 120 days after receipt of a request for review. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based.

ARTICLE 8

AMENDMENT AND TERMINATION  
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Sec. 8.01 AUTHORITY TO AMEND. The Board or its designee may amend  
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the Plan at any time in any manner whatsoever. Notwithstanding the above, no amendment shall operate to reduce the benefit amount accrued on behalf of a Participant on the effective date of the amendment.

Sec. 8.02 RIGHT TO TERMINATE. Continuance of the Plan is completely  
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voluntary and is not assumed as a contractual obligation of the Company. The Company shall have the right at any time for any reason to terminate the Plan, by action of the Board; provided, however, that the Plan termination shall not operate to reduce the amount accrued on behalf of a Participant on the effective date of the Plan's termination.

ARTICLE 9

MISCELLANEOUS  
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Sec. 9.01 NO RIGHT TO EMPLOYMENT. Nothing contained herein (a) shall  
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be deemed to exclude a Participant from any compensation, bonus, pension, insurance, severance pay or other benefit to which he or she otherwise is or might become entitled to as an Employee or (b) shall be construed as conferring upon an Employee the right to continue in the employ of the Company.

Sec. 9.02 NO COMPENSATION FOR OTHER BENEFITS. Except as provided  
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herein, any amounts paid hereunder shall not be deemed salary or other compensation to a Participant for the purposes of computing benefits to which he or she may be entitled under any other arrangement established by the Company for the benefit of its employees.

Sec. 9.03 RIGHTS AND OBLIGATIONS. The rights and obligations created

hereunder shall be binding on a Participant's heirs, executors and administrators and on the successors and assigns of the Company.

Sec. 9.04 PAYMENTS TO REPRESENTATIVES. If any Participant or

Beneficiary entitled to receive any benefits hereunder is determined by the Plan Administrator, or is adjudged to be, legally incapable of giving valid receipt and discharge for such benefits, the benefits shall be paid to a duly appointed and acting conservator or guardian, or other legal representative of such Participant or Beneficiary, if any, and if no such legal representative is appointed and acting, to such person or persons as the Plan Administrator may designate. Such payments shall, to the extent made, be deemed a complete discharge for such payments under this Plan.

Sec. 9.05 NO FRACTIONAL SHARES. No fractional shares of Common Stock

shall be issued or delivered pursuant to the Plan. The Plan Administrator shall determine whether cash shall be paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

Sec. 9.06 NONALIENATION. Except as hereinafter provided with respect

to family disputes, the rights of any Participant under this Plan are personal and may not be assigned, transferred, pledged or encumbered. Any attempt to do so shall be void. In cases of family disputes, the Company will observe the terms of the Plan unless and until ordered to do otherwise by a state or Federal court. As a condition of participation, a Participant agrees to hold the Company harmless from any claim that arises out of the Company's obeying the final order of any state or Federal court, whether such order effects a judgment of such court or is issued to enforce a judgment or order of another court. For purposes of this Section 9.06, "family dispute" means a dispute relating to provision of child support, alimony payments, or marital property rights to a spouse, former spouse or other dependent of the Participant.

Sec. 9.07 LIMITATIONS ON OBLIGATIONS. Neither the Company nor any

member of the Board shall be responsible or liable in any manner to any Participant, Beneficiary or any person claiming through them for any benefit or action taken or omitted in connection with the granting of benefits, the continuation of benefits, or the interpretation and administration of this Plan.

Sec. 9.08 WITHHOLDING. If the Company is required to withhold

amounts under applicable federal, state or local tax laws, rules or regulations, the Company shall be entitled to deduct and withhold such amounts from any payment made pursuant to this Plan.

Sec. 9.09 LOST PAYEES. Any benefit payable under the Plan shall be

deemed forfeited if the Plan Administrator is unable to locate the Participant or Beneficiary to whom payment is due; provided, however, that such benefit shall be reinstated if a claim is made by the Participant or Beneficiary for the forfeited benefit.

Sec. 9.10 GOVERNING LAW. The Plan shall be construed in accordance

with and governed by the laws of the Commonwealth of Pennsylvania.

RESOLUTIONS OF THE  
BOARD OF DIRECTORS OF  
SEI INVESTMENTS COMPANY

RESOLVED, that the Stock Purchase Plan shall be amended effective October 15, 1997, except to the extent an earlier or later effective date is specified, to reflect the following:

Addition of Lump Sum Stock Purchases. Participants may purchase Common

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Stock under the Stock Purchase Plan with a lump sum payment, in addition to purchases through payroll deductions;

Change in Names. The change in the name of the Company from SEI Corporation

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to SEI Investments Company, and the corresponding change in the name of the Stock Purchase Plan to the SEI Investments Employee Stock Purchase Plan;



AMENDMENT 1997-1  
TO  
SEI CORPORATION  
STOCK OPTION PLAN FOR  
NON-EMPLOYEE DIRECTORS

The Board of Directors of SEI Investments Company (formerly known as SEI Corporation), a Pennsylvania corporation, by resolution dated December 4, 1997, has amended The SEI Corporation Stock Option Plan for Non-Employee Directors (the "Plan"), effective as of such date, as follows:

1. All references in the Title and text of the Plan to "SEI Corporation" shall refer instead to "SEI Investments Company."
2. Section 8(c) of the Plan shall be amended in its entirety to read as follows:
  - (c) Except as provided below, no option granted under this Plan shall be assignable or otherwise transferable except by will or the laws of descent and distribution or if permitted in any specific case by the Committee, pursuant to a domestic relations order (as defined under the Code or Title I of the Employee Retirement Income Security Act of 1974, as amended, or the regulations thereunder). Any option shall be exercisable solely by the optionee during the lifetime of the optionee and, after the death of the optionee, an option shall be exercisable, to the extent otherwise exercisable hereunder, solely by either the duly qualified personal representative or representatives of the optionee, or the person or persons who acquire the right to exercise such option by will or the laws of descent and distribution and such person or persons furnish proof satisfactory to the Company of his or their right to receive an option under the optionee's will or under the applicable laws of descent and distribution. Notwithstanding the foregoing, the Committee may provide, in a stock option agreement, that an optionee may transfer options to family members or other persons or entities according to such terms as the Committee may determine; provided that the optionee receives no consideration for the transfer of the option and the transferred option shall continue to be subject to the same terms and conditions as were applicable to the option immediately before the transfer.

SEI INVESTMENTS COMPANY  
OPTION SHARE DEFERRAL PLAN  
FOR NON-EMPLOYEE DIRECTORS

(EFFECTIVE DECEMBER 1, 1997)

SEI INVESTMENTS COMPANY  
OPTION SHARE DEFERRAL PLAN  
FOR NON-EMPLOYEE DIRECTORS

In recognition of the services provided to SEI Investments Company (the "Company") by its non-employee directors, as defined herein, the Company has established the SEI Investments Company Option Share Deferral Plan For Non-Employee Directors (the "Plan") to offer such directors the opportunity to defer receipt of the "profit shares," as defined herein, when they exercise options under the Company's Stock Option Plan. The Plan shall be effective, December 1, 1997, under the terms and conditions hereinafter set forth.

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ARTICLE 1

DEFINITIONS AND CONSTRUCTION  
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Sec. 1.01 DEFINITIONS. Whenever used in this Plan:  
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"ACCOUNT" means entries maintained in the records of the Company which reflect the number of Profit Shares deferred by a Participant pursuant to Section 2.01 or which otherwise stand to the credit of the Participant under the Plan.

"AFFILIATE" means any corporation, partnership or other entity in which the Company holds, directly or indirectly, fifty percent (50%) or more of the entity's equity interest.

"AFFILIATE" means any corporation, partnership or other entity in which the Company holds, directly or indirectly, fifty percent (50%) or more of the entity's equity interest.

"BENEFICIARY" means any individual or entity designated by a Participant pursuant to Section 4.02 to receive death benefits described in Section 4.01 subsequent to the Participant's death.

"BOARD" means the Board of Directors or other governing body of the Company.

"CESSATION OF SERVICES" means ceasing to serve on the Board or, with respect to a Participant who has ceased to be a Non-Employee Director by reason of his or her becoming an employee of the Company or any Affiliate, his or her termination from employment with the Company and any Affiliates, if later.

"CODE" means the Internal Revenue Code of 1986, as amended, and any successor statute of similar nature and purpose.

"COMMON STOCK" means shares of Common Stock, par value \$.01 per share, of the Company.

"COMPANY" means SEI Investments Company or any successor thereto.

"DEFERRAL ELECTION FORM" means the form provided to Participants by the Plan Administrator on which the Participants elect (a) to defer Profit Shares in accordance with Section 2.01, (b) to have cash dividends payable with respect to Common Stock credited to his or her Account in the form of additional Profit Shares or paid in cash, in accordance with Section 2.02, and (c) the time of distribution of Profit Shares credited to his or her Account in accordance with Section 3.01.

"EFFECTIVE DATE" means December 1, 1997.

"FAIR MARKET VALUE" means the fair market value of Common Stock as determined by the Plan Administrator in accordance with the rules established under the Stock Option Plan for making such determination.

"HARDSHIP" means an unforeseeable financial emergency that is an unexpected need for cash arising from an illness, casualty loss, sudden financial reversal, or other such unforeseeable occurrence.

"NON-EMPLOYEE DIRECTOR" means a member of the Board who is not also an employee of the Company or any Affiliate.

"OPTION SHARE DEFERRAL" means a deferral of Profit Shares by a Participant pursuant to Section 2.01 upon exercise of a stock option under the Stock Option Plan.

"PARTICIPANT" means (a) a Non-Employee Director who makes an Option Share Deferral pursuant to Section 2.01, or (b) any former Non-Employee Director who has a balance in his or her Account greater than zero which has not been fully distributed pursuant to Article 3 or 4.

"PLAN" means this SEI Investments Company Option Share Deferral Plan for Non-Employee Directors.

"PLAN ADMINISTRATOR" means the individual or committee designated as the administrator of the Plan by the Board or its designee, or, if such position is vacant, the Company.

"PLAN YEAR" means the calendar year.

"PROFIT SHARES" means with respect to an exercise of an option under the Stock Option Plan, a number of shares of Common Stock (rounded to the nearest one-one hundredth of a share) equal to (a) the excess of the Fair Market Value per share of Common Stock at the date of exercise multiplied by the number of shares covered by the option exercise over the aggregate exercise price of the shares so purchased, divided by (b) the Fair Market Value per share at the date of exercise.

"STOCK OPTION PLAN" means the SEI Investments Company Stock Option Plan for Non-Employee Directors or the 1997 Stock Option Plan or any successor thereto.

Sec. 1.02 GENDER AND NUMBER. The masculine pronoun shall include the  
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feminine; the singular shall include the plural; and vice versa.

ARTICLE 2

PARTICIPANT DEFERRALS AND ACCOUNTS  
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Sec. 2.01 OPTION SHARE DEFERRALS.  
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(a) A Non-Employee Director may irrevocably elect on the Deferral Election Form to defer receipt of all or a portion of the Profit Shares pursuant to the exercise of a stock option under the Stock Option Plan for a Plan Year, subject to such rules and procedures as the Plan Administrator deems appropriate. Such Deferral Election Form must be provided to the Plan Administrator by November 30 of the calendar year prior to the beginning of the Plan Year in which the options are exercised; at any time on or before provided, however, that such Deferral Election Form may be provided to the Administrator at any time on or before December 31, 1997 for deferrals to be made during the Plan Year beginning January 1, 1998. Any election hereunder shall apply only to the extent that payment of the exercise price for the option to which the election relates is satisfied by surrender (including a constructive surrender) of unrestricted mature shares of Common Stock owned by the Participant having a Fair Market Value on the date of exercise equal to the exercise price. Any election hereunder shall be irrevocable with respect to option exercises during the Plan Year to which it relates.

(b) Subject to such reasonable rules as may be prescribed by the Plan Administrator, the number of Profit Shares deferred under this Section 2.01 shall be credited to a Participant's Account immediately upon the exercise of the option from which such Profit Shares derive.

(c) The Plan Administrator shall provide a statement at least annually to each Participant showing such information as is appropriate, including the aggregate number of Profit Shares credited to his or her Account.

Sec. 2.02 ACCOUNT ADJUSTMENTS.  
-----

(a) In the event a dividend is declared with respect to the Common Stock, a Participant's Account shall be credited with additional Profit Shares (rounded to the nearest one-one hundredth of a share) equal to the amount of the aggregate cash dividend that would have been distributed on shares represented by the Profit Shares then credited to a Participant's Account, divided by the then current per share Fair Market Value of the Common Stock, unless the Participant has made an irrevocable election on a Deferral Election Form to receive instead an amount equal to such cash dividends at the time such dividends become payable.

(b) Unless otherwise determined by the Plan Administrator, in the event of a stock split, stock dividend, reclassification, reorganization or other capital adjustment in the shares of Common Stock, the number of Profit Shares then credited to the Participant's Account shall be adjusted in the same manner as the shares of the Common Stock are adjusted.

ARTICLE 3

DISTRIBUTIONS TO PARTICIPANTS

Sec. 3.01 DISTRIBUTION UPON TERMINATION FROM EMPLOYMENT OR AFTER A

FIXED PERIOD OF TIME. A Participant shall irrevocably elect on the Deferral

Election Form to receive a number of shares of Common Stock equal to the number of Profit Shares credited to his or her Account, as a result of a deferral election made pursuant to Section 2.01 or an adjustment in his or her Account pursuant to the terms of the Plan, upon:

- (a) the Participant's Cessation of Services;
- (b) a specified date or the expiration of a specified number of years after the date of exercise of the option from which the Profit Shares are derived; provided that in no event may such specified date be less than, or deferral period end before, three (3) years from the date of exercise of the option from which such Profit Shares are derived;
- (c) the earlier of (a) or (b); or
- (d) the later of (a) or (b).

A Participant shall receive the entire number of shares of Common Stock to which he or she is entitled in a single distribution at the time determined above, unless the Participant has made an irrevocable election on the Deferral Election Form or supplement thereto, at least thirteen (13) months in advance of the distribution date determined above, to receive such shares instead in substantially equal annual installments over a period of not more than five (5) years from the distribution date determined above.

Sec. 3.02 WITHDRAWALS ON ACCOUNT OF HARDSHIP. Prior to the date a

Participant becomes entitled to a distribution under Section 3.01, the Participant may request, and the Plan Administrator, in its sole and absolute discretion, may approve, a withdrawal of all or a portion of the Profit Shares credited to the Participant's Account on account of a Hardship. The Plan Administrator may request the Participant to provide such information as it deems necessary and proper for it to determine the existence of a Hardship. The Plan Administrator shall review the Participant's request and determine the extent, if any, to which such request is justified. It is intended that the Plan Administrator's determination as to whether a Participant has suffered a Hardship shall be made consistent with the requirements for an "unforeseeable emergency," within the meaning of section 457(d) of the Code. Any such withdrawal shall be limited to an amount reasonably necessary to meet the Hardship.

Sec. 3.03 WITHDRAWALS WITH PENALTY. Prior to the date a Participant

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becomes entitled to a distribution under Section 3.01, the Participant may request and the Plan Administrator, in its sole and absolute discretion, may approve, a withdrawal of all or a portion of the Profit Shares credited to the Participant's Account. In the event of a withdrawal pursuant to this Section 3.03, the Participant shall forfeit from his or her Account a number (rounded up to the next whole number) of Profit Shares equal to ten (10%) percent of the number of Profit Shares withdrawn. The forfeited Profit Shares shall be deducted from the Participant's Account prior to giving effect to the requested withdrawal, and neither the Participant, nor his or her Beneficiary or any other person claiming an interest in the Participant's Account shall have any right or claim to the forfeited amount.

Sec. 3.04 ACCELERATION OF PAYMENTS.  
-----

(a) In the event of the liquidation, dissolution or winding up of the Company or the distribution or sale of all or substantially all of the Company's assets and property, the Company shall immediately distribute to the Participant shares of Common Stock equal to the number of Profit Shares then credited to the Participant's Account.

(b) In the event the Plan Administrator determines, based on a change in the applicable tax laws, a published ruling or similar announcement issued by the Internal Revenue Service, a regulation issued by the Secretary of the Treasury or his or her delegate, a decision by a court of competent jurisdiction involving a Participant, or a closing agreement involving a Participant made under section 7121 of the Code that is approved by the Commissioner, that a Participant has recognized or will recognize income for Federal income tax purposes with respect to any amounts that are or will be payable to the Participant under this Article 3 before they otherwise would be paid to the Participant, upon the request of the Participant, the Plan Administrator shall immediately distribute to the Participant shares of Common Stock equal to the number of Profit Shares with a Fair Market Value at the time of such distribution equal to the amount of income so recognized.

(c) The Company reserves the right, in its sole discretion, upon termination of the Plan or at any other time to accelerate payments hereunder by distributing to Participants' shares of Common Stock equal to the number of Profit Shares then credited to the Participants' Accounts in full satisfaction of its obligations hereunder.



ARTICLE 4

DEATH BENEFITS

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Sec. 4.01 DISTRIBUTION OF BENEFITS UPON DEATH OF PARTICIPANT. In the

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event of a Participant's death prior to the complete distribution of his or her Account pursuant to Article 3, shares of Common Stock equal to the number of Profit Shares remaining in the Participant's Account shall be distributed to the Participant's Beneficiary in a single distribution as soon as administratively practicable following the Participant's death.

Sec. 4.02 DESIGNATION OF BENEFICIARY. For purposes of Section 4.01,

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the Participant's Beneficiary shall be the person or persons so designated by the Participant in a written instrument submitted to the Plan Administrator. In the event the Participant fails to properly designate a Beneficiary, his or her Beneficiary shall be the Participant's surviving spouse or, if none, his or her estate.

ARTICLE 5

VESTING

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Sec. 5.01 FULL VESTING OF BENEFITS. A Participant, at all times,

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shall have a fully (100%) vested interest in his or her Account.

ARTICLE 6

NATURE OF COMPANY'S OBLIGATION

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Sec. 6.01 FUNDING OF BENEFITS. In any event, the obligation of the

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Company hereunder shall constitute a general, unsecured obligation, payable solely out of general assets of the Company, and anything contained herein to the contrary notwithstanding, until delivery of Common Stock is made to the Participant or the Participant's Beneficiary hereunder, neither the Participant, nor the Participant's Beneficiary or any other person claiming an interest hereunder shall have any right to, or property interest in, any Common Stock or other specific assets of the Company.

Sec. 6.02 NO RIGHTS AS SHAREHOLDER. Until delivery of Common Stock

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is made to the Participant or the Participant's Beneficiary hereunder, no Participant, Participant's Beneficiary or any other person claiming an interest hereunder shall have any rights as a shareholder of the Company, including the right to any cash dividends (except as provided in Section 2.01) or the right to vote, with respect to any Common Stock or the Profit Shares credited to the Participant's Account hereunder.

ARTICLE 7

ADMINISTRATION  
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Sec. 7.01 PLAN ADMINISTRATOR. The individual or committee designated  
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by the Board as the Plan Administrator of the Plan shall be the administrator of the Plan for purposes of the Employee Retirement Income Security Act of 1974 (ERISA), as amended from time to time. However, if such position is vacant, the Company shall be the Plan Administrator.

Sec. 7.02 DUTIES AND POWERS OF PLAN ADMINISTRATOR. The Plan  
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Administrator shall have full discretionary power and authority to construe, interpret and administer this Plan and may, to the extent permitted by law, make factual determinations, correct defects, supply omissions and reconcile inconsistencies to the extent necessary to effectuate the Plan and, subject to Section 7.03, the Plan Administrator's actions in doing so shall be final and binding on all persons interested in the Plan. The Plan Administrator may from time to time adopt rules and regulations governing the operation of this Plan and may employ and rely on such legal counsel, such actuaries, such accountants and such agents as it may deem advisable to assist in the administration of the Plan.

Sec. 7.03 CLAIMS PROCEDURE.  
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(a) The Company will advise each Participant and Beneficiary of any benefits to which he or she is entitled under the Plan. If any person believes that the Company has failed to advise him or her of any benefit to which he or she is entitled, he or she may file a written claim with the Plan Administrator. The claim shall be reviewed, and a response provided, within a reasonable time after receiving the claim. Any claimant who is denied a claim for benefits shall be provided with written notice setting forth:

(1) the specific reasons or reasons for the denial;

(2) specific reference to pertinent Plan provisions on which denial is based;

(3) a description of any additional material or information necessary for the claimant to perfect the claim; and

(4) an explanation of the claim review procedure set forth in paragraph (b), below.

(b) Within 60 days of receipt by a claimant of a notice denying a claim under the Plan under paragraph (a), the claimant or his or her duly authorized representative may request in writing a full and fair review of the claim by the Plan Administrator or a claims committee appointed by the Plan Administrator (hereinafter the "Committee"). The Committee may extend the 60-day period where the nature of the benefit involved or other attendant circumstances make such extension appropriate. In connection with such review, the claimant or his or her duly authorized representative may review pertinent documents and may submit issues and comments in writing. The Committee shall make a decision promptly, and not later than 60 days after the Committee's receipt of a request for review, unless special circumstances (such as the need to hold a hearing, if the Committee deems one necessary) require an extension of time for processing, in which case a decision shall be rendered as soon as possible, but not later than 120 days after receipt of a request for review. The decision on review shall be in writing and shall include specific reasons for the decision, written in a manner calculated to be understood by the claimant, and specific references to the pertinent Plan provisions on which the decision is based.

ARTICLE 8

AMENDMENT AND TERMINATION  
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Sec. 8.01 AUTHORITY TO AMEND. The Board or its designee may amend  
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the Plan at any time in any manner whatsoever. Notwithstanding the above, no amendment shall operate to reduce the benefit amount accrued on behalf of a Participant on the effective date of the amendment.

Sec. 8.02 RIGHT TO TERMINATE. Continuance of the Plan is completely  
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voluntary and is not assumed as a contractual obligation of the Company. The Company shall have the right at any time for any reason to terminate the Plan, by action of the Board; provided, however, that the Plan termination shall not operate to reduce the amount accrued on behalf of a Participant on the effective date of the Plan's termination.

ARTICLE 9

MISCELLANEOUS  
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Sec. 9.01 NO RIGHT TO CONTINUED DIRECTORSHIP. Nothing contained  
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herein (a) shall be deemed to exclude a Participant from any compensation or other benefit to which he or she otherwise is or might become entitled to as a Non-Employee Director or (b) shall be construed as conferring upon a Non-Employee Director the right to continue as a member of the Board.

Sec. 9.02 NO COMPENSATION FOR OTHER BENEFITS. Except as provided  
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herein, any amounts paid hereunder shall not be deemed compensation to a Participant for the purposes of computing benefits to which he or she may be entitled under any other arrangement established by the Company for the benefit of its Non-Employee Directors.

Sec. 9.03 RIGHTS AND OBLIGATIONS. The rights and obligations created

hereunder shall be binding on a Participant's heirs, executors and administrators and on the successors and assigns of the Company.

Sec. 9.04 PAYMENTS TO REPRESENTATIVES. If any Participant or

Beneficiary entitled to receive any benefits hereunder is determined by the Plan Administrator, or is adjudged to be, legally incapable of giving valid receipt and discharge for such benefits, the benefits shall be paid to a duly appointed and acting conservator or guardian, or other legal representative of such Participant or Beneficiary, if any, and if no such legal representative is appointed and acting, to such person or persons as the Plan Administrator may designate. Such payments shall, to the extent made, be deemed a complete discharge for such payments under this Plan.

Sec. 9.05 NO FRACTIONAL SHARES. No fractional shares of Common Stock

shall be issued or delivered pursuant to the Plan. The Plan Administrator shall determine whether cash shall be paid in lieu of such fractional shares or whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated.

Sec. 9.06 NONALIENATION. Except as hereinafter provided with respect

to family disputes, the rights of any Participant under this Plan are personal and may not be assigned, transferred, pledged or encumbered. Any attempt to do so shall be void. In cases of family disputes, the Company will observe the terms of the Plan unless and until ordered to do otherwise by a state or Federal court. As a condition of participation, a Participant agrees to hold the Company harmless from any claim that arises out of the Company's obeying the final order of any state or Federal court, whether such order effects a judgment of such court or is issued to enforce a judgment or order of another court. For purposes of this Section 9.06, "family dispute" means a dispute relating to provision of child support, alimony payments, or marital property rights to a spouse, former spouse or other dependent of the Participant.

Sec. 9.07 LIMITATIONS ON OBLIGATIONS. Neither the Company nor any

member of the Board shall be responsible or liable in any manner to any Participant, Beneficiary or any person claiming through them for any benefit or action taken or omitted in connection with the granting of benefits, the continuation of benefits, or the interpretation and administration of this Plan.

Sec. 9.08 WITHHOLDING. If the Company is required to withhold

amounts under applicable federal, state or local tax laws, rules or regulations, the Company shall be entitled to deduct and withhold such amounts from any payment made pursuant to this Plan.

Sec. 9.09 LOST PAYEES. Any benefit payable under the Plan shall be

deemed forfeited if the Plan Administrator is unable to locate the Participant or Beneficiary to whom payment is due; provided, however, that such benefit shall be reinstated if a claim is made by the Participant or Beneficiary for the forfeited benefit.

Sec. 9.10 GOVERNING LAW. The Plan shall be construed in accordance

with and governed by the laws of the Commonwealth of Pennsylvania.

THIRTEEN MODIFICATION AGREEMENT  
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THIS AGREEMENT is made as of the 30th day of May, 1997, between SEI CORPORATION, a Pennsylvania corporation ("Company") and PNC BANK, NATIONAL ASSOCIATION, successor by merger to Provident National Bank ("Bank").

BACKGROUND  
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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, a Tenth Modification Agreement dated as of May 31, 1996, an Eleventh Modification Agreement dated October 1, 1996 and a Release and Modification Agreement dated February 20, 1997 (as so amended, the "Credit Agreement") pursuant to which Bank agreed to make up to \$50,000,000 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 currently are evidenced by Company's restated note dated October 1, 1996 (the "Note") in the principal amount of \$50,000,000.

Company and Bank desire to extend the Termination Date as contemplated by the Credit Agreement.

Agreement  
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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. Amendment to Credit Agreement. The Credit Agreement is hereby amended as follows:

(a) 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, 1997 to May 31, 1998, effective June 1, 1997.

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

4. 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.

(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 the 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 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.

5. 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 and the Restated Note shall remain unchanged and in full force and effect and are hereby ratified and confirmed in all respects, as so amended.

6. Miscellaneous.  
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(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: /s/ Henry H. Greer

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Title: President and Chief Operating Officer  
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PNC BANK, NATIONAL ASSOCIATION

By: /s/ Warren C. Engle

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Title: Vice President  
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## FOURTEENTH MODIFICATION AGREEMENT

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THIS AGREEMENT is made as of the 31st day of December, 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 19103 (the "Bank"), and SEI INVESTMENTS COMPANY (formerly SEI Corporation), a Pennsylvania corporation (the "Borrower").

## BACKGROUND

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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, an Eleventh Modification Agreement dated October 1, 1996, a Release and Modification Agreement dated February 20, 1997 and a Thirteenth Modification Agreement dated May 30, 1997 (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.

Borrower and Bank have agreed to certain amendments to the Credit Agreement, upon the terms and conditions set forth herein.

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

## AGREEMENT

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

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

2. Amendment to Credit Agreement. The Credit Agreement is hereby

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amended by amending and restating Section 7.10(g) thereof to read in full as follows:

"(g) Purchased by the Company of its common stock (to be retired by the Company) of up to an aggregate consideration of \$250,000,000 (cumulatively since the institution of its stock repurchase program), less the consideration paid by the Company for the purchase of its common stock as of the date hereof;"

3. Loan Documents. Except where the context clearly requires

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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.

4. Borrower's Ratification. Borrower agrees that it has no defenses or

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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.

5. Representations and Warranties. Borrower hereby certifies that:

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(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.

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

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.

7. Miscellaneous.

(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

[SEAL]

SEI INVESTMENTS COMPANY  
(formerly SEI Corporation)

Attest: /s/ Sandra M. Orlow

By: /s/ Henry H. Greer

Title: Vice President

Title: President and Chief Operating Officer

BANK

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Warren C. Engle

Title: Vice President



## SUBSIDIARIES OF THE REGISTRANT

NAME -----	JURISDICTION OF ORGANIZATION OR INCORPORATION -----
SEI Investments Distribution Company	Pennsylvania
SEI Investments Management Corporation	Delaware
SEI, Inc.	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.
Latinvest Sociedad de Bolsa, S.A.	Argentina
Quadrum, S.A.	Argentina

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, File No. 33-41602 and File No. 333-41343.

ARTHUR ANDERSEN LLP

Philadelphia, Pa.,  
March 27, 1998



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

12-MOS		
	DEC-31-1997	
	JAN-01-1997	
	DEC-31-1997	
		16,891
		876
		32,392
		(1,200)
		0
		83,995
		101,264
		(49,493)
		168,884
	81,676	
		33,000
	0	
		0
		178
		46,232
168,884		0
	292,749	
		0
		233,306
		13,931
		0
	(2,488)	
	44,007	
		17,163
	26,844	
		0
		0
		0
		26,844
		1.47
		1.40





































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, File No. 33-41602, and File No. 333-41343.

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.