SEI 2012 ANNUAL REPORT

Improved Results

Growing Momentum

SEI New ways. New answers.®

seic.com

About SEI

SEI is a leading global provider of asset management, investment processing, and investment operations solutions. We help banks, investment advisors, institutional investors, investment managers, and ultra-high-net-worth investors create and manage wealth, enabling their long-term success, by providing comprehensive and innovative investment and investment business solutions.

Contents

Financial Highlights

Letter to Shareholders

Annual Report on Form 10-K

Additional Information

SEI's Internet site, **www.seic.com**, offers additional information about the company, including earnings announcements, corporate press releases, and regulatory filings. This Annual Report, Form 10-K, and Proxy Statement are available in the Investors section of the website.

Forward-Looking Statements

This report contains statements that constitute forward-looking statements as defined under U.S. federal securities laws. These statements include discussions about future strategies, operations, and financial results. These statements are based upon estimates and assumptions that involve risks and uncertainties and may not prove to be accurate. Future revenues and income could differ materially from expected results. You should refer to the 2012 Annual Report on Form 10-K, included herein, for a description of various risks and uncertainties that could affect our future financial results.

SEI 2012 ANNUAL REPORT

Financial Summary

(In thousands, except per-share data)	2012	Change from 2011
Revenues	**$992,522**	7%
Net income attributable to SEI	**$206,848**	1%
Diluted common shares outstanding	**175,872**	(5)%
Diluted earnings per share	**$1.18**	6%

Highlights

- Revenues grew from new-business sales, capital market appreciation, and increased cash flows into our investment management programs.
- Net income reflects increased operating expenses from investments in the delivery of solutions supporting our growth strategies.
- SEI stock purchases helped to reduce outstanding shares on which diluted earnings per share are calculated.
- We returned $292 million in capital to shareholders through stock purchases and paid dividends.

TO OUR SHAREHOLDERS

In 2012 we achieved improved financial results on a growing momentum in new-business sales and made significant progress to position your company for long-term sustainable growth.

Improved financial results

We achieved improved financial results that reflect increasing levels of new-business activity, favorable capital markets, and ongoing investments in infrastructure to support clients of our new solutions.

Here are some highlights from the year:

- Revenues grew seven percent to $992.5 million, net income grew one percent to $206.8 million, and diluted earnings per share grew six percent to $1.18.
- New-business sales, as well as favorable capital market performance, drove revenue growth in every core segment. One important measure of success, equity and fixed income assets under management, grew 19 percent to $174 billion.
- Operating expenses increased to build out new services, sell and service new clients, and position the company for longer-term growth opportunities.
- Earnings per share benefited from SEI's stock purchase program. In 2012 we purchased $155 million of company stock, reducing outstanding shares on which diluted earnings per share are calculated.

We also declared $109 million in regular and special dividends. During the year, we returned a total of $292 million in capital to shareholders through stock purchases and paid dividends, an all-time annual record for SEI.

SEI's business and financial fundamentals continue to be a source of strength for the company, enabling us to generate strong cash flow to reinvest in our businesses and return capital to shareholders.

A detailed discussion of company and segment financial results is included in the 2012 Annual Report on Form 10-K, which accompanies this letter.

Growing new-business momentum

This was a good year for new business across the company, with sizeable contributions from each core segment. Total net sales events were $100 million, including events of $85 million in net annual recurring revenues. Both achievements were a significant improvement over the results of 2011.

We experienced a growing momentum in sales activity over the course of the year. We saw an increase in the number of prospective clients and an increase in the number of outsourcing decisions. Both measures are signs of growing business confidence in the economic outlook. More importantly, we believe new-business activity affirms SEI's growth strategies in each of its markets.

In the **Private Banks** segment, we are encouraged by sales activity for the SEI Wealth Platform and the longer-term revenue potential of new and existing clients. In 2012 we achieved continued success with

Alfred P. West, Jr.

Chairman and
Chief Executive Officer

sales of the Platform in the United Kingdom. There was also growing interest in the Platform from financial institutions in the United States as we began to concentrate our sales and marketing efforts in this market. We also had good success with client re-contracting, sales of new services to existing clients, and improved asset management sales.

We enjoyed strong net-cash flows — the highest level attained since 2001 — in the **Investment Advisors** segment. New advisors, those recruited over the past few years, were primarily responsible for the net growth in assets. We also had another good recruiting year as we welcomed an additional 488 advisors to our network.

The **Institutional Investors** segment achieved record sales with strong growth from corporate defined benefit and not-for-profit markets. We also saw growing interest in our fiduciary management solution from healthcare organizations, multi-employer plans, and municipal pension plans. SEI's expertise and track record of success are also earning us increasingly larger client mandates around the globe.

We had another excellent year for new business in the **Investment Managers** segment, with sales events hitting a five-year high. We are an award-winning provider of services to this sector, and demand remains strong for SEI's platform of investment-operations solutions. New-business activity included increasingly larger new clients each managing multiple asset classes, growing traction with investment managers in the United Kingdom, and a greater share of business from existing clients.

New growth strategies are driving new-business success

SEI's growth strategies and solutions were responsible for most of the new-business success in 2012. We are encouraged by this market acceptance and we will continue to invest in key strategies and solutions that present opportunities for growth. Here are some highlights from each of our core markets:

We continued to make progress in the delivery of the new SEI Wealth Platform for **private banks** and other wealth services firms. We are focused on delivering functionality needed for wealth advisors and institutions in the United States, building out operational infrastructure for clients, scaling the operation to improve efficiency, and keeping pace with rapidly changing regulatory requirements. SEI now has 19 clients operating on the Platform in the United Kingdom. A U.S. bank commenced operation on the Platform in 2012, another key milestone in the continued global rollout of this new solution.

We broadened our capabilities for **investment advisors** by delivering new investment strategies, technologies, and support services. These expanded services create opportunities for advisors to grow their businesses, and strengthen our ability to recruit new advisors. We also implemented a second group of advisor clients onto the SEI Wealth Platform, an important element of SEI's growth strategy in this market.

SEI is one of the first and largest providers of fiduciary management services for **institutional investors** and our comprehensive solutions are fully developed. We are focused on providing greater flexibility and customization to clients, supporting increasingly larger institutions, and expanding into new markets. We will continue to innovate and lead in this global market.

We remain committed to developing and delivering the next generation of innovative and robust operations-outsourcing solutions for **investment managers**. We are focused on the build-out and enhancement of SEI's operational infrastructure to support increasingly larger clients and a growing and diversified traditional and alternative book of business. We also continue to develop new operations-outsourcing capabilities to enable us to offer new services to existing clients, onboard and process larger new clients, and enter new markets throughout the globe.

We are well-positioned for future growth

For over forty years we have helped our clients meet the challenges of a dynamic investment and wealth management industry. We are helping them meet their challenges today. Individual and institutional investors face complex decisions around investment goals, strategies, and products. They also want to connect to their financial situations in ways that are more mobile and social. Investment and wealth managers must support broader product lines, and face mounting government regulations that impose significant burdens on their operations and businesses. They must also satisfy the evolving needs of individual and institutional investors who want more control and flexibility.

These dynamic market trends present significant opportunities for SEI. Our solutions are designed to help both investors, as well as investment and wealth managers, face these challenges and improve their opportunities for success.

I am proud of our accomplishments and of the progress we have made to deliver new growth strategies and solutions that position your company for growth. These solutions are being well-received by our markets and are contributing to new-business success. SEI's business and financial fundamentals are as strong as they have ever been, and provide a solid foundation for sustaining investments in new markets and solutions.

SEI's talented workforce and unique corporate culture continue to fuel our success. In 2012 SEI was named by *Pensions & Investments* as one of the "Best Places to Work in Money Management." SEI was cited for its work-life balance and its open environment, which encourages innovation and collaboration. We are honored that our employees believe that SEI is a great place to work, since a terrific employee experience is critical to building and growing a great business.

SEI and its employees are involved in our community through a number of initiatives. I would particularly like to acknowledge the achievements of SEI Cares, our employee-led philanthropy initiative. In 2012 SEI Cares helped some 50 non-profit organizations through 7,000 hours of volunteer service and $315,000 in donations and grant sponsorships. We are proud that our employees are actively involved in the local communities in which we operate and in support of SEI's corporate values of social responsibility.

As always, we are focused on the success of our clients, as their success is the true measure of our own. In the short term, we are working hard to deliver new solutions, maintain a base of highly satisfied clients, grow new-business events, and improve productivity. Longer-term, we are highly confident SEI's solutions will make our services more valuable to clients, strengthen our competitive advantage, enable us to serve increasingly larger clients, and expand our market opportunities.

I thank clients for their inspiration, employees and business partners for their commitment and creativity, and our shareholders for their trust.

Alfred P. West, Jr.
Chairman and Chief Executive Officer

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended **December 31, 2012**

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**

SEI INVESTMENTS COMPANY

(Exact name of registrant as specified in its charter)

Pennsylvania	**23-1707341**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1 Freedom Valley Drive, Oaks, Pennsylvania	**19456-1100**
(Address of principal executive offices)	(Zip Code)
Registrant’s telephone number, including area code	**610-676-1000**

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

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	**The NASDAQ Stock Market LLC (The NASDAQ Global Select Market®)**

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

None

(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [X] No [ ]

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes [ ] No [X]

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes [X] **No [ ]**

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. **[ ]**

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. =

Large accelerated filer [X]	**Accelerated filer [ ]**	**Non-accelerated filer [ ]** (Do not check if a smaller reporting company)	**Smaller reporting company [ ]**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes [ ] **No [X]**

The aggregate market value of the voting common stock held by non-affiliates of the registrant was approximately $2.7 billion based on the closing price of $19.89 as reported by NASDAQ on June 29, 2012 (the last business day of the registrant's most recently completed second fiscal quarter). For purposes of making this calculation only, the registrant has defined affiliates as including all executive officers, directors and beneficial owners of more than ten percent of the common stock of the registrant.

The number of shares outstanding of the registrant's common stock, as of the close of business on January 31, 2013:

Common Stock, $.01 par value **172,642,438**

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the following documents are incorporated by reference herein:

1. The definitive proxy statement relating to the registrant's 2013 Annual Meeting of Shareholders, to be filed within 120 days after the end of the fiscal year covered by this annual report, is incorporated by reference in Part III hereof.

SEI Investments Company
Fiscal Year Ended December 31, 2012

Table of Contents

		Page
	PART I	
Item 1.	Business.	2
Item 1A.	Risk Factors.	10
Item 1B.	Unresolved Staff Comments.	12
Item 2.	Properties.	12
Item 3.	Legal Proceedings.	12
Item 4.	Mine Safety Disclosures.	13
	PART II	
Item 5.	Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.	14
Item 6.	Selected Financial Data.	15
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations.	16
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk.	31
Item 8.	Financial Statements and Supplementary Data.	31
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.	66
Item 9A.	Controls and Procedures.	66
Item 9B.	Other Information.	66
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance.	67
Item 11.	Executive Compensation.	67
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.	68
Item 13.	Certain Relationships and Related Transactions, and Director Independence	70
Item 14.	Principal Accounting Fees and Services.	70
	PART IV	
Item 15.	Exhibits, Financial Statement Schedules.	71

PART I

Forward Looking Statements
This Annual Report on Form 10-K contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve certain known and unknown risks, uncertainties and other factors, many of which are beyond our control, and are not limited to those discussed in Item 1A, “Risk Factors.” All statements that do not relate to historical or current facts are forward-looking statements. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “plan,” “believe,” and other words and terms of similar meaning in connection with any discussion of future operating or financial performance. In particular, these include statements relating to present or anticipated products and markets, future revenues, capital expenditures, expansion plans, future financing and liquidity, personnel, and other statements regarding matters that are not historical facts or statements of current condition.

Any or all forward-looking statements contained within this Annual Report on Form 10-K may turn out to be wrong. They can be affected by inaccurate assumptions we might make, or by known or unknown risks and uncertainties. Many factors mentioned in the discussion below will be important in determining future results. Consequently, we cannot guarantee any forward-looking statements. Actual future results may vary materially.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. You are advised, however, to consult any further disclosures we make on related subjects in our filings with the U.S. Securities and Exchange Commission (SEC).

Item 1. Business.

Overview
SEI (NASDAQ: SEIC) is a leading global provider of investment processing, investment management, and investment operations solutions. We help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth by providing comprehensive, innovative, investment and investment-business solutions. As of December 31, 2012, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers $458.4 billion in mutual fund and pooled or separately managed assets, including $201.5 billion in assets under management and $256.9 billion in client assets under administration. Our affiliate, LSV Asset Management (LSV), manages $60.9 billion of assets which are included as assets under management.

Our wealth management business solutions include:

- Investment processing outsourcing solutions for banks, trust companies, independent wealth advisers, and investment managers;
- Investment management programs for affluent individual investors and for institutional investors, including retirement plan sponsors, and not-for-profit organizations; and
- Investment operations outsourcing solutions for investment management firms, banks and investment companies that sponsor and distribute mutual funds, hedge funds, and alternative investments.

General Development of the Business
For over 40 years, SEI has been a leading provider of wealth management business solutions for the financial services industry.

We began doing business in 1968 by providing computer-based training simulations for bank loan officers. We developed an investment accounting system for bank trust departments in 1972 and became a leading provider of investment-processing outsourcing services to banks and trust institutions in the United States. Later, we broadened these outsourcing services and began offering bank clients a family of mutual funds, as well as investment-operations outsourcing services. We became a public company in 1981.

We began to adapt these solutions, and develop new wealth management solutions, for selected global markets in the 1990’s, including: investment advisors, retirement plan sponsors and institutional investors, asset management distribution firms, investment managers, and affluent individual investors. Today, we serve approximately 6,600 clients in the United States, Canada, the United Kingdom, continental Europe, South Africa, and East Asia.

In each of these markets, we have combined our core competencies — investment processing, investment management, and investment operations — to deliver broader and more strategic solutions for clients and markets. Today, we offer a global wealth platform and investment services for private banks and wealth services firms; a complete life and wealth platform for operating an investment advisory business; a comprehensive fiduciary management solution for retirement plan sponsors and institutional

investors; a total operational outsourcing solution for investment managers; and a complete life and wealth solution for ultra-high-net-worth families.

Strategy

We seek to achieve growth in earnings and shareholder value by strengthening our position as a provider of global wealth management solutions. To achieve this objective, we have implemented these strategies:

- **Create broader solutions for wealth service firms.** Banks, investment managers and financial advisors seek to enter new markets, expand their service offerings, provide a differentiated experience to their clients, improve efficiencies, reduce risks, and better manage their businesses. We offer next generation business solutions integrating technology, operating processes, and financial products designed to help these institutions better serve their clients and provide opportunities to improve their business success.
- **Help institutional investors manage retirement plans and operating capital.** Retirement plan sponsors, not-for-profit organizations, and other institutional investors strive to meet their financial objectives while reducing business risk. We deliver customized investment management solutions, as part of a complete solution offering, that enable investors to make better decisions about their investments and to manage their assets more effectively.
- **Help affluent individual investors manage their life and wealth goals.** These investors demand a holistic wealth management experience that focuses on their life goals and provides them with an integrated array of financial services that includes substantially more than traditional wealth management offerings. We help these investors identify their goals and offer comprehensive life and wealth advisory services including life planning, investments, and other financial services.
- **Expand globally.** Global markets are large and present significant opportunities for growth. We have evolved U.S. business models for the global wealth management marketplace, focusing on the needs of institutional investors, private banks, independent wealth advisers, investment managers, investment advisors, and affluent individual investors.

Fundamental Principles

We are guided by these fundamental principles in managing the business and adopting these growth strategies:

- **Achieve organic growth in revenue and earnings.** We seek to grow the business by providing additional services to clients, adding new clients, introducing new products, and adapting products for new markets.
- **Forge long-term client relationships.** We strive to achieve high levels of customer satisfaction and to forge close and long lasting client relationships. We believe these relationships enable us to market additional services, and acquire knowledge and insights that fuel the product development process.
- **Invest in product development.** We continually enhance products and services to keep pace with industry developments, regulatory requirements, and the emerging needs of markets and clients. We believe ongoing investments in research and development give us a competitive advantage in our markets.
- **Maintain financial strength.** We adopt business models that generate recurring revenues and positive cash flows. Predictable cash flows serve as a source of funds for continuing operations, investments in new products, common stock repurchases, and dividend payments.
- **Leverage investments across the business.** We create scalable, enterprise-wide solutions designed to serve the needs of multiple markets, potentially offering operating efficiencies that can benefit corporate profitability.
- **Create value for shareholders.** The objective of achieving long-term sustainable growth in revenues and earnings strongly influences the management of the business. This philosophy guides corporate management practices, strategic planning activities, and employee compensation practices.

Products and Services

Investment Processing

Investment processing solutions consist of application and business process outsourcing services, professional services, and transaction-based services. We deliver these solutions to providers of institutional and private client wealth management services, including banks, trust companies, independent wealth advisers, and other financial services firms. We also deliver these solutions, combined with our investment management programs, to investment advisory firms and other financial services firms that provide wealth management services to their advisory clients.

Our investment processing solutions are enabled through two platforms, TRUST 3000® and the Global Wealth Platform (GWP). TRUST 3000® is a comprehensive trust accounting and investment system that provides securities processing and investment accounting for all types of domestic and global securities, and support for multiple account types, including personal trust, corporate trust, institutional trust, and non-trust investment accounts. GWP is an investment accounting and securities processing system with capabilities that include global securities processing, trade-date and multi-currency accounting and reporting. The platform is

designed around the client and portfolio management processes. This enables financial firms to institutionalize their client processes around an investor's investment objectives, facilitating a transition to model-based portfolio management, providing an improved client experience, while minimizing the expense and risk associated with investment operations. We began delivering GWP to private banks and independent wealth advisers in the United Kingdom in 2007. In U.S. markets, we converted a small group of advisors onto GWP in 2011 and converted our first bank in 2012.

Application and business process outsourcing revenues from investment processing services are earned as monthly fees from contracted services including software licenses, information processing, and investment operations and are primarily earned based upon the type and number of investor accounts serviced. Investment processing revenues may also be earned as a percentage of the clients' assets processed on the platforms. These revenues are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations. Professional services revenues are earned from contracted, project-oriented services, including client implementations, and are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations. Transaction-based revenues are earned from trade execution services and are recognized as Transaction-based and trade execution fees on the accompanying Consolidated Statements of Operations.

Investment Management Programs

Investment management programs consist of money market, fixed-income and equity mutual funds and other collective investment products, alternative investment portfolios, and separately managed accounts. We serve as the sponsor, administrator and investment advisor for many of these products. We distribute these programs primarily through investment advisory firms, including investment advisors and banks, and directly to institutional or individual investors.

We have expanded these investment management programs to include other consultative, operational, and technology components, and have created comprehensive solutions tailored to the needs of a specific market. These components may include investment strategies, consulting services, administrative and processing services, and technology tools.

Investors in our investment programs typically follow an investment strategy constructed according to our disciplined investment process and invest in a globally diversified portfolio that consists of multiple classes and investment styles. Our investment process is based on five principles: asset allocation and appropriate diversification, both of which are important to investment performance; a portfolio design process that identifies the drivers of investment returns for each asset class; manager selection, where we act as a manager-of-managers, selecting style-specific managers from a global network of money managers; a portfolio construction process implemented through selected managers, and properly diversified among asset classes and drivers of investment returns; and risk management processes that monitor portfolios to ensure risk objectives are met.

As of December 31, 2012, we managed $140.5 billion in assets including: $112.8 billion invested in fixed-income and equity funds, or through separately managed account programs; $11.4 billion invested in liquidity or money market funds; and $16.3 billion invested in collective trust fund programs. An additional $60.9 billion in assets is managed by our unconsolidated affiliate LSV, a registered investment advisor that specializes in value equity management for their institutional clients.

Revenues from investment management programs are primarily earned as a contractual percentage of net assets under management. These revenues are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations. Our interest in the earnings of LSV is recognized in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations.

Investment Operations

Investment operations outsourcing solutions consist of accounting and administration services, and distribution support services. We deliver these solutions to investment management firms that offer traditional and alternative products. We support traditional managers who advise a variety of investment products including mutual funds, UCITS schemes, collective investment trusts (CITs), exchange-traded funds (ETFs), institutional accounts and separately managed accounts. We also provide comprehensive solutions to investment managers worldwide that sponsor and distribute alternative investments such as hedge funds, funds of hedge funds, private equity funds and real estate funds, across both registered and partnership structures.

Accounting and administration services include account and fund administration, investment portfolio and fund accounting; cash administration and treasury services; trade capture, settlement and reconciliation; trustee and custodial services; legal, audit and tax support; and investor services. Distribution support services may include access to distribution platforms and market and industry analyses to identify specific product distribution opportunities. These solutions are delivered by utilizing a highly integrated, robust, and scalable technology platform adapted to fit the specific business needs of our investment manager clients.

As of December 31, 2012, we administered $256.8 billion in client assets for traditional and alternative investment fund products, including mutual funds, CITs, hedge funds, and private equity funds. Revenues from these products are primarily earned based on a contractual percentage of net assets under administration.

Revenues for the processing of institutional separate accounts and separately managed accounts are generally earned on the number of investor accounts serviced. Assets associated with this separate account processing are not included in reported assets under administration. Both revenue categories are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Business Segments

Business segments are generally organized around our target markets. Financial information about each business segment is contained in Note 13 to the Consolidated Financial Statements. Our business segments are:

- **Private Banks —** provides investment processing and investment management programs to banks and trust institutions worldwide, independent wealth advisers located in the United Kingdom, and financial advisors in Canada;
- **Investment Advisors —** provides investment management programs to affluent investors through a network of independent registered investment advisors, financial planners, and other investment professionals in the United States;
- **Institutional Investors —** provides investment management programs and administrative outsourcing solutions to retirement plan sponsors, hospitals, and not-for-profit organizations worldwide;
- **Investment Managers —** provides investment operations outsourcing solutions to investment managers, fund companies and banking institutions located in the United States, and to investment managers worldwide of alternative asset classes such as hedge funds, funds of hedge funds, and private equity funds across both registered and partnership structures; and
- **Investments in New Businesses —** provides investment management programs to ultra-high-net-worth families residing in the United States through the SEI Wealth Network® and conducts other research and development activities.

The percentage of consolidated revenues generated by each business segment for the last three years was:

	2012	2011	2010
Private Banks	**37%**	37%	38%
Investment Advisors	**20%**	20%	20%
Institutional Investors	**23%**	23%	23%
Investment Managers	**19%**	19%	18%
Investments in New Businesses	**1%**	1%	1%
	100%	100%	100%

Private Banks

The Private Banks segment delivers a comprehensive outsourcing solution integrating investment processing services, investment management and distribution programs, and business expertise to banks and trust institutions worldwide, independent wealth advisers and other wealth managers located in the United Kingdom, and financial advisors in Canada. We own, maintain and operate the software applications and information processing facilities for all of our investment processing solutions.

Private banks and other trust organizations who utilize our TRUST 3000® application solution outsource investment processing technology software and computer processing, but retain responsibility for investment operations, client administration, and investment management. These clients operate our TRUST 3000® application remotely while fully supported by our data center using dedicated telecommunications networks. The TRUST 3000® application solution includes a dedicated relationship team that supports our client's business. We assist our clients by strategically evaluating their systems and process needs as their businesses change.

Our TRUST 3000® business solution was designed for private banks and other trust organizations that prefer to outsource their entire investment operation. With the TRUST 3000® business solution, we assume the entire back-office processing function. This comprehensive solution includes: investment processing; account access and reporting; audit, compliance and regulatory support data generation; custody and safekeeping of assets; income collections; securities settlement; and other related trust activities.

Client contracts for investment processing solutions offered through TRUST 3000® have initial terms that are generally three to seven years in length. New clients undergo a business transformation process which can take a few months for smaller institutions and up to 15 months or more for larger institutions. During the transformation process, we collaborate with new clients to understand their strategic business goals and objectives. During this transformation, systems, operations, and business processes are evaluated and optimized to meet client objectives. We typically earn a one-time implementation fee for these business transformation services. We begin to earn processing revenues after the client completes the transformation process and commences operation.

At December 31, 2012, we had significant relationships with 110 banks and trust institutions in the United States. Our principal competitors for this business are: Fidelity National Information Services, Inc., SunGard Data Systems Inc., State Street Corporation,

Fi-Tek LLC, Charles Schwab & Co., Inc. and Fidelity Investments. Many large financial institutions develop, operate and maintain proprietary investment and trust accounting systems. We consider these “in-house” solutions to be a form of competition.

GWP provides an integrated operating infrastructure enabling our clients to adapt to the changing needs of their clients and their business by offering advanced global processing capabilities, client and portfolio management processes, an open-architecture, modular design, and continuous worldwide operation. The implementation of new clients onto the platform follows either a conversion of existing client assets or a business transition process which moves new client assets onto the platform as the client grows their business with a contractual minimum fee in place.

Client contracts for investment processing solutions offered through GWP have initial terms that are generally five to seven years in length. At December 31, 2012, we had significant relationships with 20 banks, independent wealth advisers and other wealth managers located in the United Kingdom. In addition, we converted our first bank located in the United States onto GWP on December 31, 2012. Our principal competitors for this business are: Pershing LLC, FNZ UK Ltd., Temenos Group AG, Avaloq, TD Direct Investing (Europe) Ltd. and smaller technology firms. We also consider “in-house” solutions to be a form of competition.

This segment also offers investment management programs for banks and distribution partners worldwide. At December 31, 2012, we had approximately 320 investment management clients. We also had single-product relationships with approximately 85 additional banks and trust institutions. The principal competitors for this business are: Federated Investors, Inc., Russell Investment Group, Fidelity Investments, Franklin Templeton Investments, discretionary portfolio managers and various multi-manager investment programs offered by other firms. We also consider “in-house” internal asset management capabilities to be a form of competition.

Investment Advisors
The Investment Advisors segment offers wealth management solutions to registered investment advisors, many of whom are affiliated with or are registered as independent broker-dealers, financial planners, and life insurance agents located throughout the United States. These wealth management solutions include our investment management programs and back-office investment processing outsourcing services and are usually offered on a bundled basis. We also help advisors manage and grow their businesses by giving them access to our marketing support programs, business assessment assistance and recommended management practices. Our solutions aim to help investment advisors reduce risk, improve quality, and gain operational efficiency to devote more of their resources to servicing their clients and acquiring new clients.

Advisors are responsible for the investor relationship which includes creating financial plans, implementing investment strategies and educating and servicing their customers. Advisors may customize portfolios to include separate account managers provided through our programs as well as SEI-sponsored mutual funds. Our wealth and investment programs are designed to be attractive to affluent or high-net-worth individual investors with over $250 thousand of investable assets and small to medium-sized institutional plans.

We continually enhance our offering to meet the emerging needs of our advisors and their end clients. For example, in 2011 and 2012, we converted a small group of advisors onto GWP. Our testing with these clients will continue through 2013. We anticipate the enhanced service offerings enabled through GWP will provide a more diverse range of back-office investment processing outsourcing services and investment management solutions.

We estimate we have business relationships with over 5,400 financial advisors at December 31, 2012. Our definition of a client for this segment includes financial advisors who have exceeded a minimal level of customer assets invested in our investment products. Our business is primarily based on approximately 1,100 investment advisors who, at December 31, 2012, had at least $5.0 million each in customer assets invested in our mutual funds and separately managed accounts. Revenues are earned largely as a percentage of average assets under management.

The principal competition for our investment management products is from other money managers, other turnkey asset management providers, mutual fund companies, custody service providers and the proprietary investment management programs of broker dealers. In the advisor distributor channel, the principal competitors include AssetMark Investment Services Inc., Brinker Capital, EnvestNet Asset Management, Inc., Fidelity Investments, Lockwood Advisors, Inc., a subsidiary of The Bank of New York Mellon, Charles Schwab & Co., Inc., and other broker-dealers. As we introduce GWP, we expect to more directly compete with custody service providers.

Institutional Investors
The Institutional Investors segment offers investment management programs and administrative outsourcing solutions for retirement plan sponsors, hospitals, and not-for-profit organizations globally. Clients can outsource their investment management needs and the administration for defined benefit plans, defined contribution plans, endowments, foundations, and other balance sheet assets.

The fiduciary management outsourcing program provides a strategic platform integrating the Manager-of-Managers investment process, plan administration services, and consulting services. Plan administration services include trustee, custodial, benefit payment services, record-keeping services, and donor administration. Consulting services include actuarial services, asset liability modeling, and the customization of an asset allocation plan that is designed to meet long-term objectives.

By outsourcing retirement plan services, we believe clients benefit from an investment approach built around an investment strategy designed to meet the client's long-term business and plan objectives and an investment process that removes the responsibility of manager selection, ongoing monitoring and termination. This approach is designed to reduce business risk, provide ongoing due diligence, and increase operational efficiency. Nonprofit organizations can manage volatility through more diversified portfolios and focus more resources on achieving their overall mission. Healthcare organizations benefit from customized asset allocations that help provide improved balance sheet protection and overall financial risk management.

Fees are primarily earned as a percentage of average assets under management. At December 31, 2012, we had relationships with approximately 475 investment management clients. The principal competitors for this segment are Russell Investments, Northern Trust Corporation, investment consultants and consulting firms with investment advisory and/or actuarial capabilities.

Investment Managers

The Investment Managers segment provides a platform of comprehensive investment operations outsourcing solutions to investment managers globally. This array of front-, middle- and back-office investment processing services integrates best-in-class industry tools and technology to support a manager's diverse business needs across multiple product types and structures, investment strategies and asset classes. For those managers offering traditional products such as mutual funds, collective investment trusts, exchange-traded funds, and institutional and separate accounts, we provide outsourcing services including fund and investment accounting, administration, reconciliation, investor servicing and client reporting. We also provide comprehensive solutions to managers focused on alternative investments who manage hedge funds, funds of hedge funds, private equity funds, real estate and infrastructure funds, across registered, partnership and separate account structures domiciled in the United States and overseas.

Over the past few years, investors have faced multiple market crises and rising volatility. Fund managers have responded with a range of innovative products designed to better manage volatility and offer alternatives to pure long-only investing historically used in traditional markets. The clear line that had once separated traditional and alternative investment products continues to blur as traditional managers utilize tools historically used by alternative managers, while alternative managers increasingly are launching registered products and taking advantage of broader distribution channels. Anticipating this long-term trend and that of an increasingly empowered investor base, we have focused on the needs of the investor and manager rather than provide services aligned to specific products or asset classes. We also continually enhance our solutions to anticipate and adapt to economic, regulatory and industry changes.

By applying operating services, market-leading technologies, and business and regulatory knowledge, our comprehensive array of investment operations solutions help investment managers focus on their core competencies of portfolio management and client service. We provide managers with more than just the required data they need to run their investment products successfully; through award-wining technology and market knowledge, we also strive to deliver the information and insight necessary to allow them to better manage their business.

Contracts for our investment operations outsourcing services generally have terms ranging from three to five years. Fees are primarily earned as a percentage of average assets under management and administration. A portion of the revenues for this segment are earned as account servicing fees. At December 31, 2012, we had relationships with approximately 220 investment management companies and alternative investment managers. Our competitors vary according to the asset class or solution provided and include large global custodian banks such as State Street, BNY Mellon and Northern Trust as well as smaller more specialized firms.

Investments in New Businesses

The Investments in New Businesses segment represents other business ventures or research and development activities intended to expand our solutions to new or existing markets including ultra-high-net-worth families who reside in the United States. This segment includes the costs associated with business development in the Middle East through our Dubai office and the development of a new internet-based investment management application. The family wealth management solution offers flexible family-office type services through a highly personalized solution while utilizing the Manager-of-Managers investment process.

The principal competitors for the family wealth solution are diversified financial services providers focused on the ultra-high-net-worth market.

Research and Development

We are devoting significant resources to research and development, including expenditures for new technology platforms, enhancements to existing technology platforms, and new investment products and services. We spent approximately $79.6 million in 2012, $118.6 million in 2011, and $105.6 million in 2010, of which we capitalized approximately $31.0 million in 2012, $41.0 million in 2011, and $38.7 million in 2010 relating to the development of new technology platforms. Total research and development expenditures as a percentage of revenues were 8.0 percent in 2012, 12.8 percent in 2011, and 11.7 percent in 2010. In 2012, we redefined our definition of research and development expenditures to only include development costs pertaining to new products

and services in which an approved delivery plan for one of our existing target markets has been implemented and no longer include expenditures for investments or research activities related to the analysis of products and services for potential target markets. Our research and development expenditures are included in Compensation, benefits and other personnel and Consulting, outsourcing and professional fees on the accompanying Consolidated Statements of Operations.

The majority of our research and development spending is related to building GWP, which combines business service processing with asset management and distribution services. The platform offers to our customers a client-centric, rather than an account-centric, process with model-based portfolio management services through a single platform. The platform utilizes our proprietary applications with those built by third-party providers, and integrates them into a single technology solution, providing a common user experience. This integration supports straight-through business processing and enables the transformation of our clients' trust services from operational investment processing services to client value-added services.

The solution will serve markets in the United Kingdom, United States, Canada and continental European markets. GWP provides the technology platform for the business solutions now being marketed to private banks and independent wealth adviser organizations in the United Kingdom. In U.S. markets, we believe the demand for the advanced capabilities of the new platform will enable us to market our services to global wealth managers and existing clients in the Private Banks segment and significantly extend, expand and improve the services we offer in the Investment Advisors segment.

GWP will eventually be used at some level by most of our business segments representing a significant upgrade to our infrastructure. The platform will enable ourselves and our clients to manage the entire lifecycle of wealth services through a single solution. The workflow automation, firm's business rules and straight through processing to the street will dramatically change the client experience, help firms manage risk and allow for total transparency.

Marketing and Sales
Our business solutions are directly marketed to potential clients in our target markets. We employ approximately 100 sales representatives who operate from offices located throughout the United States, Canada, the United Kingdom, continental Europe, South Africa, Asia and other locations.

Customers
In 2012, no single customer accounted for more than ten percent of revenues in any business segment.

Personnel
At January 31, 2013, we had 2,516 full-time and 63 part-time employees. Employee unions do not represent any of our employees. Management considers employee relations to be generally good.

Regulatory Considerations
SEI is a savings and loan holding company subject to supervision and regulation by the Board of Governors of the Federal Reserve System (the Federal Reserve). Prior to July 21, 2011, SEI was subject to supervision by the Office of Thrift Supervision (the OTS). As a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank), the OTS was eliminated and the Federal Reserve became SEI's primary regulator. Prior to Dodd-Frank, SEI was not subject to any specific consolidated regulatory capital requirements but was required to maintain capital that is sufficient to support the holding company and its subsidiaries' business activities and the risks inherent in those activities. SEI is currently subject to those same requirements today. However, as a result of Dodd-Frank, SEI will be subject to minimum leverage and minimum risk-based capital ratios that will be set by the Federal Reserve. The Federal Reserve has published three Notices of Proposed Rules that are intended to establish an integrated regulatory capital framework. These proposed rules would apply to all savings and loan holding companies. The proposed rules include changes, among many things, to increase the quantity and quality of capital, revise the definition of capital, and establish limitations on capital distributions and certain bonus payments under specific conditions. Also, the proposed rules would revise the criteria for calculating risk-weighted assets to enhance risk sensitivity. SEI would be required to use risk weighting to assign different levels of risk to different classes of assets to determine appropriate levels of required capital. Since SEI is not currently subject to any specific consolidated regulatory capital requirement, the proposed rules could have a significant impact on our financial position, earnings and liquidity.

Our principal, regulated wholly-owned subsidiaries are SEI Investments Distribution Co., or SIDCO, SEI Investments Management Corporation, or SIMC, SEI Private Trust Company, or SPTC, SEI Trust Company, or STC, and SEI Investments (Europe) Limited, or SIEL. SIDCO is a broker-dealer registered with the SEC under the Securities and Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA). SIMC is an investment advisor registered with the SEC under the Investment Advisers Act of 1940. SPTC is a limited purpose federal thrift chartered and regulated by the Office of the Comptroller of the Currency. STC is a Pennsylvania trust company, regulated by the Pennsylvania Department of Banking. SIEL is an investment manager and financial institution subject to regulation by the Financial Services Authority of the United Kingdom. In addition, various SEI subsidiaries are

subject to the jurisdiction of regulatory authorities in Canada, the Republic of Ireland and other foreign countries. The Company has a minority ownership interest in LSV, which is also an investment advisor registered with the SEC.

The Company, its regulated subsidiaries, their regulated services and solutions and their customers are all subject to extensive legislation, regulation and supervision that recently has been subject to, and continues to experience, significant change and increased regulatory activity. These changes and regulatory activities could have a material adverse affect on us and our clients.

The various governmental agencies and self-regulatory authorities that regulate or supervise the Company and its subsidiaries have broad administrative powers. In the event of a failure to comply with laws, regulations and requirements of these agencies and authorities, the possible sanctions that may be imposed include the suspension of individual employees, limitations on our ability to engage in business for specified periods of time, the revocation of applicable registration as a broker-dealer, investment advisor or other regulated entity, and, as the case may be, censures and fines. Additionally, certain securities and banking laws applicable to us and our subsidiaries provide for certain private rights of action that could give rise to civil litigation. Any litigation could have significant financial and non-financial consequences including monetary judgments and the requirement to take action or limit activities that could ultimately affect our business.

Governmental scrutiny from regulators, legislative bodies and law enforcement agencies with respect to matters relating to our regulated subsidiaries and their activities, services and solutions, our business practices, our past actions and other matters has increased dramatically in the past several years. Responding to these examinations, investigations, actions and lawsuits, regardless of the ultimate outcome of the proceeding, is time consuming and expensive and can divert the time and effort of our senior management from our business. Penalties and fines sought by regulatory authorities have increased substantially over the last several years, and certain regulators have been more likely in recent years to commence enforcement actions or to advance or support legislation targeted at the financial services industry. During 2012, we were increasingly subject to inquiries from examinations and investigations by supervisory and enforcement divisions of regulatory authorities and we expect that trend to continue in 2013. We believe this is also the case with many of our regulated clients. Governmental scrutiny and legal and enforcement proceedings can also have a negative impact on our reputation, our relationship with clients and prospective clients, and on the morale and performance of our employees, which could adversely affect our businesses and results of operations.

We are subject to the USA PATRIOT Act of 2001, which contains anti-money laundering and financial transparency laws and requires implementation of regulations applicable to financial services companies, including standards for verifying client identification and monitoring client transactions and detecting and reporting suspicious activities. Anti-money laundering laws outside the United States contain similar requirements. We offer investment and banking solutions that also are subject to regulation by the federal and state securities and banking authorities, as well as foreign regulatory authorities, where applicable. Existing or future regulations that affect these solutions could lead to a reduction in sales of these solutions or require modifications of these solutions.

Compliance with existing and future regulations and responding to and complying with recent increased regulatory activity affecting broker-dealers, investment advisors, investment companies, financial institutions and their service providers could have a significant impact on us. We periodically undergo regulatory examinations and respond to regulatory inquiries and document requests. In addition, recent legislative activity in the United States (including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and attendant rule making activities) and in other jurisdictions (including the European Union and the United Kingdom) have made and continue to make, extensive changes to the laws regulating financial services firms. As a result of these examinations, inquiries and requests, as a result of increased civil litigation activity, and as a result of these new laws and regulations, we engage legal counsel, review our compliance procedures, solution and service offerings, and business operations, and make changes as we deem necessary. These additional activities and required changes may result in increased expense or may reduce revenues.

Our bank clients are subject to supervision by federal and state banking authorities concerning the manner in which such clients purchase and receive our products and services. Our plan sponsor clients and our subsidiaries providing services to those clients are subject to supervision by the Department of Labor and compliance with employee benefit regulations. Investment advisor and broker-dealer clients are regulated by the SEC, state securities authorities, or FINRA. Existing or future regulations applicable to our clients may affect our clients' purchase of our products and services.

In addition, see the discussion of governmental regulations in Item 1A "Risk Factors" for a description of the risks that proposed regulatory changes may present for our business.

Available Information

We maintain a website at www.seic.com and make available free of charge through the Investors section of this website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. We include our website in this Annual Report on Form 10-K only as an inactive textual reference and do not intend it to be an active link to our website. The material on our website is not part of this Annual Report on Form 10-K.

Item 1A. Risk Factors.

We believe that the risks and uncertainties described below are those that impose the greatest threat to the sustainability of our business. However, there are other risks and uncertainties that exist that may be unknown to us or, in the present opinion of our management, do not currently pose a material risk of harm to us. The risk and uncertainties facing our business, including those described below, could materially adversely affect our business, results of operations, financial condition and liquidity.

Our revenues and earnings are affected by changes in capital markets. A majority of our revenues are earned based on the value of assets invested in investment products that we manage or administer. Significant fluctuations in securities prices may materially affect the value of these assets and may also influence an investor's decision to invest in and maintain an investment in a mutual fund or other investment product. As a result, our revenues and earnings derived from assets under management and administration could be adversely affected.

We are dependent on third-party pricing services for the valuation of securities invested in our investment products. The majority of the securities held by our investment products are valued using quoted prices from active markets gathered by external third-party pricing services. Securities for which market prices are not readily available are valued in accordance with procedures applicable to that investment product. These procedures may utilize unobservable inputs that are not gathered from any active markets and involve considerable judgment. If these valuations prove to be inaccurate, our revenues and earnings from assets under management could be adversely affected.

We are exposed to product development risk. We continually strive to increase revenues and meet our customers' needs by introducing new products and services. As a result, we are subject to product development risk, which may result in loss if we are unable to develop and deliver fully functional products to our target markets that address our clients' needs and that are developed on a timely basis and reflect an attractive value proposition. The majority of our product development risk pertains to GWP, our newest technology that serves U.K., European and U.S. clients. It is designed to drive our entry into global private bank and wealth services markets and expand our U.S. market opportunity, improve client experience capabilities and strengthen operating efficiencies by providing straight through business processing solutions and transform the front, middle and back office operations that exist today. New product development is primarily for the purpose of enhancing our competitive position in the industry. In the event that we fail to develop products or services at an acceptable cost or on a timely basis or if we fail to deliver functional products and services which are of sound, economic value to our clients and our target markets, or an inability to support the product in a cost-effective and compliant manner, we may recognize significant financial losses from the acceleration of amortization expense or impairment charges related to the product.

We are dependent upon third-party service providers in our operations. We utilize numerous third-party service providers located in the United States and offshore locations in our operations, in the development of new products, and in the maintenance of our proprietary systems. A failure by a third-party service provider could expose us to an inability to provide contractual services to our clients in a timely basis. Additionally, if a third-party service provider is unable to provide these services, we may incur significant costs to either internalize some of these services or find a suitable alternative.

We serve as the investment advisor for many of the products offered through our investment management programs and utilize the services of investment sub-advisers to manage the majority of these assets. A failure in the performance of our due diligence processes and controls related to the supervision and oversight of these firms in detecting and addressing conflicts of interest, fraudulent activity, noncompliance with relevant securities and other laws could cause us to suffer financial loss, regulatory sanctions or damage to our reputation.

Poor fund performance may affect our revenues and earnings. Our ability to maintain our existing clients and attract new clients may be negatively affected if the performance of our mutual funds and other investment products, relative to market conditions and other comparable competitive investment products, is lower. Investors may decide to place their investable funds elsewhere which would reduce the amount of assets we manage resulting in a decrease in our revenues.

Our earnings are affected by the performance of LSV. We maintain a minority ownership interest in LSV which is a significant contributor to our earnings. LSV is a registered investment advisor that provides investment advisory services to institutions, including pension plans and investment companies. LSV is a value-oriented, contrarian money manager offering a deep-value investment alternative utilizing a proprietary equity investment model to identify securities generally considered to be out of favor by the market. A majority of the revenues earned by LSV are based on the value of assets invested in investment products they manage. Volatility in the capital markets or poor investment performance on the part of LSV, on a relative basis or an absolute basis, could result in a significant reduction in their assets under management and revenues and a reduction in performance fees. Consequently, LSV's contribution to our earnings through our minority ownership could be adversely affected.

Our Company and our clients are subject to extensive governmental regulation. Our various business activities are conducted through entities which may be registered with or regulated by the Securities and Exchange Commission (SEC) as an investment advisor, a broker-dealer, a transfer agent, or an investment company, with federal or state banking authorities as a trust company, or with federal banking authorities as a savings association holding company. Our broker-dealer is also a member of the Financial Industry Regulatory Authority and is subject to its rules and oversight. In addition, some of our foreign subsidiaries are registered with, and subject to the oversight of, regulatory authorities primarily in the United Kingdom, the Republic of Ireland and Canada. Many of our clients are subject to substantial regulation by federal and state banking, securities or insurance authorities or the Department of Labor. Compliance with existing and future regulations, responding to and complying with recent regulatory activity affecting broker-dealers, investment advisors, investment companies and their service providers and financial institutions, and examination or other supervisory activities of our regulators or of the regulators of our clients, could have a significant impact on our operations or business or our ability to provide certain products or services.

We offer investment and banking products that also are subject to regulation by the federal and state securities and banking authorities, as well as foreign regulatory authorities, where applicable. Existing or future regulations that affect these products could lead to a reduction in sales of these products or an increase in the cost of providing these products.

The fees and assessments imposed on our regulated subsidiaries by federal, state and foreign regulatory authorities could have a significant impact on us. In the current regulatory environment, the frequency and scope of regulatory reform may lead to an increase in fees and assessments resulting in increased expense, or an increase or change in regulatory requirements which could affect our operations and business.

We are subject to litigation and regulatory examinations and investigations. The financial services industry faces substantial regulatory risks and litigation. Like many firms operating within the financial services industry, we are experiencing a difficult regulatory environment across our markets. Our current scale and reach as a provider to the financial services industry; the increased regulatory oversight of the financial services industry generally; new laws and regulations affecting the financial services industry and ever-changing regulatory interpretations of existing laws and regulations, have made this an increasingly challenging and costly regulatory environment in which to operate. These examinations or investigations could result in the identification of matters that may require remediation activities or enforcement proceedings by the regulator. The direct and indirect costs of responding to these examinations, or of defending ourselves in any litigation could be significant. Additionally, actions brought against us may result in settlements, awards, injunctions, fines and penalties. The outcome of any litigations or regulatory actions is inherently difficult to predict and could have an adverse affect on our ability to offer some of our products and services.

Consolidation within our target markets may affect our business. Merger and acquisition activity between banks and other financial institutions could reduce the number of existing and prospective clients or reduce the amount of revenue we receive from retained clients. Consolidation activities may also cause larger institutions to internalize some or all of our services. These factors may negatively impact our ability to generate future growth in revenues and earnings.

We are exposed to systems and technology risks. Through our proprietary systems, we maintain and process data for our clients that is critical to their business operations. An unanticipated interruption of service may have significant ramifications, such as lost data, damaged software codes, or inaccurate processing of transactions. As a result, the costs necessary to rectify these problems may be substantial.

We are exposed to data security risks. A failure to safeguard the integrity and confidentiality of client data and our proprietary data from the infiltration by an unauthorized user that is either stored on or transmitted between our proprietary systems or to other third-party service provider systems may lead to modifications or theft of critical and sensitive data pertaining to us or our clients. The costs incurred to correct client data and prevent further unauthorized access to our data or client data could be extensive.

We are dependent upon third-party approvals. Many of the investment advisors through which we distribute our investment offerings are affiliated with independent broker-dealers or other networks, which have regulatory responsibility for the advisor's practice. As part of the regulatory oversight, these broker-dealers or networks must approve the use of our investment products by affiliated advisors within their networks. Failure to receive such approval, or the withdrawal of such approval, could adversely affect the marketing of our investment products.

We are exposed to operational risks. Operational risk generally refers to the risk of loss resulting from our operations, including, but not limited to, improper or unauthorized execution and processing of transactions, deficiencies in our operating systems, inefficiencies in our operational business units, business disruptions and inadequacies or breaches in our internal control processes. We operate different businesses in diverse markets and are reliant on the ability of our employees and systems to process large volumes of transactions often within short time frames. In the event of a breakdown or improper operation of systems, human error or improper action by employees, we could suffer financial loss, regulatory sanctions or damage to our reputation. In order to mitigate and control operational risk, we continue to enhance policies and procedures that are designed to identify and manage operational risk.

We are subject to financial and non-financial covenants which may restrict our ability to manage liquidity needs. Our $300 million five-year senior unsecured revolving credit facility (Credit Facility) contains financial and non-financial covenants. The non-financial covenants include restrictions on indebtedness, mergers and acquisitions, sale of assets and investments. In the event of default, we have restrictions on paying dividends and repurchasing our common stock. We have one financial covenant, the Leverage Ratio, which restricts the level of indebtedness we can incur to a maximum of 1.75 times earnings before interest, taxes, depreciation and amortization (EBITDA). We believe our primary risk is with the financial covenant if we were to incur significant unexpected losses that would impact the EBITDA calculation. This would increase the Leverage Ratio and restrict the amount we could borrow under the Credit Facility. A restriction on our ability to fully utilize our Credit Facility may negatively affect our operating results, liquidity and financial condition.

Changes in, or interpretation of, accounting principles could affect our revenues and earnings. We prepare our consolidated financial statements in accordance with generally accepted accounting principles. A change in these principles can have a significant effect on our reported results and may even retrospectively affect previously reported results.

Changes in, or interpretations of, tax rules and regulations may adversely affect our effective tax rates. Unanticipated changes in our tax rates could affect our future results of operations. Our future effective tax rates could be adversely affected by changes in tax laws or the interpretation of tax laws. We are subject to possible examinations of our income tax returns by the Internal Revenue Service and state and foreign tax authorities. We regularly assess the likelihood of outcomes resulting from these examinations to determine the adequacy of our provision for income taxes, however, there can be no assurance that the final determination of any examination will not have an adverse effect on our operating results or financial position.

Currency fluctuations could negatively affect our future revenues and earnings as our business grows globally. We operate and invest globally to expand our business into foreign markets. Our foreign subsidiaries use the local currency as the functional currency. As these businesses evolve, our exposure to changes in currency exchange rates may increase. Adverse movements in currency exchange rates may negatively affect our operating results, liquidity and financial condition.

We rely on our executive officers and senior management. Most of our executive officers and senior management personnel do not have employment agreements with us. The loss of these individuals may have a material adverse affect on our future operations.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Our corporate headquarters is located in Oaks, Pennsylvania and consists of nine buildings situated on approximately 90 acres. We own and operate the land and buildings, which encompass approximately 486,000 square feet of office space and 34,000 square feet of data center space. We lease other offices which aggregate 65,000 square feet. We also own a 3,400 square foot condominium that is used for business purposes in New York, New York.

Item 3. Legal Proceedings.

One of SEI's principal subsidiaries, SIDCO, has been named as a defendant in certain putative class action complaints (the Complaints) related to leveraged exchange traded funds (ETFs) advised by ProShares Advisors, LLC. The first complaint was filed on August 5, 2009 and the subsequent cases were all consolidated in the Southern District of New York. The Complaints are purportedly made on behalf of all persons that purchased or otherwise acquired shares in various ProShares leveraged ETFs pursuant or traceable to allegedly false and misleading registration statements, prospectuses and statements of additional information. The Complaints name as defendants ProShares Advisors, LLC; ProShares Trust; ProShares Trust II, SIDCO, and various officers and trustees to ProShares Advisors, LLC; ProShares Trust and ProShares Trust II. The Complaints allege that SIDCO was the distributor and principal underwriter for the various ProShares leveraged ETFs that were distributed to authorized participants and ultimately shareholders. The Complaints allege that the registration statements for the ProShares ETFs were materially false and misleading because they failed adequately to describe the nature and risks of the investments and claim that SIDCO is liable for these purportedly material misstatements and omissions under Section 11 of the Securities Act of 1933. Defendants moved to dismiss the amended complaint filed by plaintiffs, and on September 7, 2012, the District Court for the Southern District of New York issued an opinion dismissing with prejudice the plaintiffs' amended complaint. Plaintiffs filed with the Second Circuit Court of Appeals a notice of appeal of the District Court's decision. Plaintiffs-appellants filed their brief on December 17, 2012 and later filed a corrected brief on January 3, 2013. The brief of

defendants-appellees was filed on February 1, 2013. While the outcome of this litigation is uncertain given its early phase, SEI believes that it has valid defenses to plaintiffs' claims and intends to defend the lawsuits vigorously.

SEI has been named in six lawsuits filed in Louisiana. Five lawsuits were filed in the 19th Judicial District Court for the Parish of East Baton Rouge, State of Louisiana. One of the five actions purports to set forth claims on behalf of a class and also names SPTC as a defendant and, as described below, was certified as a class in December 2012. Two of the other actions also name SPTC as a defendant. All five actions name various defendants in addition to SEI, and, in all five actions, the plaintiffs purport to bring a cause of action under the Louisiana Securities Act. The class action originally included a claim against SEI and SPTC for an alleged violation of the Louisiana Unfair Trade Practices Act. Two of the other five actions include claims for violations of the Louisiana Racketeering Act and possibly conspiracy. In addition, another group of plaintiffs have filed a lawsuit in the 23rd Judicial District Court for the Parish of Ascension, State of Louisiana, against SEI and SPTC and other defendants asserting claims of negligence, breach of contract, breach of fiduciary duty, violations of the uniform fiduciaries law, negligent misrepresentation, detrimental reliance, violations of the Louisiana Securities Act and Louisiana Racketeering Act and conspiracy. The underlying allegations in all the actions are purportedly related to the role of SPTC in providing back-office services to Stanford Trust Company. The petitions allege that SEI and SPTC aided and abetted or otherwise participated in the sale of "certificates of deposit" issued by Stanford International Bank. Two of the five actions filed in East Baton Rouge were removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to United States District Court for the Northern District of Texas. On August 31, 2011, the United States District Court for the Northern District of Texas issued an order and judgment that the causes of action alleged against SEI in the two removed actions were preempted by federal law and the Court dismissed these cases with prejudice. Plaintiffs appealed this ruling, and on March 19, 2012, a panel of the Court of Appeals for the Fifth Circuit reversed the decision of the United States District Court and remanded the actions for further proceedings. On July 18, 2012, SEI filed a petition for certiorari in the United States Supreme Court, seeking review of the decision by the United States Court of Appeals for the Eleventh Circuit to permit the claims against SEI to proceed. The Company believes that the trial court correctly concluded that the claims against SEI were barred by the federal Securities Litigation Uniform Standards Act and is requesting that the Supreme Court reinstate that dismissal. On January 18, 2013, the Supreme Court granted the petition for certiorari, and the Court will consider the case in the fall of this year.

SEI and SPTC filed exceptions in the class action pending in East Baton Rouge, which the Court granted in part and dismissed the claims under the Louisiana Unfair Trade Practices Act and denied in part as to the other exceptions. SEI and SPTC filed an answer to the East Baton Rouge class action; plaintiffs filed a motion for class certification; and SEI and SPTC also filed a motion for summary judgment against certain named plaintiffs which the Court stated will not be set for hearing until after the hearing on the class certification motion. The Court in the East Baton Rouge action held a hearing on class certification on September 20, 2012. By oral decision on December 5, 2012 and later entered in a judgment signed on December 17, 2012 that was subsequently amended, the Court in East Baton Rouge certified a class to be composed of persons who purchased any Stanford International Bank certificates of deposit ("SIB CDs") in Louisiana between January 1, 2007 and February 13, 2009; persons who renewed any SIB CD in Louisiana between January 1, 2007 and February 13, 2009; or any person for whom the Stanford Trust Company purchased SIB CDs in Louisiana between January 1, 2007 and February 13, 2009. On January 30, 2013, SEI and SPTC filed motions for appeal from the judgments that stated SEI's and SPTC's intention to move to stay the litigation. On February 1, 2013, plaintiffs filed a Motion for Leave to File First Amended and Restated Class Action Petition in which they ask the Court to allow them to amend the petition in this case to add additional facts that were developed during discovery and adding claims against certain of SEI's insurance carriers. On February 5, 2013, the Court granted two of the motions for appeal and the motion for leave to amend. While the outcome of this litigation is uncertain given its early phase, SEI and SPTC believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuits vigorously.

The case filed in Ascension Parish was also removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to the Northern District of Texas. The schedule for responding to that complaint has not yet been established. The plaintiffs in the remaining two cases in East Baton Rouge have granted SEI an extension to respond to the filings.

Because of the uncertainty of the make-up of the classes, the outcome of the proceeding in the U.S. Supreme Court, the specific theories of liability that may survive a motion for summary judgment or other dispositive motion, the lack of discovery regarding damages, causation, mitigation and other aspects that may ultimately bear upon loss, the Company is not reasonably able to provide an estimate of loss, if any, with respect to the foregoing lawsuits.

Executive Officers of the Registrant

Information about our executive officers is contained in Item 10 of this report and is incorporated by reference into this Part I.

Item 4. Mine Safety Disclosures.

None.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Price Range of Common Stock and Dividends:
Our common stock is traded on The Nasdaq Global Select Market® (NASDAQ) under the symbol “SEIC.” The following table shows the high and low sales prices for our common stock as reported by NASDAQ and the dividends declared on our common stock for the last two years. Our Board of Directors intends to declare future dividends on a semiannual basis.

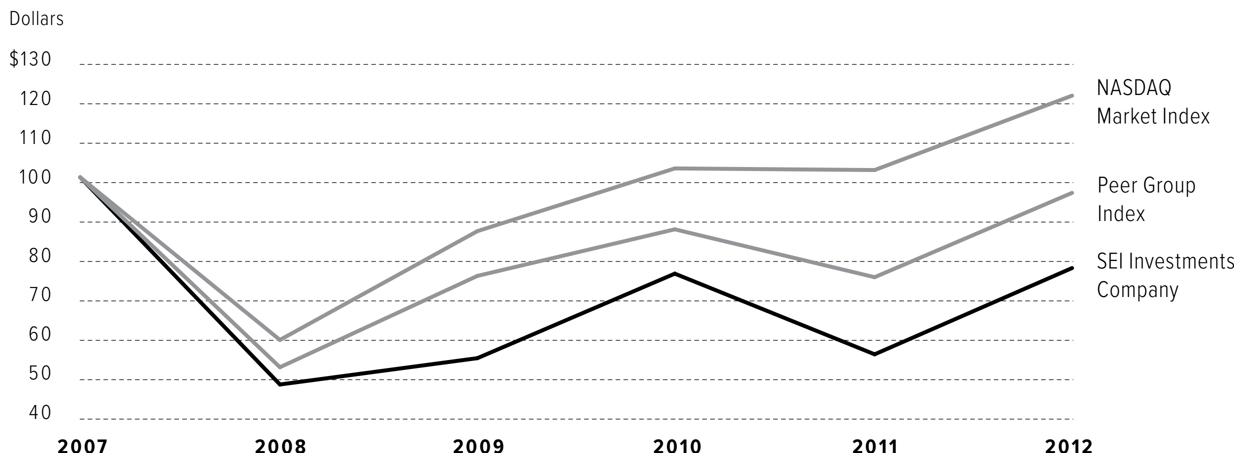
2012	High	Low	Dividends
First Quarter	**$ 21.58**	**$ 17.00**	**$ —**
Second Quarter	**21.24**	**17.03**	**0.15**
Third Quarter	**22.84**	**19.31**	**—**
Fourth Quarter	**23.51**	**20.79**	**0.48**

2011	High	Low	Dividends
First Quarter	$ 24.87	$ 21.64	$ —
Second Quarter	24.24	21.19	0.12
Third Quarter	23.11	14.63	—
Fourth Quarter	17.52	13.73	0.15

According to the records of our transfer agent, there were 377 holders of record of our common stock on January 31, 2013. Because many of such shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

For information on our equity compensation plans, refer to Note 8 to the Consolidated Financial Statements and Item 12 of this Annual Report on Form 10-K.

Comparison of Cumulative Total Return of Common Stock, Industry Index and Nasdaq Market Index:



Assumes $100 invested on January 1, 2008 & dividends reinvested
Fiscal Year ended December 31,

Issuer Purchases of Equity Securities:

Our Board of Directors has authorized the repurchase of up to $2.078 billion worth of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program (See Note 8 to the Consolidated Financial Statements).

Information regarding the repurchase of common stock during the three months ended December 31, 2012 is:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
October 1 – 31, 2012	125,000	$ 21.89	125,000	$ 80,022,000
November 1 – 30, 2012	895,000	21.95	895,000	60,373,000
December 1 – 31, 2012	860,000	22.51	860,000	91,012,000
Total	**1,880,000**	**$ 22.21**	**1,880,000**	

Item 6. Selected Financial Data.

(In thousands, except per-share data)

This table presents selected consolidated financial information for the five-year period ended December 31, 2012. This data should be read in conjunction with the financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Annual Report on Form 10-K.

Year Ended December 31,	2012	2011	2010 (A)	2009	2008
Revenues	**$ 992,522**	$ 929,727	$ 900,835	$ 1,060,548	$ 1,247,919
Total expenses	**780,956**	725,662	683,302	696,841	751,570
Income from operations	**211,566**	204,065	217,533	363,707	496,349
Other income (expense)	**117,930**	114,422	152,248	(1,389)	(142,119)
Income before income taxes	**329,496**	318,487	369,781	362,318	354,230
Income taxes	**121,462**	111,837	136,461	89,886	86,703
Net income	**208,034**	206,650	233,320	272,432	267,527
Less: Net income attributable to the noncontrolling interest	**(1,186)**	(1,691)	(1,633)	(98,097)	(128,273)
Net income attributable to SEI Investments	**206,848**	204,959	231,687	174,335	139,254
Basic earnings per common share	**$ 1.19**	$ 1.12	$ 1.23	$ 0.91	$ 0.73
Shares used to calculate basic earnings per common share	**174,295**	182,547	188,468	190,821	192,057
Diluted earnings per common share	**$ 1.18**	$ 1.11	$ 1.22	$ 0.91	$ 0.71
Shares used to calculate diluted earnings per common share	**175,872**	184,127	190,321	191,783	195,233
Cash dividends declared per common share	**$ 0.63**	$ 0.27	$ 0.20	$ 0.17	$ 0.16
Financial Position as of December 31,					
Cash and cash equivalents	**$ 452,247**	$ 420,986	$ 496,292	$ 590,877	$ 416,643
Total assets	**$ 1,309,824**	$ 1,294,559	$ 1,377,223	$ 1,533,808	$ 1,341,715
Long-term debt (including current portion)	**$ —**	$ —	$ 95,000	$ 253,552	$ 31,532
SEI Investments Shareholders' equity	**$ 1,038,180**	$ 1,025,316	$ 1,041,570	$ 909,723	$ 769,152

(A) Beginning in 2010, we discontinued consolidating the accounts and operations of LSV and LSV Employee Group in our financial statements (See Note 2 to the Consolidated Financial Statements for information regarding LSV and LSV Employee Group).

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

(In thousands, except per-share data)

This discussion reviews and analyzes the consolidated financial condition at December 31, 2012 and 2011, the consolidated results of operations for the years ended December 31, 2012, 2011, and 2010, and other factors that may affect future financial performance. This discussion should be read in conjunction with the Selected Financial Data included in Item 6 of this Annual Report and the Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report.

Certain information contained in this discussion is or may be considered forward-looking. Forward-looking statements relate to future operations, strategies, financial results or other developments. Forward-looking statements are based upon estimates and assumptions that involve certain risks and uncertainties, many of which are beyond our control or are subject to change. Although we believe our assumptions are reasonable, they could be inaccurate. Our actual future revenues and income could differ materially from our expected results. We have no obligation to publicly update or revise any forward-looking statements.

Overview

Consolidated Summary

We are a leading global provider of investment processing, investment management, and investment operations solutions. We help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth by providing comprehensive, innovative, investment and investment-business solutions. Investment processing fees are earned as monthly fees for contracted services, including computer processing services, software licenses, and investment operations services, as well as transaction-based fees for providing securities valuation and trade-execution. Investment operations and investment management fees are earned as a percentage of average assets under management or administration. As of December 31, 2012, through our subsidiaries and partnerships in which we have a significant interest, we manage or administer $458.3 billion in mutual fund and pooled or separately managed assets, including $201.5 billion in assets under management and $256.8 billion in client assets under administration.

Our Condensed Consolidated Statements of Operations for the years ended 2012, 2011 and 2010 were:

Year Ended December 31,	2012	2011	Percent Change	2010	Percent Change
Revenues	**$ 992,522**	$ 929,727	7%	$ 900,835	3%
Expenses	**780,956**	725,662	8%	683,302	6%
Income from operations	**211,566**	204,065	4%	217,533	(6)%
Net gain from investments	**14,067**	3,360	N/A	48,533	(93)%
Interest income, net of interest expense	**5,192**	5,244	(1)%	4,848	8%
Other expense, net	**—**	—	N/A	(590)	N/A
Equity in earnings of unconsolidated affiliates	**98,671**	105,818	(7)%	99,457	6%
Income before income taxes	**329,496**	318,487	3%	369,781	(14)%
Income taxes	**121,462**	111,837	9%	136,461	(18)%
Net income	**208,034**	206,650	1%	233,320	(11)%
Less: Net income attributable to the noncontrolling interest	**(1,186)**	(1,691)	(30)%	(1,633)	4%
Net income attributable to SEI Investments Company	**$ 206,848**	$ 204,959	1%	$ 231,687	(12)%
Diluted earnings per common share	**$ 1.18**	$ 1.11	6%	$ 1.22	(9)%

Significant Items Impacting Our Financial Results in 2012

Revenues increased $62.8 million, or seven percent, to $992.5 million in 2012 compared to 2011. Net income attributable to SEI increased $1.9 million, or one percent, to $206.8 million and diluted earnings per share increased to $1.18 per share in 2012 compared to $1.11 per share in 2011. We believe the following items were significant to our business during 2012:

- Revenue growth in 2012 was primarily driven by higher Asset management, administration and distribution fees from improved cash flows from new and existing clients and the net market appreciation during 2012. Our average assets under management, excluding LSV, increased $13.5 billion, or 12 percent, to $130.5 billion during 2012 as compared to $117.0 billion during 2011.
- Sales of new business in our Institutional Investors and Investment Managers business segments as well as positive cash receipts from new and existing advisor relationships in our Investment Advisors business segment contributed to the increase in our revenues and profits.

- Our investment processing fees in our Private Banks business segment increased due to new business, higher one-time project revenue and increased fees earned on our mutual fund trading solution.
- Our proportionate share in the earnings of LSV was $100.0 million in 2012 as compared to $105.8 million in 2011. The decrease in our earnings was primarily due to lower profits caused by increased personnel costs as well as a decrease in our ownership percentage from approximately 41.2 percent to approximately 39.8 percent beginning with the second quarter 2012. The reduction in our ownership percentage is described in greater detail under the caption “Equity in earnings of unconsolidated affiliates” later in this discussion.
- Our operating expenses related to servicing new and existing clients implemented on GWP increased during 2012 as we continue to build out the operational infrastructure. These increased operational costs, mainly related to personnel and third-party service providers, primarily impacted the Private Banks business segment. The increased operational costs are primarily included in Compensation, benefits and other personnel on the accompanying Consolidated Statements of Operations.
- Our consulting costs incurred for the development of GWP, excluding amounts capitalized, have declined during 2012 as compared to 2011. These consulting costs, which are expensed as incurred, are included in Consulting, outsourcing and professional fees on the accompanying Consolidated Statements of Operations.
- Our operating expenses related to our hedge fund and separately managed accounts solutions of our Investment Managers business segment increased during 2012 as compared to 2011. These increased operational costs, mainly related to personnel, resulted from servicing new and existing clients and are also included in Compensation, benefits and other personnel on the accompanying Consolidated Statements of Operations.
- Sales events, net of client losses, were significantly higher during 2012. These sales events resulted in an increase in sales compensation expense of $12.8 million when compared 2011. Also, incentive compensation expense increased in the 2012 as compared to 2011.
- Amortization expense related to capitalized software increased to $32.6 million during 2012 as compared to $26.2 million during 2011 primarily due to continued releases of GWP. Additionally, we decided to discontinue the use of specific functionality within the platform and incurred $2.7 million of amortization expense related to the remaining net book value of the component during 2012. This expense was recognized in our Private Banks business segment.
- We recognized gains of $13.2 million in 2012 and $3.4 million in 2011 from structured investment vehicles (SIV) securities. In November 2012, we sold our remaining SIV security, the senior notes issued by Gryphon, and recognized a gain of $5.3 million from the sale. We no longer own any SIV securities at December 31, 2012 (See Notes 5 and 6 to the Consolidated Financial Statements).
- Our effective tax rates were 36.9 percent in 2012 and 35.2 percent in 2011. The increase in our tax rate was due to the accrual of taxes on the cumulative undistributed earnings of SEI Asset Korea (SAK) as well as the impact of the Domestic Production Activities Deduction which benefited our tax rate in 2011 (See the caption “Income Taxes” later in this discussion for more information).
- We continued our stock repurchase program during 2012 and purchased approximately 7,528,000 shares at an average price of $20.62 per share for a total cost of $155.3 million. Our stock repurchases during 2012 significantly contributed to our growth in earnings per share.

Significant Items Impacting Our Financial Results in 2011

Revenues increased $28.9 million, or three percent, to $929.7 million in 2011 compared to 2010. Net income attributable to SEI decreased $26.7 million, or 12 percent, to $205.0 million and diluted earnings per share decreased to $1.11 per share in 2011 compared to $1.22 per share in 2010. We believe the following items were significant to our business during 2011:

- Revenue growth was primarily driven by higher Asset management, administration and distribution fees across the business segments from improved capital market conditions. The majority of our asset-based revenues are based upon average assets, which increased during the year despite the sharp decline experienced during the third quarter. Our average assets under management, excluding LSV, increased $9.8 billion, or nine percent, to $117.0 billion during the year as compared to $107.2 billion during 2010.
- New business coupled with asset funding from existing clients for our hedge fund solutions and increased accounts for our separately managed accounts solutions in our Investment Managers segment also served to drive revenue growth.
- Revenues in our Private Banks business segment were negatively impacted by lower investment processing fees from price reductions provided to existing clients that recontracted for longer periods, lower transaction volumes and lower one-time project-related fees. Furthermore, the full impact of previously-announced client losses in the segment were reflected in 2011 as the associated recurring and one-time revenues from the client losses were recognized in the preceding year.
- Our proportionate share in the earnings of LSV in 2011 was $105.8 million as compared to $99.5 million in 2010, an increase of six percent. The net market appreciation in LSV’s average assets under management during the first half of 2011 as well as increased performance fees resulted in an overall increase in their revenues. Although ending assets under management declined to $53.7 billion, LSV’s average assets under management increased $5.2 billion, or ten percent, to $58.5 billion during the year as compared to $53.3 billion during the prior year.

- Our operating expenses related to servicing new and existing clients implemented on GWP has increased as we continue to build out the operational infrastructure and add new functionality to the platform. A higher portion of these costs are not capitalized. These increased operational costs primarily impacted the Private Banks and Investment Advisors business segments. The increased operational costs are included in Compensation, benefits and other personnel, Consulting, outsourcing and professional fees, and Data processing and computer related expenses on the accompanying Consolidated Statements of Operations.
- Our operating expenses related to servicing new and existing clients of our hedge fund and separately managed accounts solutions of our Investment Managers business segment increased during the year. These increased operational costs are also included in Compensation, benefits and other personnel, Consulting, outsourcing and professional fees, and Data processing and computer related expenses on the accompanying Consolidated Statements of Operations.
- We recognized $3.4 million in gains from SIV securities in 2011 as compared to $44.2 million in gains in 2010. Of the net gains recognized during 2011, gains of $10.6 million resulted from cash payments received from the SIV securities that had been previously written down offset by losses of $7.2 million which resulted from a decrease in fair value at December 31, 2011.
- Stock-based compensation costs declined in 2011 and reflect the return to normal levels of expense amortization as compared to the level in 2010. Stock-based compensation costs decreased during the year due to the acceleration of stock-based compensation in 2010 due to a change in management's estimates of the attainment of certain performance vesting targets, net of the reversal of $6.2 million in stock-based compensation costs in the third quarter 2010.
- We continued our stock repurchase program during 2011 and purchased approximately 11,109,000 shares at an average price of $19.01 per share for a total cost of $211.2 million.
- We made principal payments of $95.0 million during 2011, including a final payment of $20.0 million in the fourth quarter, to fully repay the outstanding balance of our credit facility.
- Our effective tax rate in 2011 declined to 35.2 percent from 37.0 percent in 2010. Our tax rate in 2011 was favorably impacted by tax planning strategies implemented during 2011.

Product Development — Global Wealth Platform

Much of our product development efforts have been focused on building and delivering GWP. GWP is a business solution heavily supported by technology to drive our entry into the European private bank market, improve client experience capabilities, and strengthen operating efficiencies. GWP combines internally built functionality and third-party applications and integrates them into a single solution with a single user experience. The goal is to provide straight through business processing and transform the middle and back office operations that exist today. The capabilities of GWP will expand our service offerings to include large financial institutions, investment advisors, insurance companies, brokerage houses, and other similar institutions. In addition, the capabilities of GWP provide us the opportunity to enter into new global markets.

The initial version of GWP was offered in July 2007 in the United Kingdom. Since then we have signed about 20 independent wealth advisors and other wealth managers in the United Kingdom, converted a small, select group of investment advisors in the United States and implemented our first U.S. bank in late 2012. We firmly believe these are encouraging signs of progress but acknowledge GWP is still in the early stage of deployment. We will continue to focus our development efforts on enhancing the functionality of GWP and building the operational infrastructure for a wider deployment of GWP to financial institutions and investment advisors in the United States. The aggregate cost attributable to GWP, including amortization expense, may increase in 2013.

An area of continued focus is improving the operational efficiency of GWP that would promote scale more quickly. Our operational costs consist mainly of third-party vendor costs and SEI personnel. We are investing in the operational infrastructure that will attempt to provide a sustainable operating model that minimizes cost as revenues increase. However, if we are unable to price our services correctly and to provide an attractive value proposition for our prospective clients, the incremental rate of revenue and profits may be hampered.

As we progress through these initial stages of deployment of GWP to a broader market, we expect to encounter numerous challenges; however, in our opinion, GWP promises to provide a significant opportunity to expand our services into new markets that will increase revenues and profits in the long-term. Until we attain a level of revenues that technological and operational scale can be achieved, we expect continued pressure on our operating margins in the Private Banks business segment and a modest level of pressure on our operating margins in the Investment Advisors business segment.

Ending Asset Balances

This table presents ending asset balances of our clients, or of our clients' customers, for which we provide management or administrative services through our subsidiaries and partnerships in which we have a significant interest.

Ending Asset Balances

(In millions)	As of December 31,				
	2012	2011	Percent Change	2010	Percent Change
Private Banks:					
Equity and fixed-income programs	**$ 18,862**	$ 16,435	15%	$ 13,512	22%
Collective trust fund programs	**11**	450	(98)%	626	(28)%
Liquidity funds	**6,008**	5,553	8%	5,120	8%
Total assets under management	**$ 24,881**	$ 22,438	11%	$ 19,258	17%
Client proprietary assets under administration	**12,178**	10,355	18%	10,672	(3)%
Total assets	**$ 37,059**	$ 32,793	13%	$ 29,930	10%
Investment Advisors:					
Equity and fixed-income programs	**$ 31,220**	$ 26,639	17%	$ 27,680	(4)%
Collective trust fund programs	**14**	1,298	(99)%	1,820	(29)%
Liquidity funds	**2,514**	2,505	—%	1,641	53%
Total assets under management	**$ 33,748**	$ 30,442	11%	$ 31,141	(2)%
Institutional Investors:					
Equity and fixed-income programs	**$ 62,160**	$ 49,051	27%	$ 48,699	1%
Collective trust fund programs	**102**	492	(79)%	623	(21)%
Liquidity funds	**2,454**	3,888	(37)%	3,382	15%
Total assets under management	**$ 64,716**	$ 53,431	21%	$ 52,704	1%
Investment Managers:					
Equity and fixed-income programs	**$ 67**	$ 57	N/A	$ 1	N/A
Collective trust fund programs	**16,197**	11,255	44%	8,177	38%
Liquidity funds	**408**	152	168%	313	(51)%
Total assets under management	**$ 16,672**	$ 11,464	45%	$ 8,491	35%
Client proprietary assets under administration	**244,671**	221,198	11%	233,079	(5)%
Total assets	**$ 261,343**	$ 232,662	12%	$ 241,570	(4)%
Investments in New Businesses:					
Equity and fixed-income programs	**$ 513**	$ 515	—%	$ 569	(9)%
Liquidity funds	**43**	37	16%	65	(43)%
Total assets under management	**$ 556**	$ 552	1%	$ 634	(13)%
LSV:					
Equity and fixed-income programs	**$ 60,947**	$ 53,712	13%	$ 60,058	(11)%
Total:					
Equity and fixed-income programs	**$ 173,769**	$ 146,409	19%	$ 150,519	(3)%
Collective trust fund programs	**16,324**	13,495	21%	11,246	20%
Liquidity funds	**11,427**	12,135	(6)%	10,521	15%
Total assets under management	**$ 201,520**	$ 172,039	17%	$ 172,286	—%
Client proprietary assets under administration	**256,849**	231,553	11%	243,751	(5)%
Total assets under management and administration	**$ 458,369**	$ 403,592	14%	$ 416,037	(3)%

Average Asset Balances

This table presents average asset balances of our clients, or of our clients' customers, for which we provide management or administrative services through our subsidiaries and partnerships in which we have a significant interest.

Average Asset Balances

(In millions)	For the Year Ended December 31,			
	2012	2011	Percent Change	2010	Percent Change
Private Banks:					
Equity and fixed-income programs	**$ 17,434**	$ 15,891	10%	$ 12,579	26%
Collective trust fund programs	**282**	526	(46)%	772	(32)%
Liquidity funds	**5,332**	5,145	4%	5,247	(2)%
Total assets under management	**$ 23,048**	$ 21,562	7%	$ 18,598	16%
Client proprietary assets under administration	**10,873**	10,672	2%	10,907	(2)%
Total assets	**$ 33,921**	$ 32,234	5%	$ 29,505	9%
Investment Advisors:					
Equity and fixed-income programs	**$ 29,611**	$ 27,274	9%	$ 25,832	6%
Collective trust fund programs	**728**	1,497	(51)%	2,118	(29)%
Liquidity funds	**1,970**	1,970	—%	1,986	(1)%
Total assets under management	**$ 32,309**	$ 30,741	5%	$ 29,936	3%
Institutional Investors:					
Equity and fixed-income programs	**$ 56,584**	$ 49,895	13%	$ 45,926	9%
Collective trust fund programs	**312**	542	(42)%	649	(16)%
Liquidity funds	**3,415**	3,453	(1)%	3,358	3%
Total assets under management	**$ 60,311**	$ 53,890	12%	$ 49,933	8%
Investment Managers:					
Equity and fixed-income programs	**$ 63**	$ 39	62%	$ 2	N/A
Collective trust fund programs	**13,873**	9,978	39%	7,687	30%
Liquidity funds	**276**	199	39%	467	(57)%
Total assets under management	**$ 14,212**	$ 10,216	39%	$ 8,156	25%
Client proprietary assets under administration	**233,024**	235,096	(1)%	225,045	4%
Total assets	**$ 247,236**	$ 245,312	1%	$ 233,201	5%
Investments in New Businesses:					
Equity and fixed-income programs	**$ 537**	$ 545	(1)%	$ 520	5%
Liquidity funds	**35**	47	(26)%	73	(36)%
Total assets under management	**$ 572**	$ 592	(3)%	$ 593	—%
LSV:					
Equity and fixed-income programs	**$ 57,935**	$ 58,478	(1)%	$ 53,345	10%
Total:					
Equity and fixed-income programs	**$ 162,164**	$ 152,122	7%	$ 138,204	10%
Collective trust fund programs	**15,195**	12,543	21%	11,226	12%
Liquidity funds	**11,028**	10,814	2%	11,131	(3)%
Total assets under management	**$ 188,387**	$ 175,479	7%	$ 160,561	9%
Client proprietary assets under administration	**243,897**	245,768	(1)%	235,952	4%
Total assets under management and administration	**$ 432,284**	$ 421,247	3%	$ 396,513	6%

In the preceding tables, assets under management are total assets of our clients or their customers invested in our equity and fixed-income investment programs, collective trust fund programs, and liquidity funds for which we provide asset management

services. Assets under management and administration also include total assets of our clients or their customers for which we provide administrative services, including client proprietary fund balances for which we provide administration and/or distribution services. All assets presented in the preceding tables are not included in the accompanying Consolidated Balance Sheets because we do not own them.

Business Segments

Revenues, Expenses, and Operating Profit (Loss) for our business segments for the year ended 2012 compared to the year ended 2011, and for the year ended 2011 compared to the year ended 2010 are:

Year Ended December 31,	2012	2011	Percent Change	2010	Percent Change
Private Banks:					
Revenues	**$ 364,788**	$ 348,122	5%	$ 346,668	—%
Expenses	**357,001**	339,339	5%	310,633	9%
Operating Profit	**$ 7,787**	$ 8,783	(11)%	$ 36,035	(76)%
Operating Margin	**2%**	3%		10%	
Investment Advisors:					
Revenues	**202,703**	189,780	7%	183,378	3%
Expenses	**120,146**	110,438	9%	110,388	—%
Operating Profit	**$ 82,557**	$ 79,342	4%	$ 72,990	9%
Operating Margin	**41%**	42%		40%	
Institutional Investors:					
Revenues	**227,889**	210,027	9%	206,531	2%
Expenses	**116,546**	106,585	9%	106,934	—%
Operating Profit	**$ 111,343**	$ 103,442	8%	$ 99,597	4%
Operating Margin	**49%**	49%		48%	
Investment Managers:					
Revenues	**193,484**	177,975	9%	160,159	11%
Expenses	**127,525**	115,963	10%	103,421	12%
Operating Profit	**$ 65,959**	$ 62,012	6%	$ 56,738	9%
Operating Margin	**34%**	35%		35%	
Investments in New Businesses:					
Revenues	**3,658**	3,823	(4)%	4,099	(7)%
Expenses	**14,954**	11,559	29%	12,676	(9)%
Operating Loss	**$ (11,296)**	$ (7,736)	N/A	$ (8,577)	N/A

For additional information pertaining to our business segments, see Note 13 to the Consolidated Financial Statements.

Private Banks

Year Ended December 31,	2012	2011	Percent Change	2010	Percent Change
Revenues:					
Investment processing and software servicing fees	**$ 233,790**	$ 220,684	6%	$ 229,247	(4)%
Asset management, administration & distribution fees	**103,712**	96,531	7%	87,288	11%
Transaction-based and trade execution fees	**27,286**	30,907	(12)%	30,133	3%
Total revenues	**$ 364,788**	$ 348,122	5%	$ 346,668	—

Revenues increased $16.7 million, or five percent, in 2012 compared to the prior year. Revenues during 2012 were primarily affected by:

- Increased recurring investment processing fees from new investment processing clients;
- Increased one-time project revenue from new and existing bank clients;
- Increased fees earned on our mutual fund trading solution due to an increase in assets processed on the system from new and existing clients;
- Increased investment management fees from existing international clients due to higher average assets under management from improved capital markets; partially offset by
- Lower recurring investment processing fees due to price reductions provided to existing clients that recontracted for longer periods and client losses; as well as
- Decreased transaction-based fees due to lower trading volumes across the majority of our bank clients.

Revenues increased slightly in 2011 compared to the prior year. Revenues during 2011 were primarily affected by:

- Increased investment management fees from existing international clients due to higher average assets under management from improved capital markets in late 2010 into the first half of 2011, positive cash flows and favorable exchange rates; and
- Increased net investment processing fees from new clients implemented onto GWP; partially offset by
- Lower recurring investment processing fees due to price reductions provided to existing clients that recontracted for longer periods, lower transaction volumes and client losses occurring in 2010; and
- Lower one-time project-related investment processing fees.

Operating margins were two percent in 2012 and three percent in 2011. Operating income decreased $1.0 million, or 11 percent, in 2012 compared to the prior year. Operating income in 2012 was primarily affected by:

- Increased amortization expense related to GWP due to continued releases and the discontinuation of specific functionality within the platform resulting in $2.7 million of expense recognized in the third quarter 2012 for the remaining net book value of the component;
- Increased direct expenses associated with increased investment management fees from existing international clients;
- Increased sales compensation expense due to new business activity and other personnel costs, mainly salary, benefits and incentive compensation;
- Increased non-capitalized development costs, mainly personnel costs, relating to GWP; and
- Increased operational costs, mainly personnel and third-party service provider costs, for servicing new and existing clients implemented onto GWP; partially offset by
- An increase in revenues; and
- Decreased direct expenses associated with the decreased trade execution fees.

Operating margins were three percent in 2011 and ten percent in 2010. Operating income decreased $27.3 million, or 76 percent, in 2011 compared to the prior year. Operating income in 2011 was primarily affected by:

- Increased non-capitalized development costs, mainly consulting fees, and amortization expense relating to GWP;
- Increased operational costs, mainly personnel and data processing and computer-related expenses, for servicing new and existing clients implemented onto GWP; and
- Increased direct expenses associated with increased investment management fees from existing international clients; partially offset by
- Decreased stock-based compensation costs due to the acceleration in 2010, net of the reversal of stock-based compensation costs in the third quarter 2010;
- Decreased one-time termination costs associated with a workforce reduction in first quarter 2010; and
- An increase in revenues.

Investment Advisors

Revenues increased $12.9 million, or seven percent, in 2012 compared to the prior year. Revenues during 2012 were primarily affected by:

- Increased investment management fees from existing clients due to higher average assets under management caused by market appreciation during 2012 and an increase in net cash flows from new and existing advisors in both our mutual fund and managed account solutions,
- An increase in the average basis points earned on assets due to the increase in average assets under management; partially offset by
- Lower fees earned from our collective trust fund offering due to the closing of the SEI Stable Asset Fund during 2012.

Revenues increased $6.4 million, or three percent, in 2011 compared to the prior year. Revenues during 2011 were primarily affected by:

- Increased investment management fees from existing clients due to higher average assets under management caused by improved capital markets during the latter half of 2010 and through the first half of 2011 and an increase in net cash flows in 2011 from new advisors.

Operating margins were 41 percent in 2012 and 42 percent in 2011. Operating income increased $3.2 million, or four percent, in 2012 compared to the prior year. Operating income in 2012 was primarily affected by:

- An increase in revenues;
- A decrease in direct costs associated with the closing of the SEI Stable Asset Fund; partially offset by
- Increased amortization expense relating to GWP as well as spending associated with building the necessary functionality and infrastructure for servicing financial institutions and investment advisors in the United States; and
- Increased sales compensation expense due to new business activity and other personnel costs, mainly salary, benefits and incentive compensation.

Operating margins were 42 percent in 2011 and 40 percent in 2010. Operating income increased $6.4 million, or nine percent, in 2011 compared to the prior year. Operating income in 2011 was primarily affected by:

- An increase in revenues;
- Decreased stock-based compensation costs due to the acceleration in 2010, net of the reversal of stock-based compensation costs in the third quarter 2010; and
- A charge of approximately $1.0 million related to a processing error in third quarter 2010; partially offset by
- Increased non-capitalized development costs and amortization expense relating to GWP as well as spending associated with building the necessary functionality and infrastructure for servicing financial institutions and investment advisors in the United States; and
- Increased compensation and other personnel expenses.

Institutional Investors

Revenues increased $17.9 million, or nine percent, in 2012 compared to the prior year. Revenues during 2012 were primarily affected by:

- Increased investment management fees from existing clients due to higher average assets under management caused by improved capital markets as well as additional asset funding from existing clients; and
- Asset funding from new sales of our retirement and not-for-profit solutions; partially offset by
- Client losses and lower basis points earned on assets under management.

Revenues increased $3.5 million, or two percent, in 2011 compared to the prior year. Revenues during 2011 were primarily affected by:

- Increased investment management fees from existing clients due to higher average assets under management caused by improved capital markets during the latter half of 2010 and through the first half of 2011 as well as additional asset funding from existing clients; and
- Asset funding from new sales of our retirement and not-for-profit solutions; partially offset by client losses.

Operating margins were 49 percent in 2012 and 2011. Operating income increased $7.9 million, or eight percent, in 2012 compared to the prior year. Operating income during 2012 was primarily affected by:

- An increase in revenues; partially offset by
- Increased sales compensation expense due to new business activity and other personnel costs, mainly salary, benefits and incentive compensation; and
- Increased direct expenses associated with higher investment management fees.

Operating margins were 49 percent in 2011 and 48 percent in 2010. Operating income increased $3.8 million, or four percent, in 2011 compared to the prior year. Operating income during 2011 was primarily affected by:

- An increase in revenues;
- Decreased stock-based compensation costs due to the acceleration in 2010, net of the reversal of stock-based compensation costs in the third quarter 2010; and
- Decreased discretionary marketing and promotion expenses; partially offset by
- Increased compensation and other personnel expenses; and
- Increased direct expenses associated with higher investment management fees.

Investment Managers

Revenues increased $15.5 million, or nine percent, in 2012 compared to the prior year. Revenues during 2012 were primarily affected by:

- Cash flows from new clients of our hedge funds and collective trust fund solutions;
- Net positive cash flows from existing hedge fund clients due to new funding along with higher valuations from capital market increases; and
- Increased accounts from our separately managed account program due to new clients and existing clients involved in mergers; partially offset by client losses.

Revenues increased $17.8 million, or 11 percent, in 2011 compared to the prior year. Revenues during 2011 were primarily affected by:

- Cash flows from new clients of our hedge funds and collective trust fund solutions;
- Net positive cash flows from existing hedge fund clients mainly due to higher valuations from capital market increases mostly during the first half of 2011; and
- Increased accounts from our separately managed account program due to new clients and existing clients involved in mergers; partially offset by client losses.

Operating margins were 34 percent in 2012 and 35 percent in 2011. Operating income increased $3.9 million, or six percent, in 2012 compared to the prior year. Operating income during 2012 was primarily affected by:

- An increase in revenues; partially offset by
- Increased personnel expenses and other operational costs to service new clients of our hedge fund and separately managed accounts solutions.

Operating margins were 35 percent in 2011 and 2010. Operating income increased $5.3 million, or nine percent, in 2011 compared to the prior year. Operating income during 2011 was primarily affected by:

- An increase in revenues; and
- Decreased stock-based compensation costs due to the acceleration in 2010, net of the reversal of stock-based compensation costs in the third quarter 2010; partially offset by
- Increased personnel expenses, technology and other operational costs to service new clients of our hedge fund and separately managed accounts solutions.

Other

Other Income and Expense Items

Other income and expense items on the accompanying Consolidated Statements of Operations consist of:

Year Ended December 31,	2012	2011	2010
Net gain from investments	**$ 14,067**	$ 3,360	$ 48,533
Interest and dividend income	**5,696**	5,829	6,326
Interest expense	**(504)**	(585)	(1,478)
Other expense, net	**—**	—	(590)
Equity in earnings of unconsolidated affiliates	**98,671**	105,818	99,457
Total other income and expense items, net	**$ 117,930**	$ 114,422	$ 152,248

Net gain from investments

Net gain from investments consists of:

Year Ended December 31,	2012	2011	2010
Gains from SIV securities	**$ 13,240**	$ 3,390	$ 44,247
Net realized and unrealized gains (losses) from marketable securities	**1,123**	(25)	1,214
Other (losses) gains	**(296)**	(5)	3,072
Net gain from investments	**$ 14,067**	$ 3,360	$ 48,533

We record our SIV securities at fair value and recognize unrealized gains and losses of the securities in current earnings. During 2012, 2011 and 2010, we recognized net gains from SIV securities of $13.2 million, $3.4 million and $44.2 million, respectively. Of the net gains recognized during 2012, $6.8 million resulted from cash payments received from the SIV securities and $1.1 million was from a net increase in fair value. In November 2012, we sold our remaining SIV security, the Gryphon senior note, and recognized a gain of $5.3 million from the sale. During 2011, we recognized gains from SIV securities of $3.4 million, of which $10.6 million resulted from

cash payments received from the SIV securities offset by losses of $7.2 million which resulted from a decrease in fair value at December 31, 2011. Of the net gains recognized during 2010, $27.5 million resulted from cash payments received from SIV securities and $16.5 million resulted from a net increase in the fair value at December 31, 2010. In addition, we recognized a net gain of $0.2 million from sales of three SIV securities during 2010. These gains and losses are included in Gains from SIV securities in the preceding table.

We recognized a $3.1 million gain in 2010 due to the sale of our ownership interest in a small company that was involved in a merger. This gain is reflected in Other (losses) gains in the preceding table.

Equity in earnings of unconsolidated affiliates

Equity in earnings of unconsolidated affiliates primarily includes our ownership in LSV. In March 2009, certain partners of LSV, including SEI, agreed to designate a portion of their partnership interest for the purpose of providing an interest in the partnership to a select group of key LSV employees. In April 2012, these contributing partners agreed to provide a partnership interest to the key LSV employees thereby reducing our interest in LSV to approximately 39.8 percent from 41.2 percent.

Our proportionate share in the earnings of LSV was $100.0 million and $105.8 million in 2012 and 2011, respectively. The decrease in 2012 was primarily due to lower profits due to increased operating expenses, mainly related to personnel. LSV revenues were flat in 2012 as compared to 2011. In 2011, our proportionate share in the earnings of LSV increased to $105.8 million from $99.5 million in 2010. The increase in 2011 was also due to improved capital markets and increased performance fees.

Noncontrolling interest

Noncontrolling interest includes the interest of other shareholders in our joint venture in SAK, an asset management firm located in South Korea (See the caption “Sale of SEI Asset Korea” later in this discussion for more information).

Income Taxes

Our effective tax rate was 36.9 percent in 2012, 35.2 percent in 2011, and 37.0 percent in 2010. The 2012 tax rate was negatively affected by the expiration of the research and development tax credit, which was not reinstated until the signing of the American Taxpayer Relief Act of 2012 into law on January 3, 2013. The tax credit was reinstated retroactively for 2012; however, accounting guidance requires the determination of current and deferred taxes be based upon enacted tax law as of the balance sheet date. The effect of the 2012 research and development tax credit will be reflected in the first quarter of 2013. The 2012 tax rate was also negatively affected by the accrual of U.S. deferred taxes on the undistributed earnings of SEI AK. As a result of the expected sale of SEI AK, we no longer consider the undistributed earnings of that subsidiary to be indefinitely reinvested and therefore accrued U.S. deferred taxes on the cumulative undistributed earnings (See caption “Sale of SEI Asset Korea” later in this discussion for additional information). This increase of taxes was partially offset by state tax planning. Our tax rate in 2011 was favorably impacted by determination that we were eligible for the Domestic Production Activities Deduction. The effective rate for 2011 reflects the benefit of this deduction for 2007 through 2011. Excluding the benefit for the Domestic Production Activities Deduction, our effective tax rate would be 37.4 percent. We expect our effective tax rate to be between 35.0 and 36.0 percent in 2013 with the first quarter rate expected to be lower than the remaining quarters.

Stock-Based Compensation

During 2012, 2011 and 2010, we recognized approximately $15.7 million, $14.1 million and $26.8 million, respectively, in stock-based compensation expense.

Based upon our current view of how many options will vest and when they will vest, we estimate that stock-based compensation expense will be recognized according to the following schedule:

		Stock-Based Compensation Expense
2013	$	18,274
2014		17,978
2015		6,708
2016		3,711
2017		3,593
	$	50,264

Fair Value Measurements

The fair value of our financial assets and liabilities is determined in accordance with the fair value hierarchy. The fair value of most of our financial assets are determined using Level 1 or Level 2 inputs and consist mainly of investments in equities or mutual funds that are quoted daily and Government National Mortgage Association (GNMA) and other U.S. government agency securities that are single issuer pools that are valued based on current market data of similar assets. Our Level 3 financial assets consisted mainly of SIV securities. As of December 31, 2012, we no longer own any SIV securities. We did not have any financial liabilities at December 31, 2012 or 2011. See Note 5 to the Consolidated Financial Statements for more information pertaining to the valuation of SIV securities.

Sale of SEI Asset Korea

On July 31, 2012, SEI, MetLife International Holdings, Inc. (MetLife) and International Finance Corporation (IFC) entered into a definitive agreement with Baring Asset Management Limited to sell all ownership interests in SEI AK. SEI AK is located in South Korea and provides domestic equity and fixed income investment management services to financial institutions and pension funds. Consummation of the acquisition of SEI AK under the definitive agreement is subject to regulatory approvals and other customary closing conditions.

Our ownership interest in SEI AK is currently 56.1 percent. We consolidate the assets, liabilities and operations of SEI AK in our Consolidated Financial Statements. The ownership interests in SEI AK for MetLife and IFC is reflected in Noncontrolling interest in our Consolidated Financial Statements. The operating results of SEI AK are included in the Private Banks business segment. Upon closing of the agreement, the then current cash balance of SEI AK will be distributed to SEI, Metlife and IFC in accordance with the ownership interests.

As of December 31, 2012, SEI AK had total corporate assets of $54.8 million, of which $48.3 million is included in Cash and Cash equivalents on the Consolidated Balance Sheet. All other accounts of SEI AK are not material to any financial statement line item in the Consolidated Financial Statements.

We did not provide U.S. deferred taxes on the undistributed earnings of SEI AK since its inception because we considered those earnings to be indefinitely reinvested. As a result of the potential sale of SEI AK, however, we no longer consider the undistributed earnings of SEI AK to be indefinitely reinvested and accrued $4.8 million in U.S. deferred taxes on the cumulative undistributed earnings during 2012.

If the requisite regulatory approvals are obtained, the other conditions to closing are satisfied or waived and the transaction is consummated, we expect the net after tax gain on the sale of our shares of SEI AK to range from approximately $8.9 million to $20.6 million depending upon revenue during a pre-closing measurement period and specified revenues during three one-year periods after the closing. We expect the closing of the transaction to occur by the end of the first quarter 2013.

Regulatory Matters

Like many firms operating within the financial services industry, we are experiencing a difficult regulatory environment across our markets. Our current scale and reach as a provider to the financial services industry; the introduction and implementation of new solutions for our financial services industry clients; the increased regulatory oversight of the financial services industry generally; new laws and regulations affecting the financial services industry and ever-changing regulatory interpretations of existing laws and regulations; and a greater propensity of regulators to pursue enforcement actions and other sanctions against regulated entities, have made this an increasingly challenging and costly regulatory environment in which to operate.

During the last twelve months, SEI and some of our regulated subsidiaries have undergone or been scheduled to undergo a range of periodic or thematic reviews or examinations by more than eight regulatory authorities around the world, including the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Securities and Exchange Commission, the Financial Industry Regulatory Authority, the Financial Services Authority of the United Kingdom, the Central Bank of Ireland and others. In a number of instances, these are the first recurring examinations by these regulatory authorities. These examinations typically result in the identification of matters or practices to be addressed by us or our subsidiaries and, in certain circumstances, the regulatory authorities could require remediation activities or pursue enforcement proceedings against us or our subsidiaries. As described under the caption “Regulatory Considerations” in Item 1 of this report, the range of possible sanctions that are available to regulatory authorities include limitations on our ability to engage in business for specified periods of time, the revocation of registration, censures and fines. The direct and indirect costs of responding to these examinations and reviews and of complying with new or modified regulations, as well as the potential financial costs and potential reputational impact against us of any enforcement proceedings that might result, is uncertain but could have a material adverse impact on our operating results or financial position.

Liquidity and Capital Resources

Year Ended December 31,	2012	2011	2010
Net cash provided by operating activities	**$ 257,490**	$ 256,962	$ 229,326
Net cash provided by (used in) investing activities	**16,627**	(31,950)	(41,475)
Net cash used in financing activities	**(242,856)**	(300,318)	(282,436)
Net increase (decrease) in cash and cash equivalents	**31,261**	(75,306)	(94,585)
Cash and cash equivalents, beginning of year	**420,986**	496,292	590,877
Cash and cash equivalents, end of year	**$ 452,247**	$ 420,986	$ 496,292

Cash requirements and liquidity needs are primarily funded through our cash flow from operations and our capacity for additional borrowing. At December 31, 2012, our unused sources of liquidity consisted of cash and cash equivalents and the full amount available under the existing credit facility which does not expire until February 2017.

In February 2012, we replaced our previous credit facility with a new five-year credit facility agreement which provides for borrowings of up to $300.0 million. The new credit facility is a senior unsecured revolving line of credit with Wells Fargo Bank, National Association, and a syndicate of other lenders and is scheduled to expire in February 2017. The availability of the new credit facility is subject to compliance with certain covenants set forth in the agreement. The credit facility contains covenants which restrict our ability to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the credit facility, we would also be restricted from paying dividends on, or repurchasing, our common stock. Currently, our ability to borrow from the credit facility is not limited by any covenant of the agreement. We currently have no borrowings under the new credit facility.

The majority of our excess cash reserves are primarily placed in accounts located in the United States that invest entirely in SEI-sponsored money market mutual funds denominated in the U.S. dollar. We also utilize demand deposit accounts or money market accounts at several well-established financial institutions located in the United States. Accounts used to manage these excess cash reserves do not impose any restrictions or limitations that would prevent us from being able to access such cash amounts immediately. As of January 31, 2013, the amount of cash and cash equivalents considered free and immediately accessible for other general corporate purposes was $245.9 million.

Our cash and cash equivalents include accounts managed by our subsidiaries and minority-owned subsidiaries that are used in their operations or to cover specific business and regulatory requirements. The availability of this cash for other purposes beyond the operations of these subsidiaries may be limited. Also, some of our foreign subsidiaries may have excess cash reserves which are considered to be undistributed earnings and indefinitely reinvested. Upon distribution of these earnings, in the form of dividends or otherwise, we would be immediately subject to both U.S. and foreign withholding taxes which would reduce the amount we would ultimately realize. We do not include accounts of our foreign subsidiaries in our calculation of free and immediately accessible cash for other general corporate purposes.

Cash flows from operations increased $0.5 million in 2012 compared to 2011 primarily due to an increase in our earnings. The net change in our working capital accounts is mostly impacted by changes in our receivables balances. The increase in our receivables is largely due to our growth in revenues in our asset management business and an increased proportion of our receivables related to investment operations services which provide for comparatively longer billing schedules due to longer processes in valuing the underlying securities upon which the billings are based. We do not foresee any significant collectibility issues regarding receivables and have not received any indications that we should anticipate any significant collectibility issues in the near term.

Cash flows from operations increased $27.6 million in 2011 compared to 2010 due to the partnership distribution payments received from LSV, non-cash adjustments for net realized gains from marketable securities in 2011 as opposed to 2010, and the net change in our working capital accounts.

Cash flows from investing activities increased $48.6 million in 2012 compared to 2011 primarily due to the sale of the Gryphon notes and reduced purchases of marketable securities. Net cash used in investing activities includes:

- ***Purchases, sales and maturities of marketable securities.*** We had cash outflows of $33.7 million for the purchase of marketable securities in 2012 as compared to $74.0 million in 2011. Marketable securities purchased in 2012 primarily consisted of investments in short-term U.S. government agency and commercial paper securities through SIDCO's cash management program and investments for the start-up of new investment products. Marketable securities purchased in 2011 consisted of investments in short-term U.S. government agency and commercial paper securities by SIDCO, additional GNMA securities to satisfy applicable regulatory requirements of SPTC and investments for the start-up of new investment products. We had cash inflows of $108.2 million from sales and maturities of marketable securities, including principal prepayments received from our GNMA and SIV securities, in 2012 as compared to $99.8 million in 2011. Marketable securities sold in 2012 and 2011 primarily include the proceeds from the sales of SIV securities.

- ***The capitalization of costs incurred in developing computer software.*** We will continue the development of GWP through a series of releases to expand the functionality of the platform. We capitalized $31.0 million of software development costs in 2012 as compared to $41.0 million in 2011. Amounts capitalized in 2012 and 2011 include costs for significant enhancements and upgrades to the platform.
- ***Capital expenditures.*** Our capital expenditures in 2012 and 2011 primarily include purchased software and equipment for our data center operations.

Cash flows from financing activities decreased $57.5 million in 2012 compared to 2011. Net cash used in financing activities includes:

- ***The repurchase of our common stock.*** Our Board of Directors has authorized the repurchase of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program. The following table lists information regarding repurchases of our common stock during 2012, 2011, and 2010:

Year	Total Number of Shares Repurchased	Average Price Paid per Share	Total Cost
2012	7,528,000	$ 20.62	$ 155,264
2011	11,109,000	19.01	211,165
2010	5,814,000	20.81	120,982

- ***Principal payments of our debt.*** Principal payments in 2011 include payments of $95.0 million to repay the remaining balance of our former credit facility. We fully repaid our former credit facility with the final payment of $20.0 million made in December 2011 and had no debt outstanding during 2012 (See Note 7).
- ***Dividend payments.*** Our Board of Directors declared a semi-annual cash dividend of $0.16 per share as well as a one-time, special cash dividend of $0.32 per share on December 11, 2012. The semi-annual and special dividends were paid on December 28, 2012 for a total of $82.7 million. The following table lists information regarding cash dividends paid during 2012, 2011, and 2010:

Year	Cash Dividends Paid	Cash Dividends Paid per Share
2012	$ 135,335	$ 0.78
2011	22,041	0.12
2010	54,634	0.29

The increase in dividends paid in 2012 was due to the special dividend in 2012 and the payment date of the regular semi-annual dividend declared in December 2012 occurring in the calendar year as compared to the payment date of the semi-annual dividend declared in December 2011 which occurred in January of 2012.

We believe our operating cash flow, available borrowing capacity, and existing cash and cash equivalents should provide adequate funds for ongoing operations; continued investment in new products and equipment; our common stock repurchase program and future dividend payments.

Significant Arrangement

On October 1, 2012, we provided an unsecured guaranty of the obligations of LSV Employee Group III to The PrivateBank and Trust Company and certain other lenders. We entered into this agreement in order to facilitate the acquisition of certain partnership interests of LSV by LSV Employee Group III. Additional information pertaining to the agreement is presented in Note 2 to the Consolidated Financial Statements.

Contractual Obligations and Contingent Obligations

As of December 31, 2012, the Company is obligated to make payments in connection with its lines of credit, operating leases, maintenance contracts and other commitments in the amounts listed below. The Company has no unrecorded obligations other than the items noted in the following table:

	Total	2013	2014	2015 to 2016	2017 and Thereafter
Line of credit (a)	$ 1,862	$ 456	$ 456	$ 912	$ 38
Operating leases and maintenance agreements (b)	35,591	15,138	6,283	4,977	9,193
Other commitments (c)	5,291	5,291	—	—	—
Total	$ 42,744	$ 20,885	$ 6,739	$ 5,889	$ 9,231

(a) Amounts include estimated commitment fees for our credit facility. See Note 7 to the Consolidated Financial Statements.
(b) See Note 11 to the Consolidated Financial Statements.
(c) Amount includes the portion of uncertain tax liabilities classified as a current liability. The actual cash payment associated with these commitments may differ. See Note 12 to the Consolidated Financial Statements.

Critical Accounting Policies

The accompanying consolidated financial statements and supplementary information were prepared in accordance with accounting principles generally accepted in the United States. Our significant accounting policies are discussed in Note 1 to the Consolidated Financial Statements. Inherent in the application of many of these accounting policies is the need for management to make estimates and judgments in the determination of certain revenues, expenses, assets and liabilities. Materially different financial results can occur as circumstances change and additional information becomes known. We believe that the following accounting policies require extensive judgment by our management to determine the recognition and timing of amounts recorded in our financial statements.

Revenue Recognition:

Revenues are recognized in the periods in which the related services are performed provided that persuasive evidence of an agreement exists, the fee is fixed or determinable, and collectibility is reasonably assured. Cash received by us in advance of the performance of services is deferred and recognized as revenue when earned. Our principal sources of revenues are: (1) asset management, administration and distribution fees calculated as a percentage of the total average daily net assets under management or administration; (2) information processing and software servicing fees that are recurring in nature and earned based upon the number of trust accounts being serviced and non-recurring project fees that are earned based upon contractual agreements related to client implementations; and (3) transaction-based fees for providing trade-execution services. Our revenues are based on contractual arrangements. Certain portions of our revenues require management's consideration of the nature of the client relationship in determining whether to recognize as revenue the gross amount billed or net amount retained after payments are made to vendors for certain services related to the product or service offering.

Fair Value of Financial Assets and Liabilities:

We determine the fair value of our financial assets and liabilities in accordance with the fair value hierarchy. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The accounting standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy describes three levels of inputs that may be used to measure fair value:

Level 1 — Quoted prices in active markets for identical assets and liabilities without adjustment;

Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data; and

Level 3 — Unobservable inputs that are supported by little or no market activity and are significant to the fair value of those assets or liabilities.

The use of Level 3 inputs to determine the fair value of our financial assets requires considerable judgment by management. Our Level 3 financial assets primarily consisted of SIV securities we owned. As of December 31, 2012, we no longer own any SIV securities. We did not have any financial liabilities at December 31, 2012 or 2011 (See Fair Value Measurements section earlier in this discussion).

We review our investments in marketable securities on a quarterly basis with regard to impairment. Some of the factors considered in determining other-than-temporary impairment for our equity securities include, but are not limited to, significant or prolonged declines in the fair value of our investments, our ability and intent to retain the investment for a period sufficient to allow the value

to recover, and the financial condition of the investment. Some of the factors considered in determining other-than-temporary impairment for our debt securities include, but are not limited to, our intent to sell the security, the likelihood that we will be required to sell the security before recovering its cost, and our expectation to recover the entire amortized cost basis of the security even if we do not intend to sell the security. After considering these factors, if we believe that a decline is other-than-temporary, the carrying value of the investment is written down to its fair value through current period earnings.

Computer Software Development Costs:
We utilize internally developed computer software as part of our product offering. In the development of a new software product, substantial consideration must be given by management to determine whether costs incurred are research and development costs, or internal software development costs eligible for capitalization. Management must consider a number of different factors during their evaluation of each computer software development project that includes estimates and assumptions. Costs considered to be research and development are expensed as incurred. After meeting specific requirements, internal software development costs are capitalized as incurred. The capitalization and ongoing assessment of recoverability of software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life. Amortization of capitalized software development costs begins when the product is ready for its intended use. 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.

We evaluate the carrying value of our capitalized software when circumstances indicate the carrying value may not be recoverable. The review of capitalized software for impairment requires significant assumptions about operating strategies, underlying technologies utilized, and external market factors. Our capitalized software was developed using mainstream technologies that are industry standards and are based on technology developed by multiple vendors that are significant industry leaders. External market factors include, but are not limited to, expected levels of competition, barriers to entry by potential competitors, stability in the target market and governmental regulations. In 2012, we determined that no events or change in circumstances had occurred that would indicate that our capitalized software development costs were impaired (See Note 1 to the Consolidated Financial Statements).

Income Tax Accounting:
We use the asset and liability method of accounting for income taxes. Under this method, income tax expense is recognized for the amount of taxes payable or refundable for the current year. In addition, deferred tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, and for operating losses and tax credit carryforwards. Management must make assumptions, judgments and estimates to determine our current provision for income taxes and also our deferred tax assets and liabilities and any valuation allowance to be recorded against a deferred tax asset.

Our assumptions, judgments and estimates relative to the current provision for income taxes take into account current tax laws, our interpretation of current tax laws and possible outcomes of current and future audits conducted by foreign and domestic tax authorities. We have established reserves for income taxes to address potential exposures involving tax positions that could be challenged by tax authorities. Although we believe our assumptions, judgments and estimates are reasonable, changes in tax laws or our interpretation of tax laws and the resolution of any future tax audits could significantly impact the amounts provided for income taxes in our consolidated financial statements.

Our assumptions, judgments and estimates relative to the value of a deferred tax asset take into account predictions of the amount and category of future taxable income, such as income from operations or capital gains income. Actual operating results and the underlying amount and category of income in future years could render our current assumptions, judgments and estimates of recoverable net deferred taxes inaccurate. Any of the assumptions, judgments and estimates mentioned above could cause our actual income tax obligations to differ from our estimates, thus materially impacting our financial position and results of operations.

Stock-Based Compensation:
Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is the vesting period. We currently use the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by our stock price as well as various other assumptions. These assumptions include our expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends. We are required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The amount of stock-based compensation expense that is recognized in a given period is dependent upon management's estimate of when the earnings per share targets are expected to be achieved. If this estimate proves to be inaccurate, the remaining amount of stock-based compensation expense could be accelerated, spread out over a longer

period, or reversed. We currently base our expectations for these assumptions from historical data and other applicable factors. These expectations are subject to change in future periods.

The assessment of critical accounting policies is not meant to be an all-inclusive discussion of the uncertainties to financial results that can occur from the application of the full range of our accounting policies. Materially different financial results could occur in the application of other accounting policies as well. Also, materially different results can occur upon the adoption of new accounting standards.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

None.

Item 8. Financial Statements and Supplementary Data.

Index to Financial Statements:	Page
Report of Independent Registered Public Accounting Firm	32
Consolidated Balance Sheets — December 31, 2012 and 2011	33
Consolidated Statements of Operations — For the years ended December 31, 2012, 2011 and 2010	35
Consolidated Statements of Comprehensive Income — For the years ended December 31, 2012, 2011 and 2010	36
Consolidated Statements of Changes in Equity — For the years ended December 31, 2012, 2011 and 2010	37
Consolidated Statements of Cash Flows — For the years ended December 31, 2012, 2011 and 2010	38
Notes to Consolidated Financial Statements	40
Schedule II — Valuation and Qualifying Accounts and Reserves — For the years ended December 31, 2012, 2011 and 2010	65

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 Registered Public Accounting Firm

To the Board of Directors and Shareholders of SEI Investments Company:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of SEI Investments Company and its subsidiaries at December 31, 2012 and December 31, 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2012 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting under item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP
Philadelphia, PA
February 22, 2013

Consolidated Balance Sheets

(In thousands)

	December 31,	2012	2011
Assets	**Current Assets:**		
	Cash and cash equivalents	**$ 452,247**	$ 420,986
	Restricted cash	**6,000**	6,000
	Receivables from regulated investment companies	**31,084**	25,800
	Receivables, net of allowance for doubtful accounts of $805 and $924 (Note 4)	**171,734**	142,109
	Deferred income taxes, net	**2,012**	1,150
	Securities owned	**20,088**	20,949
	Other current assets	**18,239**	17,957
	Total Current Assets	**701,404**	634,951
	Property and Equipment, net of accumulated depreciation of $201,418 and $182,453 (Note 4)	**127,581**	129,548
	Capitalized Software, net of accumulated amortization of $149,747 and $117,100	**307,490**	309,133
	Investments Available for Sale (Note 6)	**75,869**	83,008
	Trading Securities (Note 6)	**5,909**	56,325
	Investment in Unconsolidated Affiliates (Note 2)	**77,398**	68,454
	Other Assets, net	**14,173**	13,140
	Total Assets	**$ 1,309,824**	$ 1,294,559

The accompanying notes are an integral part of these financial statements.

(In thousands, except par value)

	December 31,	2012	2011
Liabilities and Equity	**Current Liabilities:**		
	Accounts payable	**$ 11,248**	$ 1,999
	Accrued liabilities (Note 4)	**138,305**	147,044
	Deferred revenue	**2,452**	2,030
	Total Current Liabilities	**152,005**	151,073
	Deferred Income Taxes	**93,458**	93,751
	Other Long-term Liabilities (Note 12)	**7,032**	8,276
	Total Liabilities	**252,495**	253,100
	Commitments and Contingencies (Note 11)		
	Equity:		
	SEI Investments Shareholders' Equity:		
	Series Preferred stock, $.05 par value, 50 shares authorized; no shares issued and outstanding	**—**	—
	Common stock, $.01 par value, 750,000 shares authorized; 172,220 and 176,506 shares issued and outstanding	**1,722**	1,765
	Capital in excess of par value	**624,305**	577,949
	Retained earnings	**405,914**	443,702
	Accumulated other comprehensive income, net	**6,239**	1,900
	Total SEI Investments Shareholders' Equity	**1,038,180**	1,025,316
	Noncontrolling Interest	**19,149**	16,143
	Total Equity	**1,057,329**	1,041,459
	Total Liabilities and Equity	**$ 1,309,824**	$ 1,294,559

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Operations

SEI Investments Company and Subsidiaries

(In thousands, except per-share data)

Year Ended December 31,	2012	2011	2010
Revenues:			
Asset management, administration and distribution fees	**$ 723,630**	$ 669,788	$ 628,535
Information processing and software servicing fees	**236,190**	222,417	231,529
Transaction-based and trade execution fees	**32,702**	37,522	40,771
Total revenues	**992,522**	929,727	900,835
Expenses:			
Subadvisory, distribution and other asset management costs	**106,048**	103,134	101,722
Software royalties and other information processing costs	**26,722**	27,437	24,419
Brokerage commissions	**23,889**	27,022	28,882
Compensation, benefits and other personnel	**335,296**	289,445	269,165
Stock-based compensation	**15,736**	14,112	26,783
Consulting, outsourcing and professional fees	**109,828**	113,171	89,033
Data processing and computer related	**46,617**	47,003	41,064
Facilities, supplies and other costs	**60,976**	55,579	56,284
Amortization	**33,258**	27,288	24,048
Depreciation	**22,586**	21,471	21,902
Total expenses	**780,956**	725,662	683,302
Income from operations	**211,566**	204,065	217,533
Net gain from investments	**14,067**	3,360	48,533
Interest and dividend income	**5,696**	5,829	6,326
Interest expense	**(504)**	(585)	(1,478)
Other expense, net	**—**	—	(590)
Equity in earnings of unconsolidated affiliates	**98,671**	105,818	99,457
Net income before income taxes	**329,496**	318,487	369,781
Income taxes	**121,462**	111,837	136,461
Net income	**$ 208,034**	$ 206,650	$ 233,320
Less: Net income attributable to the noncontrolling interest	**(1,186)**	(1,691)	(1,633)
Net income attributable to SEI Investments Company	**$ 206,848**	$ 204,959	$ 231,687
Basic earnings per common share	**$ 1.19**	$ 1.12	$ 1.23
Shares used to compute basic earnings per share	**174,295**	182,547	188,468
Diluted earnings per common share	**$ 1.18**	$ 1.11	$ 1.22
Shares used to compute diluted earnings per share	**175,872**	184,127	190,321
Dividends declared per common share	**$ 0.63**	$ 0.27	$ 0.20

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Comprehensive Income

SEI Investments Company and Subsidiaries

(In thousands)

Year Ended December 31,	2012	2011	2010
Net income	**$ 208,034**	$ 206,650	$ 233,320
Other comprehensive gain (loss), net of tax:			
Foreign currency translation adjustments	**5,904**	(3,195)	2,205
Unrealized holding gain on investments:			
Unrealized holding gains during the period, net of income taxes of $86, $811 and $486	**341**	1,369	484
Less: reclassification adjustment for gains realized in net income, net of income taxes of $50, $77 and $56	**(86)**	(134)	(105)
Total other comprehensive gain (loss), net of taxes	**6,159**	(1,960)	2,584
Comprehensive income	**214,193**	204,690	235,904
Less: Comprehensive income attributable to noncontrolling interest	**(3,006)**	(988)	(2,318)
Comprehensive income attributable to SEI Investments	**$ 211,187**	$ 203,702	$ 233,586

The accompanying notes are an integral part of these financial statements.

(In thousands)

Year Ended December 31,	2012	2011	2010
Shares of Common Stock			
Beginning balance	**176,506**	186,141	190,208
Purchase and retirement of common stock	**(7,528)**	(11,109)	(5,814)
Issuance of common stock under the employee stock purchase plan	**105**	110	114
Issuance of common stock upon exercise of stock options	**3,137**	1,364	1,633
Ending balance	**172,220**	176,506	186,141
Common Stock			
Beginning balance	**$ 1,765**	$ 1,861	$ 1,902
Purchase and retirement of common stock	**(75)**	(111)	(58)
Issuance of common stock under the employee stock purchase plan	**1**	1	1
Issuance of common stock upon exercise of stock options	**31**	14	16
Ending balance	**$ 1,722**	$ 1,765	$ 1,861
Capital In Excess of Par Value			
Beginning balance	**$ 577,949**	$ 565,393	$ 522,080
Purchase and retirement of common stock	**(19,370)**	(27,196)	(13,426)
Issuance of common stock under the employee stock purchase plan	**1,794**	1,892	1,902
Issuance of common stock upon exercise of stock options	**47,613**	22,314	26,177
Stock-based compensation	**15,736**	14,112	26,783
Tax benefit on stock options exercised	**583**	1,434	1,877
Ending balance	**$ 624,305**	$ 577,949	$ 565,393
Retained Earnings			
Beginning balance	**$ 443,702**	$ 471,159	$ 384,483
Net income attributable to SEI Investments Company	**206,848**	204,959	231,687
Purchase and retirement of common stock	**(135,819)**	(183,858)	(107,498)
Dividends declared	**(108,817)**	(48,558)	(37,513)
Ending balance	**$ 405,914**	$ 443,702	$ 471,159
Accumulated Other Comprehensive Income			
Beginning balance	**$ 1,900**	$ 3,157	$ 1,258
Other comprehensive income (loss)	**4,339**	(1,257)	1,899
Ending balance	**$ 6,239**	$ 1,900	$ 3,157
Total SEI Investments Shareholders' Equity	**$ 1,038,180**	$ 1,025,316	$ 1,041,570
Noncontrolling interest	**$ 19,149**	$ 16,143	$ 15,155
Total Equity	**$ 1,057,329**	$ 1,041,459	$ 1,056,725

The accompanying notes are an integral part of these financial statements.

(In thousands)

Year Ended December 31,	2012	2011	2010
Cash flows from operating activities:			
Net income	**$ 208,034**	$ 206,650	$ 233,320
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**22,586**	21,471	21,902
Amortization	**33,258**	27,288	24,048
Equity in earnings of unconsolidated affiliates	**(98,671)**	(105,818)	(99,457)
Distributions received from unconsolidated affiliate	**92,227**	109,273	72,060
Stock-based compensation	**15,736**	14,112	26,783
Provision for losses on receivables	**(119)**	(271)	(1,004)
Deferred income tax expense	**(1,191)**	1,001	6,461
Net realized gains from investments	**(14,067)**	(3,360)	(48,533)
Change in other long-term liabilities	**(1,244)**	2,631	(81)
Change in other assets	**(619)**	315	(379)
Other	**6,680**	(3,148)	2,852
Change in current assets and liabilities:			
Decrease (increase) in:			
Restricted cash for broker-dealer operations	**—**	—	16,000
Receivables from regulated investment companies	**(5,284)**	3,482	(1,148)
Receivables	**(30,852)**	(11,474)	(11,032)
Other current assets	**(282)**	(1,689)	(1,101)
Increase (decrease) in:			
Accounts payable	**9,249**	(2,583)	1,734
Accrued liabilities	**21,627**	(1,340)	(13,847)
Deferred revenue	**422**	422	748
Total adjustments	**49,456**	50,312	(3,994)
Net cash provided by operating activities	**$ 257,490**	$ 256,962	$ 229,326

The accompanying notes are an integral part of these financial statements.

(In thousands)

Year Ended December 31,	2012	2011	2010
Cash flows from investing activities:			
Additions to restricted cash	**$ —**	$ (2,000)	$ —
Additions to property and equipment	**(23,070)**	(12,271)	(13,611)
Additions to capitalized software	**(31,004)**	(40,954)	(38,729)
Purchases of marketable securities	**(33,662)**	(73,960)	(39,085)
Prepayments and maturities of marketable securities	**53,352**	61,582	58,174
Sales of marketable securities	**54,830**	38,247	28,859
Purchases of other investments	**(3,819)**	(7,500)	—
Sales of other investments	**—**	4,906	—
LSV and LSV Employee Group cash balances, net (A)	**—**	—	(37,083)
Net cash provided by (used in) investing activities	**16,627**	(31,950)	(41,475)
Cash flows from financing activities:			
Payments on long-term debt	**—**	(95,000)	(138,000)
Purchase and retirement of common stock	**(157,543)**	(208,932)	(119,775)
Proceeds from issuance of common stock	**49,439**	24,221	28,096
Tax benefit on stock options exercised	**583**	1,434	1,877
Payment of dividends	**(135,335)**	(22,041)	(54,634)
Net cash used in financing activities	**(242,856)**	(300,318)	(282,436)
Net increase (decrease) in cash and cash equivalents	**31,261**	(75,306)	(94,585)
Cash and cash equivalents, beginning of year	**420,986**	496,292	590,877
Cash and cash equivalents, end of year	**$ 452,247**	$ 420,986	$ 496,292
Interest paid	**$ 367**	$ 559	$ 1,488
Income taxes paid	**$ 113,160**	$ 116,483	$ 145,553
Non-cash financing activities			
Dividends declared but not paid	**$ —**	$ 26,518	$ —

(A) Cash balances, net of the partnership distribution payment received in January 2010, of LSV and LSV Employee Group at December 31, 2009 removed due to the deconsolidation of the accounts and operations of LSV and LSV Employee Group in January 2010.

The accompanying notes are an integral part of these financial statements.

(all figures are in thousands except per-share data)

Note 1 — Summary of Significant Accounting Policies

Nature of Operations

SEI Investments Company (the Company), a Pennsylvania corporation, provides investment processing, investment management, and investment operations solutions to corporations, financial institutions, financial advisors, and ultra-high-net-worth families in the United States, Canada, the United Kingdom, continental Europe, and other various locations throughout the world. Investment processing solutions consist of application and business process outsourcing services, professional services and transaction-based services. Revenues from investment processing solutions are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations, except for fees earned associated with trade execution services.

Investment management programs consist of mutual funds, alternative investments and separate accounts. These include a series of money market, equity, fixed-income and alternative investment portfolios, primarily in the form of registered investment companies. The Company serves as the administrator and investment advisor for many of these products. Revenues from investment management programs are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Investment operations solutions offer investment managers support for traditional investment products such as mutual funds, collective investment trusts, exchange-traded funds, and institutional and separate accounts, by providing outsourcing services including fund and investment accounting, administration, reconciliation, investor servicing and client reporting. These solutions also provide support to managers focused on alternative investments who manage hedge funds, funds of hedge funds, private equity funds and real estate funds, across registered, partnership and separate account structures domiciled in the United States and overseas. Revenues from investment operations solutions are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly-owned subsidiaries and entities in which it holds a controlling financial interest. The Company determines whether it has a controlling financial interest either by its decision-making ability through voting interests or by the extent of the Company's participation in the economic risks and rewards of the entity through variable interests. The Company accounts for noncontrolling interests in consolidated entities for which the Company's controlling financial interest is less than 100 percent. The Company's principal subsidiaries are SEI Investments Distribution Co. (SIDCO), SEI Investments Management Corporation (SIMC), SEI Private Trust Company (SPTC), SEI Global Services, Inc. (SGSI) and SEI Investments (Europe) Limited (SIEL). All intercompany accounts and transactions have been eliminated.

The Company accounts for investments in unconsolidated entities that are 20 percent to 50 percent owned or are 20 percent or less owned and have the ability to exercise significant influence over the operating and financial policies of the entity under the equity method of accounting. Under this method of accounting, the Company's interest in the net assets of unconsolidated entities is reflected in Investment in unconsolidated affiliates on the accompanying Consolidated Balance Sheet and its interest in the earnings or losses of unconsolidated entities is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statement of Operations.

Variable Interest Entities

The Company has involvement with various variable interest entities (VIE or VIEs). These VIEs consist of LSV Employee Group II, LLC (LSV Employee Group II), LSV Employee Group III, LLC (LSV Employee Group III) and investment products established for clients created in the form of various types of legal entity structures. According to the most recent accounting guidance issued by the Financial Accounting Standards Board (FASB), the determination of whether a company is required to consolidate an entity is based on, among other things, an entity's purpose and design, a company's ability to direct the activities of the entity that most significantly impact the entity's economic performance, and whether a company is obligated to absorb losses or receive benefits that could be potentially significant to the entity. The guidance requires ongoing reassessments of whether an enterprise is the primary beneficiary of a VIE and requires disclosures about an enterprises involvement in VIEs.

The FASB deferred the accounting guidance for certain types of investment entities. The deferral allows asset managers that have no obligation to fund potentially significant losses of an investment entity to continue to apply the previous guidance to investment entities that have attributes of entities defined in the "Investment Company Guide." The deferral applies to many mutual funds, hedge funds, private equity funds, venture capital and certain other types of entities. Also, money market funds subject to rule 2a-7 of the Investment Company Act of 1940 qualify for deferral. However, the deferral does not apply to the new disclosure requirements. All of the Company's investment products where the Company is the sponsor and/or investment manager that are VIEs qualify for the deferral; therefore, the Company will continue to apply the previous guidance for the consolidation of VIEs (See Note 3).

Management's Use of Estimates

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

Revenue Recognition

The Company's principal sources of revenues are: (1) asset management, administration and distribution fees earned based upon a contractual percentage of net assets under management or administration; (2) information processing and software servicing fees that are either recurring and primarily earned based upon the number of trust accounts being serviced or non-recurring and based upon project-oriented contractual agreements related to client implementations; and (3) transaction-based fees for providing trade-execution services. The Company's revenues are based on contractual arrangements. Revenues are recognized in the periods in which the related services are performed provided that persuasive evidence of an agreement exists, the fee is fixed or determinable, and collectibility is reasonably assured. Cash received by the Company in advance of the performance of services is deferred and recognized as revenue when earned. Reimbursements received for out-of-pocket expenses incurred are recorded as revenue. Certain portions of the Company's revenues require management's consideration of the nature of the client relationship in determining whether to recognize as revenue the gross amount billed or net amount retained after payments are made to suppliers for certain services related to the product or service offering.

Cash and Cash Equivalents

The Company considers investment instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include $247,314 and $281,760 at December 31, 2012 and 2011, respectively, primarily invested in SEI-sponsored open-ended money market mutual funds.

Restricted Cash

Restricted cash includes $5,000 at December 31, 2012 and 2011 segregated for regulatory purposes related to trade-execution services conducted by SIEL. Restricted cash also includes $1,000 at December 31, 2012 and 2011 segregated in special reserve accounts for the benefit of SIDCO customers in accordance with certain rules established by the Securities and Exchange Commission for broker-dealers.

Allowances for Doubtful Accounts

The Company provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Company's estimate is based on historical collection experience and a review of the current status of trade accounts receivable.

Concentration of Credit Risk

Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of cash equivalents and trade receivables. Cash equivalents are principally invested in short-term money market funds or placed with major banks and high-credit qualified financial institutions. Cash deposits maintained with institutions are in excess of federally insured limits. Concentrations of credit risk with respect to our receivables are limited due to the large number of clients and their dispersion across geographic areas. No single group or customer represents greater than ten percent of total accounts receivable.

Property and Equipment

Property and Equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. Construction in progress includes the cost of construction and other direct costs attributable to the construction. When property and equipment are retired or disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives using the straight line method for financial statement purposes. No provision for depreciation is made for construction in progress until such time as the relevant assets are completed and put into service. The Company uses other depreciation methods, generally accelerated, for tax purposes where

appropriate. Buildings and building improvements are depreciated over 25 to 39 years. Equipment, purchased software and furniture and fixtures have useful lives ranging from 3 to 5 years. Amortization of leasehold improvements is computed using the straight line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Marketable Securities

The classification of investments in marketable securities is determined at the time of purchase and reevaluated at each balance sheet date. Debt and equity securities classified as available-for-sale are reported at fair value as determined by the most recently traded price of each security at the balance sheet date. Unrealized gains and losses, net of income taxes, are reported as a separate component of comprehensive income. SIDCO, the Company's broker-dealer subsidiary, reports changes in fair value of marketable securities through current period earnings due to specialized accounting practices related to investments by broker-dealers. The Company records all of its trading securities on the accompanying Consolidated Balance Sheets at fair value. Unrealized gains and losses from the change in fair value of these securities are recognized in current period earnings. The specific identification method is used to compute the realized gains and losses on all of the Company's marketable securities (See Note 6).

The Company evaluates the realizable value of its marketable securities on a quarterly basis. In the event that the carrying value of an investment exceeds its fair value and the decline in value is determined to be other-than-temporary, an impairment charge is recorded and a new cost basis for the investment is established. Some of the factors considered in determining other-than-temporary impairment for equity securities include, but are not limited to, significant or prolonged declines in the fair value of the investments, the Company's ability and intent to retain the investment for a period sufficient to allow the value to recover, and the financial condition of the investment. Some of the factors considered in determining other-than-temporary impairment for debt securities include, but are not limited to, the intent of management to sell the security, the likelihood that the Company will be required to sell the security before recovering its cost, and management's expectation to recover the entire amortized cost basis of the security even if there is no intent to sell the security.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The fair value hierarchy describes three levels of inputs that may be used by the Company to measure fair value:

Level 1 — Quoted prices in active markets for identical assets or liabilities without adjustment. The Company's Level 1 assets primarily include investments in mutual funds sponsored by SEI and LSV that are quoted daily.

Level 2 — Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 financial assets consist of Government National Mortgage Association (GNMA) mortgage-backed pass-through certificates, Federal Home Loan Bank (FHLB) and other U.S. government agency short-term notes and investment grade commercial paper. The Company's Level 2 financial assets, with the exception of the GNMA securities, were purchased as part of a cash management program requiring only short term, top-tier investment grade government and corporate securities. The GNMA mortgage-backed pass-through certificates were purchased for the sole purpose of satisfying specific regulatory requirements imposed on our wholly-owned limited purpose federal thrift subsidiary, SPTC. As a result, the Company's Level 2 financial assets are limited to only these types of fixed income securities.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment by management. The Company's Level 3 financial assets primarily included structured investment vehicles (SIV) securities and any change in fair value for these securities is recognized in the current period.

The fair value of an asset or liability may include inputs from more than one level in the fair value hierarchy. The lowest level of significant inputs used to value the asset or liability determines which level the asset or liability is classified in its entirety.

See Note 5 for information on related disclosures regarding fair value measurements.

Capitalized Software

Costs incurred for the development of internal use software to be offered in a hosting arrangement is capitalized during the development stage of the software application. These costs include direct external and internal costs to design the software configuration and interfaces, coding, installation, and testing. Costs incurred during the preliminary and post-implementation stages of the software application are expensed as incurred. Costs associated with significant enhancements to a software application are

capitalized while costs incurred to maintain existing software applications are expensed as incurred. The capitalization of software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life. Capitalized software development costs in 2012, 2011 and 2010 primarily relate to the further development of the Global Wealth Platform (GWP). The initial version of GWP was placed into service in July 2007. Further enhancements and upgrades will continue to occur through a series of releases. As of December 31, 2012, the net book value of GWP was $304,271, net of accumulated amortization of $119,939. Capitalized software development costs in-progress at December 31, 2012 associated with future releases to GWP were $2,795. The Company capitalized $31,004, $40,954, and $38,729 of software development costs during 2012, 2011, and 2010, respectively.

Amortization of capitalized software development costs begins when the product is ready for its intended use. 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 3 to 15 years, with a weighted average remaining life of approximately 9.5 years. Amortization expense was $32,647, $26,153, and $23,053 in 2012, 2011, and 2010, respectively, and is included in Amortization expense on the accompanying Consolidated Statements of Operations. GWP has an estimated useful life of 15 years and a weighted average remaining life of 9.5 years. During 2012, the Company decided to discontinue the use of specific functionality within GWP and expensed the remaining net book value of $2,661 related to previously capitalized software development costs of the component. This cost is included in total amortization expense on the accompanying Consolidated Statements of Operations during 2012.

The Company evaluates the carrying value of capitalized software development costs when circumstances indicate the carrying value may not be recoverable. The review of capitalized software development costs for impairment requires significant assumptions about operating strategies, underlying technologies utilized, and external market factors. External market factors include, but are not limited to, expected levels of competition, barriers to entry by potential competitors, stability in the target market and governmental regulations. In 2012 and 2011, the Company determined that no events or change in circumstances had occurred that would indicate that capitalized software development costs were impaired. Therefore, no impairment charges were recognized by the Company for any of its capitalized software development costs in 2012 or 2011.

Income Taxes

The Company applies the asset and liability approach to account for income taxes whereby deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The components of the deferred tax assets and liabilities are individually classified as current and non-current based on their characteristics.

Foreign Currency Translation

The assets and liabilities and results of operations of the Company's foreign subsidiaries are measured using the foreign subsidiary's local currency as the functional currency. Assets and liabilities have been translated into U.S. dollars using the rates of exchange at the balance sheet dates. The results of operations have been translated into U.S. dollars at average exchange rates prevailing during the period. The resulting translation gain and loss adjustments are recorded as a separate component of comprehensive income.

Transaction gains and losses from exchange rate fluctuations are included in the results of operations in the periods in which they occur. There were no material gains or losses from exchange rate fluctuations in 2012, 2011 or 2010.

Earnings Per Common Share

Basic earnings per common share is computed by dividing net income attributable to SEI Investments common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is computed by dividing net income attributable to SEI Investments common shareholders by the combination of the weighted average number of common shares outstanding and the dilutive potential common shares, such as stock options, outstanding during the period. The calculations of basic and diluted earnings per share for 2012, 2011, and 2010 are:

For the Year ended December 31, 2012	Net income attributable to SEI (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings per common share	$ 206,848	174,295	$ 1.19
Dilutive effect of stock options	—	1,577	
Diluted earnings per common share	$ 206,848	175,872	$ 1.18
For the Year ended December 31, 2011	**Net income attributable to SEI (Numerator)**	**Shares (Denominator)**	**Per-Share Amount**
Basic earnings per common share	$ 204,959	182,547	$ 1.12
Dilutive effect of stock options	—	1,580	
Diluted earnings per common share	$ 204,959	184,127	$ 1.11
For the Year ended December 31, 2010	**Net income attributable to SEI (Numerator)**	**Shares (Denominator)**	**Per-Share Amount**
Basic earnings per common share	$ 231,687	188,468	$ 1.23
Dilutive effect of stock options	—	1,853	
Diluted earnings per common share	$ 231,687	190,321	$ 1.22

Employee stock options to purchase approximately 13,202,000, 15,914,000, and 13,181,000 shares of common stock, with an average exercise price per share of $24.76, $23.07, and $23.79, were outstanding during 2012, 2011, and 2010, respectively, but not included in the computation of diluted earnings per common share because the option's exercise price was greater than the average market price of the Company's common stock and the effect on diluted earnings per common share would have been anti-dilutive (See Note 8).

Stock-Based Compensation

Stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is the vesting period. The Company uses historical data to estimate pre-vesting forfeitures and record stock-based compensation expense only for those awards that are expected to vest. The amount of stock-based compensation expense that is recognized in a given period is dependent upon management's estimate of when the vesting targets are expected to be achieved. If this estimate proves to be inaccurate, the remaining amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed (See Note 8).

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation.

Note 2 — Investment in Unconsolidated Affiliates

LSV Asset Management

The Company has an investment in the general partnership LSV Asset Management (LSV). LSV is a registered investment advisor that provides investment advisory services to institutions, including pension plans and investment companies. LSV is currently an investment sub-advisor for a limited number of SEI-sponsored mutual funds. The Company accounts for its interest in LSV using the equity method because of its less than 50 percent ownership. The Company's interest in the net assets of LSV is reflected in Investment in unconsolidated affiliates on the accompanying Consolidated Balance Sheets and its interest in the earnings of LSV is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations.

In March 2009, certain partners (the Contributing partners) of LSV, including the Company, designated a portion of their partnership interest for the purpose of providing an interest in the partnership to a select group of key employees. Until such time an interest in the partnership is issued to a key employee, all profits, losses, distributions and other rights and obligations relating to such unissued interests remains with the Contributing partners. Each issuance must be authorized by unanimous vote of all Contributing partners. In April 2012, the Contributing partners agreed to provide certain key employees an interest in LSV, thereby reducing the Company's interest in LSV from approximately 41.2 percent to approximately 39.8 percent.

At December 31, 2012, the Company's total investment in LSV was $68,716. The investment in LSV exceeded the underlying equity in the net assets of LSV by $3,280, of which $3,062 is considered goodwill embedded in the investment. The Company's proportionate share in the earnings of LSV was $99,989, $105,818 and $99,457 in 2012, 2011 and 2010, respectively. The Company receives partnership distributions from LSV on a quarterly basis. The Company received partnership distribution payments from LSV for $92,227, $109,273 and $93,302 in 2012, 2011 and 2010, respectively. The partnership distribution payment of $21,242 received in January 2010 is reflected in LSV and LSV Employee Group cash balances, net on the accompanying Consolidated Statement of Cash Flows.

These tables contain condensed financial information of LSV:

Condensed Statement of Operations

Year ended December 31,	**2012**	**2011**	**2010**
Revenues	**$ 296,261**	$ 296,397	$ 273,381
Net income	**$ 250,165**	$ 257,519	$ 239,981

Condensed Balance Sheets

December 31,	**2012**	**2011**
Current assets	**$ 145,367**	$ 136,601
Non-current assets	**3,120**	3,880
Total assets	**$ 148,487**	$ 140,481
Current liabilities	**$ 17,869**	$ 13,933
Partners' capital	**130,618**	126,548
Total liabilities and partners' capital	**$ 148,487**	$ 140,481

Guaranty Agreement with LSV Employee Group

LSV Employee Group is owned by several current employees of LSV and was formed for the sole purpose of owning a partnership interest in LSV. The Company does not own any interest in LSV Employee Group. In 2006, LSV Employee Group obtained financing from Bank of America, N.A. (Bank of America) and certain other lenders in the form of a term loan in the amount of $82,800 pursuant to the terms of a Credit Agreement. The Company agreed to provide a Guaranty Agreement to the lenders of all obligations of LSV Employee Group under the Credit Agreement. The Company's direct interest in LSV was unchanged as a result of this transaction.

In January 2011, LSV Employee Group and Bank of America agreed to amend the Credit Agreement and extend the maturity date of the loan from January 2011 to July 2012. The Company's obligations under the Guaranty Agreement remained in full force and effect with respect to the amended Credit Agreement. LSV Employee Group made the final principal payment of the term loan in October 2011 and the Company has no further obligation regarding the Guaranty Agreement.

Guaranty Agreement with LSV Employee Group II

In April 2011, a group of existing employees of LSV formed a new limited liability company, LSV Employee Group II, and agreed to purchase a partnership interest of an existing LSV employee for $4,300 of which $3,655 was financed through a new term loan with Bank of America. The Company provided an unsecured guaranty to the lenders of all the obligations of LSV Employee Group II. The lenders will have the right to seek payment from the Company in the event of a default by LSV Employee Group II. The term loan has a four year term and will be repaid from the quarterly distributions of LSV. LSV Employee Group II made principal payments of $1,031 and $458 during 2012 and 2011, respectively. As of December 31, 2012, the remaining unpaid principal balance of the term loan was $2,166. This amount is not reflected, nor is it required to be reflected, in the Company's Consolidated Balance Sheet at December 31, 2012.

The Company's direct interest in LSV was unchanged as a result of this transaction. The Company has determined that LSV Employee Group II is a VIE; however, the Company is not considered the primary beneficiary because it does not have the power to direct the activities that most significantly impact the economic performance of LSV Employee Group II either directly or through any financial responsibility from the guaranty.

As of January 31, 2013, the remaining unpaid principal balance of the term loan was $1,923. The Company, in its capacity as guarantor, currently has no obligation of payment relating to the term loan of LSV Employee Group II and, furthermore, fully expects that LSV Employee Group II will meet all of their future obligations regarding the term loan.

Guaranty Agreement with LSV Employee Group III

In October 2012, a group of existing employees of LSV formed a new limited liability company called LSV Employee Group III and agreed to purchase a portion of the partnership interest of three existing LSV employees for $77,700, of which $69,930 was financed through two syndicated term loan facilities contained in a credit agreement with The PrivateBank and Trust Company. LSV Employee Group III owns the purchased partnership interest. The Company provided an unsecured guaranty for $45,000 of the obligations of LSV Employee Group III to the lenders through a guaranty agreement. In addition, LSV agreed to provide an unsecured guaranty for the remaining $24,930 of the obligations of LSV Employee Group III to the lenders through a separate guaranty agreement. The loan facility guaranteed by LSV has a three year term and will be repaid from the quarterly distributions of LSV. LSV Employee Group III made no principal payments on the term loans during 2012.

With regard to the loan facility guaranteed by the Company, the lenders will have the right to seek payment from the Company in the event of a default by LSV Employee Group III. The loan facility has a five year term and will be repaid from the quarterly distributions of LSV. No principal payments will be made by LSV Employee Group III on the loan facility guaranteed by the Company until the separate loan facility guaranteed by LSV is fully repaid.

The Company's direct interest in LSV was unchanged as a result of this transaction. The Company has determined that LSV Employee Group III is a VIE; however, the Company is not considered the primary beneficiary because it does not have the power to direct the activities that most significantly impact the economic performance of LSV Employee Group III either directly or through any financial responsibility from the guaranty.

In January 2013, LSV Employee Group III made a principal payment of $2,367 related to the term loan guaranteed by LSV. As of January 31, 2013, the remaining unpaid principal balances of the term loans guaranteed by LSV and the Company were $22,563 and $45,000, respectively. The Company, in its capacity as guarantor, currently has no obligation of payment relating to the term loan of LSV Employee Group III and, furthermore, fully expects that LSV Employee Group III will meet all of their future obligations regarding the term loan.

Investment in Gao Fu Limited

The Company has an investment in Gao Fu Limited (Gao Fu), a wealth services firm based in Shanghai in the Republic of China. The Company accounts for its interest in Gao Fu using the equity method because of its less than 50 percent ownership. The Company's interest in the net assets of Gao Fu is reflected in Investment in unconsolidated affiliates on the accompanying Consolidated Balance Sheets and its interest in the earnings or losses of Gao Fu is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations.

At December 31, 2012, the Company's total investment in Gao Fu was $8,682. The majority of the Company's investment exceeded the underlying equity in the net assets of Gao Fu and is considered goodwill embedded in the investment. The Company's proportionate share in the losses of Gao Fu was $1,318 in 2012.

Note 3 — Variable Interest Entities — Investment Products

The Company has created numerous investment products for its clients in various types of legal entity structures. The Company serves as the Manager, Administrator and Distributor for these investment products and may also serve as the Trustee for some of the investment products. Clients are the equity investors and participate in proportion to their ownership percentage in the net income or loss and net capital gains or losses of the products, and, on liquidation, will participate in proportion to their ownership percentage in the remaining net assets of the products after satisfaction of outstanding liabilities.

An entity that lacks decision-making rights is a VIE. In some circumstances, the Manager or Trustee of the Company's investment products controls the governing decisions about the investment activities with respect to the ongoing operations of the investment products without the equity investors possessing the right to remove the Manager or Trustee. Therefore, the equity investors, as a group, do not have the ability to make decisions that have an impact on the ongoing activities of such investment products. Consequently, some of the Company's investment products have been determined to be VIEs at inception.

The VIEs are marketed with investment objectives to generate positive returns; however, the nature of such investments exposes the investors to the risk that the value of the VIEs may increase or decrease. The purpose and design of the VIEs are to achieve the investment objective by implementing strategies which are designed to minimize potential losses; however, there is no assurance given that these strategies will be successful.

The Company does not have a significant equity investment in any of the VIEs and does not have an obligation to enter into any guarantee agreements with the VIEs. The fees paid to the decision maker of a VIE are considered to be variable interests if the decision maker is not subject to substantive kick-out rights. The fees paid to the Company represent a variable interest when the decision maker is not subject to substantive kick-out rights.

The Company is not the primary beneficiary of the VIEs because the expected fees and the expected return on any investment into the VIE by the Company relative to the expected returns of the VIE to the equity investor holders does not approach 50 percent of the expected losses or gains of the VIEs. Therefore, the Company is not required to consolidate any investment products that are VIEs into its financial statements. The Company's variable interest in the VIEs, which consists of management fees and in some situations, seed capital, would not be considered a significant variable interest.

The risks to the Company associated with its involvement with any of the investment products that are VIEs are limited to the cash flows received from the revenue generated for asset management, administration and distribution services and any equity investments in the VIEs. Both of these items are immaterial. The Company has no other financial obligation to the VIEs.

Amounts relating to fees received from the VIEs included in Receivables and amounts relating to equity investments in the VIEs included in Investments Available for Sale on the Company's Consolidated Balance Sheets are immaterial to the total current assets of the Company.

Note 4 — Composition of Certain Financial Statement Captions

Receivables

Receivables on the accompanying Consolidated Balance Sheets consist of:

	2012	2011
Trade receivables	**$ 46,650**	$ 37,822
Fees earned, not billed	**116,019**	92,916
Other receivables	**9,870**	12,295
	172,539	143,033
Less: Allowance for doubtful accounts	**(805)**	(924)
Receivables, net	**$ 171,734**	$ 142,109

Fees earned, not billed represents receivables earned but unbilled and results from timing differences between services provided and contractual billing schedules. These billing schedules generally provide for fees to be billed on a quarterly basis. In addition, certain fees earned from investment operations services are determined from security valuations which delay billings to clients.

Receivables from regulated investment companies on the accompanying Consolidated Balance Sheets primarily represent fees receivable for distribution, investment advisory, and administration services to various regulated investment companies sponsored by SEI (See Note 14).

Property and Equipment

Property and Equipment on the accompanying Consolidated Balance Sheets consists of:

	2012	2011
Buildings	**$ 137,751**	$ 136,949
Equipment	**66,167**	64,256
Land	**9,929**	9,929
Purchased software	**91,468**	77,971
Furniture and fixtures	**18,535**	17,999
Leasehold improvements	**5,037**	4,558
Construction in progress	**112**	339
	328,999	312,001
Less: Accumulated depreciation	**(201,418)**	(182,453)
Property and Equipment, net	**$ 127,581**	$ 129,548

Depreciation expense related to property and equipment for 2012, 2011, and 2010 was $22,586, $21,471, and $21,902, respectively.

Other Assets

Other assets consist of long-term prepaid expenses, deposits, other investments at cost and various other assets. Amortization expense for certain other assets for 2012, 2011, and 2010 was $611, $1,135 and $995, respectively.

The Company recognized gains of $3,072 in 2010 due to the sale of its entire ownership interest in a small, private company that was involved in a merger. The Company's investment in the firm had been accounted for under the cost basis. The gain is reflected in Net gain on investments on the accompanying Consolidated Statements of Operations.

Accrued Liabilities

Accrued Liabilities on the accompanying Consolidated Balance Sheets consist of:

	2012	2011
Accrued employee compensation	**$ 63,996**	$ 48,112
Accrued employee benefits and other personnel	**7,299**	5,408
Accrued consulting, outsourcing and professional fees	**16,676**	17,477
Accrued brokerage fees	**5,733**	8,665
Accrued sub-advisory, distribution and other asset management fees	**17,548**	17,091
Accrued dividend payable	**—**	26,518
Other accrued liabilities	**27,053**	23,773
Accrued liabilities	**$ 138,305**	$ 147,044

Note 5 — Fair Value Measurements

The fair value of the Company's financial assets and liabilities is determined in accordance with the fair value hierarchy. The fair value of the Company's Level 1 financial assets consist mainly of investments in equities and mutual funds that are quoted daily. Level 2 financial assets consist of Government National Mortgage Association (GNMA) mortgage-backed pass-through certificates, Federal Home Loan Bank (FHLB) and other U.S. government agency short-term notes and investment grade commercial paper. The Company's Level 3 financial assets primarily consisted of senior note obligations issued by SIVs. In November 2012, the Company sold its remaining SIV security, the Gryphon senior note, and recognized a gain of $5,322 from the sale. As of December 31, 2012, the Company no longer owns any SIV securities.

The Company had no Level 3 financial liabilities at December 31, 2012 or 2011. There were no transfers of financial assets between levels within the fair value hierarchy during 2012 or 2011.

Valuation of GNMA, Other U.S. Government Agency Securities and Investment Grade Commercial Paper
All of the Company's investments in GNMA, other U.S. government agency securities and investment grade commercial paper are held in accounts at well-established financial institutions. The Company's selection of a financial institution for the purpose of purchasing securities considered a number of various factors including, but not limited to, securities pricing policies and procedures utilized by that financial institution. Each financial institution utilizes the services of independent pricing vendors. These vendors utilize evaluated and industry accepted pricing models that vary by asset class and incorporate available trade, bid and other market information to determine the fair value of the securities. The market inputs, listed in approximate order of priority, include: benchmark yields, reported trade, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data. The Company evaluated the information regarding the pricing methodologies and processes utilized by the independent pricing vendors during the selection process of the financial institution. The Company analyzed this information for the purpose of classifying the securities into the appropriate level within the fair value hierarchy and to ensure that each pricing model for each asset class provided the fair value of those specific securities in accordance with generally accepted accounting principles. The Company continually monitors the price of each security for any unanticipated deviations from the previously quoted price or deviations from anticipated changes in a security's price based upon an assessment of market factors and other factors relative to a specific issue expected to affect a security's price. In the event a security price changed in excess of management's pre-established tolerance levels, additional analysis is conducted which may include the comparison of the security's price as determined by other independent pricing vendors. The Company's investments in GNMA, other U.S. government agency securities and investment grade commercial paper have been recorded at the prices provided by the independent pricing vendor without adjustment.

Valuation of SIV Securities
The underlying collateral of the SIV securities is mainly comprised of asset-backed securities and collateralized debt obligations. The Company utilizes the services of an independent firm that specializes in securities valuations to assist in determining the fair value of the SIV security owned. The Company's selection of the independent valuation firm was based upon a review of their modeling techniques and assumptions utilized within their models for each asset class rather than at a specific security level. Management also considered the reputation of the valuation firm and their expertise associated with SIV securities and other types of illiquid securities. Finally, management confirmed prior to selection of the valuation firm that the estimated fair value conformed to generally accepted accounting principles. On a quarterly basis, management evaluates a detailed description of the modeling techniques and types of inputs used for each major asset class which is reviewed to ensure consistent application since the initial selection of the valuation firm. Additionally, management receives the estimated fair value of each individual security that comprises the underlying collateral which is compared to the previous quarter's estimated fair value to identify and discuss significant fluctuations with the valuation firm.

The model used by the independent valuation firm to determine the fair value of the SIV security attempts to value the underlying collateral of the SIV security through the use of industry accepted and proprietary valuation techniques and models. This approach combines advanced analytics with real-time market information that incorporate structural and fundamental analysis, collateral characteristics and recent market developments. Each security that makes up the underlying collateral is specifically identified by its CUSIP or ISIN number and is analyzed by using observable collateral characteristics and credit statistics in order to project future performance and expected cash flows for each individual security. The projected cash flows incorporate assumptions and expectations based upon the foregoing analysis of the collateral characteristics such as, but not limited to, default probabilities, recovery rates, prepayment speeds and loss severities. Expected future cash flows are discounted at an appropriate yield derived from the individual security, structural and collateral characteristics, trading levels and other available market data. Different modeling techniques and associated inputs and assumptions may be used to project future cash flows for each security depending upon the asset classification of that individual security (i.e. residential mortgage-backed security, commercial mortgage-backed security, collateralized debt obligations, etc.). The aggregate value of the discounted cash flows of the underlying collateral is compared to the

total remaining par value of the collateral to determine the expected recovery price, or fair value, of the remaining note obligations. Other factors may be considered that are specific to the SIV security that may affect the fair value of the SIV security.

Management also considered, when available, price quotes from brokers and dealers. If a price quote was available, management compared this number to the fair value derived from the valuation model of the independent firm giving consideration to other market factors and risk premiums. In the event a market transaction did exist for a SIV security, management evaluated the publicly available information surrounding the transaction in order to assess if the price used represented the fair value for the SIV security. Given the lack of any significant trading activity for the SIV security owned by the Company, management concluded that market prices did not represent the security's implied fair value.

The fair value of certain financial assets and liabilities of the Company was determined using the following inputs:

December 31, 2012	Fair Value Measurements at Reporting Date Using			
Assets	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Equity available-for-sale securities	$ 15,926	$ 15,926	$ —	$ —
Fixed-income available-for-sale securities	59,943	—	59,943	—
Fixed income securities owned	20,088	—	20,088	—
Trading securities	5,909	4,706	—	1,203
	$ 101,866	$ 20,632	$ 80,031	$ 1,203

December 31, 2011	Fair Value Measurements at Reporting Date Using			
Assets	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Equity available-for-sale securities	$ 8,010	$ 8,010	$ —	$ —
Fixed-income available-for-sale securities	74,998	—	74,998	—
Fixed income securities owned	20,949	—	20,949	—
Trading securities	56,325	3,702	—	52,623
	$ 160,282	$ 11,712	$ 95,947	$ 52,623

The table below presents a reconciliation for all assets and liabilities of the Company measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from January 1, 2011 to December 31, 2012:

	Trading Securities
Balance, January 1, 2011	$ 100,645
Purchases	1,215
Issuances	—
Principal prepayments and settlements	(17,921)
Sales	(34,706)
Total gains or (losses) (realized/unrealized):	
Included in earnings	3,390
Included in other comprehensive income	—
Transfers in and out of Level 3	—
Balance, December 31, 2011	$ 52,623
Purchases	13
Issuances	—
Principal prepayments and settlements	(10,728)
Sales	(53,920)
Total gains or (losses) (realized/unrealized):	
Included in earnings	13,215
Included in other comprehensive income	—
Transfers in and out of Level 3	—
Balance, December 31, 2012	$ 1,203

Note 6 — Marketable Securities

Investments Available For Sale

Investments available for sale classified as non-current assets consist of:

	At December 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SEI-sponsored mutual funds	$ 12,953	$ 376	$ (13)	$ 13,316
Equities and other mutual funds	2,610	—	—	2,610
Debt securities	55,923	4,020	—	59,943
	$ 71,486	$ 4,396	$ (13)	$ 75,869

	At December 31, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SEI-sponsored mutual funds	$ 8,243	$ 48	$ (360)	$ 7,931
Other mutual funds	69	10	—	79
Debt securities	70,604	4,394	—	74,998
	$ 78,916	$ 4,452	$ (360)	$ 83,008

Net unrealized holding gains at December 31, 2012 and 2011 were $2,829 (net of income tax expense of $1,554) and $2,574 (net of income tax expense of $1,518), respectively. These net unrealized gains are reported as a separate component of Accumulated other comprehensive income on the accompanying Consolidated Balance Sheets.

There were no material gross realized gains or losses from available-for-sale securities during 2012, 2011 and 2010. Gains and losses from available-for-sale securities are reflected in Net gain from investments on the accompanying Consolidated Statements of Operations.

The Company's debt securities are issued by the Government National Mortgage Association and are backed by the full faith and credit of the U.S. government. These securities were purchased to satisfy applicable regulatory requirements of SPTC and have maturity dates which range from 2020 to 2041.

Trading Securities
Trading securities of the Company consist of:

	At December 31, 2012			
	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
LSV-sponsored mutual funds	$ 2,049	$ 2,657	$ —	$ 4,706
Other investments	1,228	—	(25)	1,203
	$ 3,277	$ 2,657	$ (25)	$ 5,909

	At December 31, 2011			
	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SIV securities	$ 146,363	$ —	$ (94,955)	$ 51,408
LSV-sponsored mutual funds	2,049	1,653	—	3,702
Other investments	1,215	—	—	1,215
	$ 149,627	$ 1,653	$ (94,955)	$ 56,325

The Company records all of its trading securities on the accompanying Consolidated Balance Sheets at fair value. Unrealized gains and losses from the change in fair value of these securities are recognized in Net gain from investments on the accompanying Consolidated Statements of Operations.

During 2012, 2011 and 2010, the Company recognized net gains from SIV securities of $13,240, $3,390 and $44,247 respectively. Of the net gains recognized during 2012, gains of $6,776 resulted from cash payments received from the SIV securities and $1,142 was from a net increase in fair value. In November 2012, the Company sold the senior notes issued by Gryphon and recognized a gain of $5,322 from the sale. The Company no longer owns any SIV securities.

During 2011, the Company recognized gains from SIV securities of $3,390, of which $10,614 resulted from cash payments received from the SIV securities offset by losses of $7,224 which resulted from a decrease in fair value at December 31, 2011. In January 2011, the Company sold the senior note issued by Stanfield Victoria. There was no gain or loss recognized by the Company from the sale of the note as the fair value of the Stanfield Victoria note at December 31, 2010 was not different than the sale price received.

During 2010, the Company recognized gains from SIV securities of $44,247, of which $27,510 resulted from cash payments received from the SIV securities and $16,460 was from a net increase in fair value at December 31, 2010. The net gains from the SIV securities are reflected in Net gain from investments on the accompanying Consolidated Statements of Operations.

The Company has an investment related to the startup of mutual funds sponsored by LSV. These are U.S. dollar denominated funds that invests primarily in securities of Canadian, Australian and Japanese companies as well as various other global securities. The underlying securities held by the funds are translated into U.S. dollars within the funds. Net gains from the change in fair value of the funds were $1,004 during 2012. There were no material net gains or losses from the change in fair value of the funds during 2011.

Securities Owned
The Company's broker-dealer subsidiary, SIDCO, has investments in U.S. government agency and commercial paper securities with maturity dates less than one year. These investments are reflected as Securities owned on the accompanying Consolidated Balance Sheets. Due to specialized accounting practices applicable to investments by broker-dealers, the securities are reported at fair value and changes in fair value are recorded in current period earnings. The securities had a fair value of $20,088 and $20,949 at December 31, 2012 and 2011, respectively. There were no material net gains or losses from the change in fair value of the securities during 2012 and 2011.

Note 7 — Lines of Credit

On February 2, 2012 (the Closing Date), the Company entered into a new five-year $300,000 Credit Agreement (the Credit Facility) with Wells Fargo Bank, National Association, and a syndicate of other lenders. The Credit Facility became available on the Closing Date and is scheduled to expire in February 2017, at which time any aggregate principal amount of loans outstanding becomes payable in full. Any borrowings made under the Credit Facility will accrue interest at 1.250 percent above the London Interbank Offer Rate (LIBOR). There is also a commitment fee equal to 0.150 percent per annum on the daily unused portion of the facility. The aggregate amount of the Credit Facility may be increased by an additional $100,000 under certain conditions set forth in the agreement. The Credit Facility contains covenants that restrict the ability of the Company to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the Credit Facility, the Company would also be restricted from paying dividends on, or repurchasing, its common stock without the approval of the lenders. None of the covenants of the Credit Facility negatively affect the Company's liquidity or capital resources. Both the interest rate and commitment fee prices may increase if the Company's leverage ratio reaches certain levels. Upon the occurrence of certain financial or economic events, significant corporate events, or certain other events of default constituting an event of default under the Credit Facility, all loans outstanding may be declared immediately due and payable and all commitments under the Credit Facility may be terminated. The Company had no borrowings through the Credit Facility at December 31, 2012. The Company was in compliance with all covenants of the Credit Facility at December 31, 2012.

Prior to entering into the Credit Facility, the Company maintained a $300,000 revolving line of credit through a Credit Agreement, as amended, with JPMorgan Chase Bank, N.A. and a syndicate of other lenders (the 2007 Credit Facility). Outstanding borrowings under the 2007 Credit Facility accrued interest at 0.450 percent above LIBOR. There was also a commitment fee equal to 0.09 percent per annum on the daily unused portion of the facility charged to the Company. The 2007 Credit Facility, as amended, contained covenants that restricted the ability of the Company to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. The Company had no borrowings through the 2007 Credit Facility at December 31, 2011. None of the covenants of the 2007 Credit Facility negatively affected the Company's liquidity or capital resources.

The Company made principal payments of $95,000 and $138,000 during 2011 and 2010 to repay the remaining outstanding balance of the 2007 Credit Facility.

The Company had no borrowings from the Credit Facility during 2012. The average rates applied to the 2007 Credit Facility during 2011 and 2010 were 0.68 percent and 0.77 percent, respectively. The Company incurred $471, $585 and $1,478 in interest charges and commitment fees relating to all lines of credit during 2012, 2011 and 2010, respectively, which are reflected in Interest expense on the accompanying Consolidated Statements of Operations.

The Company's Canadian subsidiary has a credit facility agreement (the Canadian Credit Facility) for the purpose of facilitating the settlement of mutual fund transactions. The Canadian Credit Facility has no stated expiration date. The amount of the facility is generally limited to $2,000 Canadian dollars or the equivalent amount in U.S. dollars. The Canadian Credit Facility does not contain any covenants which restrict the liquidity or capital resources of the Company. The Company had no borrowings under the Canadian Credit Facility and was in compliance with all covenants during 2012.

Note 8 — Shareholders' Equity

Stock-Based Compensation

The Company currently has one active equity compensation plan, the 2007 Equity Compensation Plan (the 2007 Plan), which provides for the grant of incentive stock options, non-qualified stock options and stock appreciation rights with respect to up to 20 million shares of common stock of the Company, subject to adjustment for stock splits, reclassifications, mergers and other events. Permitted grantees under the 2007 Plan include employees, non-employee directors and consultants who perform services for the Company. The plan is administered by the Compensation Committee of the Board of Directors of the Company. The Company has only granted non-qualified stock options under the plan.

The Company discontinued any further grants under the Company's 1998 Equity Compensation Plan (the 1998 Plan) as a result of the approval of the 2007 Plan. There are no options available for grant from this plan. Grants made from the 1998 Plan continue in effect under the terms of the grant.

All outstanding stock options have performance-based vesting provisions that tie the vesting of stock options to the Company's financial performance. The Company's stock options vest at a rate of 50 percent when a specified diluted earnings per share target is achieved, and the remaining 50 percent when a second, higher specified diluted earnings per share target is achieved. Stock options granted prior to 2006 fully vest after 7 years from the date of grant. Beginning in 2006, the 7 year vesting trigger was eliminated and,

as a result, options do not vest due to the passage of time but solely as a result of achievement of the financial vesting targets. Earnings per share targets are calculated exclusive of stock-based compensation expense, net of tax. The diluted earnings per share targets are established at time of grant and are measured annually on December 31. The amount of stock-based compensation expense is based upon management's estimate of when the earnings per share targets may be achieved. If management's estimate of the attainment of the earnings per share targets proves to be inaccurate, the remaining amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed. This may cause volatility in the recognition of stock-based compensation expense in future periods and could materially affect the Company's net income and net income per share.

The Company uses the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock options on the date of grant using an option-pricing model is affected by the price of the Company's common stock as well as other variables. These variables include expected stock price volatility over the term of the awards, actual and projected employee stock exercise behaviors, risk-free interest rate and expected dividends. The Company primarily uses historical data to estimate the variables used in the option-pricing model except expected volatility. The Company uses a combination of historical and implied volatility. The Company estimates forfeitures at the time of grant and may revise those estimates in subsequent periods if actual forfeitures differ from those estimates. The Company uses historical data to estimate pre-vesting forfeitures and record stock-based compensation expense only for those awards that are expected to vest. Stock-based compensation is amortized over the requisite service periods of the awards, which are generally the vesting periods.

The weighted average fair value of the Company's stock options granted during 2012, 2011 and 2010 were $6.73, $5.70 and $9.65, respectively, using the following assumptions:

	2012	**2011**	**2010**
Expected term (in years)	**6.75**	7.65	7.45
Expected volatility	**34.90%**	40.43%	36.35%
Expected dividend yield	**1.46%**	1.90%	0.84%
Risk-free interest rate	**1.03%**	1.66%	3.01%

The Company recognized stock-based compensation expense in its Consolidated Financial Statements in 2012, 2011 and 2010 as follows:

	2012	**2011**	**2010**
Stock-based compensation expense	**$ 15,736**	$ 14,112	$ 26,783
Less: Deferred tax benefit	**(5,650)**	(5,332)	(10,068)
Stock-based compensation expense, net of tax	**$ 10,086**	$ 8,780	$ 16,715

During 2010, the Company revised its estimates of when some vesting targets are expected to be achieved. These changes in management's estimates resulted in an increase of $11,663 in stock-based compensation expense in 2010. Additionally, during the three months ended September 30, 2010, the Company reversed $6,375 of previously-recognized stock-based compensation costs pertaining to option grants which management does not expect to vest. Management does not expect to recognize any compensation cost associated with these option grants. As of December 31, 2010, these option grants have an unrecognized compensation cost of $27,460.

As of December 31, 2012, there was approximately $50,264 of unrecognized compensation cost remaining, adjusted for estimated forfeitures, related to unvested employee stock options that the Company expects will vest and is being amortized.

This table presents certain information relating to the Company's stock option plans for 2012, 2011, and 2010:

	Number of Shares		Weighted Avg. Price
Balance as of December 31, 2009	28,964,000	$	20.09
Granted	2,883,000		23.84
Exercised	(1,633,000)		16.04
Expired or canceled	(2,333,000)		23.68
Balance as of December 31, 2010	27,881,000	$	20.42
Granted	2,534,000		15.77
Exercised	(1,364,000)		16.37
Expired or canceled	(2,008,000)		22.07
Balance as of December 31, 2011	27,043,000	$	20.06
Granted	2,470,000		22.40
Exercised	(3,136,000)		15.19
Expired or canceled	(767,000)		22.61
Balance as of December 31, 2012	25,610,000	$	20.81
Exercisable as of December 31, 2012	9,760,000	$	18.11
Available for future grant as of December 31, 2012	2,569,000		

As of December 31, 2011 and 2010, there were 11,680,000 and 14,247,000 shares exercisable, respectively. The expiration dates for options outstanding at December 31, 2012 range from December 16, 2013 to December 11, 2022 with a weighted average remaining contractual life of 5.9 years.

Upon exercise of stock options, the Company will issue new shares of its common shares. The Company does not hold any shares in treasury. The total intrinsic value of options exercised during 2012 and 2011 was $19,565 and $8,642, respectively. The total options exercisable as of December 31, 2012 had an intrinsic value of $51,087. The total options outstanding as of December 31, 2012 had an intrinsic value of $64,823. The total intrinsic value for options outstanding and options exercisable is calculated as the difference between the market value of the Company's common stock as of December 31, 2012 and the exercise price of the shares. The market value of the Company's common stock as of December 31, 2012 was $23.34 as reported by the Nasdaq Stock Market, LLC.

This table summarizes information relating to all options outstanding and exercisable at December 31, 2012:

	Options Outstanding at December 31, 2012			Options Exercisable at December 31, 2012		
Range of Exercise Prices (Per Share)	Number of Shares	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Contractual Life (Years)	Number of Shares	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Contractual Life (Years)
$14.62 – 15.52	5,065,000	$ 14.69	4.36	3,153,000	$ 14.73	3.36
15.77 – 17.65	5,999,000	16.87	7.81	1,647,000	17.63	6.92
18.00 – 21.55	4,981,000	20.37	2.57	4,945,000	20.39	2.51
22.45 – 23.86	5,143,000	23.19	8.94	—	—	—
27.03 – 32.49	4,422,000	30.88	4.46	15,000	27.03	4.00
	25,610,000			9,760,000		

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 15,600,000 shares for issuance under this plan. At December 31, 2012, 11,580,000 cumulative shares have been issued. There were no material costs incurred by the Company related to the employee stock purchase plan in 2012, 2011 and 2010.

Common Stock Buyback

The Board of Directors, under multiple authorizations, has authorized the purchase of the Company's common stock on the open market or through private transactions. As of December 31, 2012, the Company had approximately $91,012 of authorization remaining

for the purchase of common stock. The following table provides the total number of shares repurchased and the related total costs in 2012, 2011 and 2010:

Year	Total Number of Shares Repurchased	Total Cost
2012	**7,528,000**	**$ 155,264**
2011	11,109,000	211,165
2010	5,814,000	120,982

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.

Rights Agreement

In December 2008, the Company's Board of Directors declared a dividend distribution pursuant to a Rights Agreement (the Rights Agreement) which became effective on January 6, 2009. The purpose of the Rights Agreement is to deter coercive or unfair takeover tactics and to prevent a person or group (an Acquiring Person) from acquiring control of the Company without offering a fair price to all shareholders. Under the Rights Agreement, all common shareholders receive one Right for each common share outstanding. Each Right entitles the registered holder to purchase from the Company a unit consisting of one twenty-thousandths of a share of Series A Junior Participating Preferred Shares, $0.05 par value per share, or a combination of securities and assets of equivalent value, at a purchase price of $150.00 per unit, subject to adjustment. The Rights will become exercisable and trade separately from the common stock ten days following a public announcement that an Acquiring Person has beneficial ownership of more than 20 percent of the outstanding common stock of the Company or the commencement of a tender or exchange offer that would result in an Acquiring Person owning 20 percent or more of the outstanding common stock of the Company. Upon exercise, holders, other than an Acquiring Person, will have the right to purchase the common stock of the Company equal to twice the value of the exercise price of the Rights. In lieu of requiring payment of the purchase price upon exercise of the Rights following certain events, the Company may permit the holders simply to surrender the Rights, in which event they will be entitled to receive common shares and other property, as the case may be, with a value of 50 percent of what could be purchased by payment of the full purchase price. The Rights, which do not have voting rights, will expire on January 6, 2019, and may be redeemed by the Company any time until ten days following the announcement of an Acquiring Person at a price of $0.01 per Right.

Cash Dividends

On May 23, 2012, the Board of Directors declared a cash dividend of $0.15 per share on the Company's common stock, which was paid on June 26, 2012, to shareholders of record on June 18, 2012. On December 11, 2012, the Board of Directors declared a cash dividend of $0.16 per share on the Company's common stock, which was paid on December 28, 2012, to shareholders of record on December 21, 2012. Also on December 11, 2012, the Board of Directors declared a special cash dividend of $0.32 per share in the Company's common stock, which was paid on December 28, 2012 to shareholders of record on December 21, 2012.

The cash dividends declared in 2012, 2011, and 2010 were $108,817, $48,558, and $37,513 respectively. The Board of Directors has indicated its intention to declare future cash dividends on a semiannual basis.

Noncontrolling Interest

The following table provides a reconciliation of Noncontrolling interest on the Consolidated Statements of Changes in Equity:

Year Ended December 31,	2012	2011	2010
Noncontrolling interest			
Beginning balance	**$ 16,143**	$ 15,155	$ 121,895
Net income attributable to noncontrolling interest	**1,186**	1,691	1,633
Foreign currency translation adjustments	**1,820**	(703)	685
Deconsolidation of LSV	**—**	—	(65,522)
Deconsolidation of LSV Employee Group	**—**	—	(43,536)
Ending balance	**$ 19,149**	$ 16,143	$ 15,155

Note 9 — Accumulated Comprehensive Income (Loss)

Comprehensive income consists of net income and other gains and losses affecting shareholders' equity that are excluded from net income. For the Company, comprehensive income includes unrealized gains and losses on available for sale securities and foreign currency translation adjustments. The Company presents comprehensive income in its Consolidated Statements of Comprehensive Income. Components of Accumulated other comprehensive income (loss) consisted of:

	Foreign Currency Translation Adjustments	Unrealized Holding Gains (Losses) On Investments	Accumulated Other Comprehensive Income (Loss)
Total accumulated comprehensive income (loss) at January 1, 2010	(1,053)	960	(93)
Less: Total accumulated comprehensive loss attributable to noncontrolling interest at January 1, 2010	1,351	—	1,351
Total accumulated comprehensive income attributable to SEI Investments Company at January 1, 2010	$ 298	$ 960	$ 1,258
Total comprehensive income	2,205	379	2,584
Less: Total comprehensive income attributable to noncontrolling interest	(685)	—	(685)
Total comprehensive income attributable to SEI Investments Company	$ 1,520	$ 379	$ 1,899
Total accumulated comprehensive income at December 31, 2010	1,152	1,339	2,491
Less: Total accumulated comprehensive loss attributable to noncontrolling interest at December 31, 2010	666	—	666
Total accumulated comprehensive income attributable to SEI Investments Company at December 31, 2010	$ 1,818	$ 1,339	$ 3,157
Total comprehensive loss	(3,195)	1,235	(1,960)
Less: Total comprehensive loss attributable to noncontrolling interest	703	—	703
Total comprehensive loss attributable to SEI Investments Company	$ (2,492)	$ 1,235	$ (1,257)
Total accumulated comprehensive income at December 31, 2011	(2,043)	2,574	531
Less: Total accumulated comprehensive loss attributable to noncontrolling interest at December 31, 2011	1,369	—	1,369
Total accumulated comprehensive income attributable to SEI Investments Company at December 31, 2011	$ (674)	$ 2,574	$ 1,900
Total comprehensive income	5,904	255	6,159
Less: Total comprehensive income attributable to noncontrolling interest	(1,820)	—	(1,820)
Total comprehensive income attributable to SEI Investments Company	$ 4,084	$ 255	$ 4,339
Total accumulated comprehensive income at December 31, 2012	3,861	2,829	6,690
Less: Total accumulated comprehensive income attributable to noncontrolling interest at December 31, 2012	(451)	—	(451)
Total accumulated comprehensive income attributable to SEI Investments Company at December 31, 2012	$ 3,410	$ 2,829	$ 6,239

Note 10 — 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 $5,168, $4,783, and $4,496 to the Plan in 2012, 2011, and 2010, respectively.

Note 11 — Commitments and Contingencies

The Company leases certain of its facilities, data processing equipment, and software under non-cancelable operating leases, some which contain escalation clauses for increased taxes and operating expenses. The Company has entered into maintenance agreements primarily for its data processing equipment. Rent expense was $21,614, $19,760, and $17,210 in 2012, 2011, and 2010, respectively.

The aggregate noncancellable minimum commitments at December 31, 2012 are:

2013	$	15,138
2014		6,283
2015		2,807
2016		2,170
2017 and thereafter		9,193
	$	35,591

In the ordinary course of business, the Company from time to time enters into contracts containing indemnification obligations of the Company. These obligations may require the Company to make payments to another party upon the occurrence of certain events including the failure by the Company to meet its performance obligations under the contract. These contractual indemnification provisions are often standard contractual terms of the nature customarily found in the type of contracts entered into by the Company. In many cases, there are no stated or notional amounts included in the indemnification provisions. There are no amounts reflected on the Consolidated Balance Sheets as of December 31, 2012 and 2011 related to these indemnifications.

In the normal course of business, the Company is party to various claims and legal proceedings.

One of SEI's principal subsidiaries, SIDCO, has been named as a defendant in certain putative class action complaints (the Complaints) related to leveraged exchange traded funds (ETFs) advised by ProShares Advisors, LLC. The first complaint was filed on August 5, 2009 and the subsequent cases were all consolidated in the Southern District of New York. The Complaints are purportedly made on behalf of all persons that purchased or otherwise acquired shares in various ProShares leveraged ETFs pursuant or traceable to allegedly false and misleading registration statements, prospectuses and statements of additional information. The Complaints name as defendants ProShares Advisors, LLC; ProShares Trust; ProShares Trust II, SIDCO, and various officers and trustees to ProShares Advisors, LLC; ProShares Trust and ProShares Trust II. The Complaints allege that SIDCO was the distributor and principal underwriter for the various ProShares leveraged ETFs that were distributed to authorized participants and ultimately shareholders. The Complaints allege that the registration statements for the ProShares ETFs were materially false and misleading because they failed adequately to describe the nature and risks of the investments and claim that SIDCO is liable for these purportedly material misstatements and omissions under Section 11 of the Securities Act of 1933. Defendants moved to dismiss the amended complaint filed by plaintiffs, and on September 7, 2012, the District Court for the Southern District of New York issued an opinion dismissing with prejudice the plaintiffs' amended complaint. Plaintiffs filed with the Second Circuit Court of Appeals a notice of appeal of the District Court's decision. Plaintiffs-appellants filed their brief on December 17, 2012 and later filed a corrected brief on January 3, 2013. The brief of defendants-appellees was filed on February 1, 2013. While the outcome of this litigation is uncertain given its early phase, SEI believes that it has valid defenses to plaintiffs' claims and intends to defend the lawsuits vigorously.

SEI has been named in six lawsuits filed in Louisiana. Five lawsuits were filed in the 19th Judicial District Court for the Parish of East Baton Rouge, State of Louisiana. One of the five actions purports to set forth claims on behalf of a class and also names SPTC as a defendant and, as described below, was certified as a class in December 2012. Two of the other actions also name SPTC as a defendant. All five actions name various defendants in addition to SEI, and, in all five actions, the plaintiffs purport to bring a cause of action under the Louisiana Securities Act. The class action originally included a claim against SEI and SPTC for an alleged violation of the Louisiana Unfair Trade Practices Act. Two of the other five actions include claims for violations of the Louisiana Racketeering Act and possibly conspiracy. In addition, another group of plaintiffs have filed a lawsuit in the 23rd Judicial District Court for the Parish of Ascension, State of Louisiana, against SEI and SPTC and other defendants asserting claims of negligence, breach of contract, breach of fiduciary duty, violations of the uniform fiduciaries law, negligent misrepresentation, detrimental reliance, violations of the Louisiana Securities Act and Louisiana Racketeering Act and conspiracy. The underlying allegations in all the actions are purportedly related to the role of SPTC in providing back-office services to Stanford Trust Company. The petitions allege that SEI and SPTC aided and abetted or otherwise participated in the sale of "certificates of deposit" issued by Stanford International Bank. Two of the five actions filed in East Baton Rouge were removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to United States District Court for the Northern District of Texas. On August 31, 2011, the United States District Court for the Northern District of Texas issued an order and judgment that the causes of action alleged against SEI in the two removed actions were preempted by federal law and the Court dismissed these cases with prejudice. Plaintiffs appealed this ruling, and on March 19, 2012, a panel of the Court of Appeals for the Fifth Circuit reversed the decision of the United States District Court and remanded the actions for further proceedings. On July 18, 2012, SEI filed a petition for certiorari in the United States Supreme Court, seeking review of the decision by the United States Court of Appeals for the Eleventh Circuit to permit the claims against SEI to proceed. The Company believes that the trial court correctly concluded that the claims against SEI were barred by the federal Securities Litigation Uniform Standards Act and is requesting that the Supreme Court reinstate that dismissal. On January 18, 2013, the Supreme Court granted the petition for certiorari, and the Court will consider the case in the fall of this year.

SEI and SPTC filed exceptions in the class action pending in East Baton Rouge, which the Court granted in part and dismissed the claims under the Louisiana Unfair Trade Practices Act and denied in part as to the other exceptions. SEI and SPTC filed an answer to the East Baton Rouge class action; plaintiffs filed a motion for class certification; and SEI and SPTC also filed a motion for summary judgment against certain named plaintiffs which the Court stated will not be set for hearing until after the hearing on the class certification motion. The Court in the East Baton Rouge action held a hearing on class certification on September 20, 2012. By oral decision on December 5, 2012 and later entered in a judgment signed on December 17, 2012 that was subsequently amended, the Court in East Baton Rouge certified a class to be composed of persons who purchased any Stanford International Bank certificates of deposit ("SIB CDs") in Louisiana between January 1, 2007 and February 13, 2009; persons who renewed any SIB CD in Louisiana between January 1, 2007 and February 13, 2009; or any person for whom the Stanford Trust Company purchased SIB CDs in Louisiana between January 1, 2007 and February 13, 2009. On January 30, 2013, SEI and SPTC filed motions for appeal from the judgments that stated SEI's and SPTC's intention to move to stay the litigation. On February 1, 2013, plaintiffs filed a Motion for Leave to File First Amended and Restated Class Action Petition in which they ask the Court to allow them to amend the petition in this case to add additional facts that were developed during discovery and adding claims against certain of SEI's insurance carriers. On February 5, 2013, the Court granted two of the motions for appeal and the motion for leave to amend. While the outcome of this litigation is uncertain given its early phase, SEI and SPTC believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuits vigorously.

The case filed in Ascension Parish was also removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to the Northern District of Texas. The schedule for responding to that complaint has not yet been established. The plaintiffs in the remaining two cases in East Baton Rouge have granted SEI an extension to respond to the filings.

Because of the uncertainty of the make-up of the classes, the outcome of the proceeding in the U.S. Supreme Court, the specific theories of liability that may survive a motion for summary judgment or other dispositive motion, the lack of discovery regarding damages, causation, mitigation and other aspects that may ultimately bear upon loss, the Company is not reasonably able to provide an estimate of loss, if any, with respect to the foregoing lawsuits.

Note 12 — Income Taxes

The federal and state and foreign income tax provision is summarized as follows:

Year Ended December 31,	2012	2011	2010
Current			
Federal	**$ 112,247**	$ 99,448	$ 116,388
State	**5,284**	7,067	8,698
Foreign	**4,511**	4,603	3,365
	122,042	111,118	128,451
Deferred, including current deferred			
Federal	**(2,708)**	(2,317)	6,085
State	**(2,199)**	2,477	1,509
Foreign	**3,970**	6	—
	(937)	166	7,594
Income taxes attributable to the Noncontrolling interest	**357**	553	416
Total income taxes	**$ 121,462**	$ 111,837	$ 136,461

Annual tax provisions include amounts considered sufficient to pay assessments that may result from examination of prior year tax returns; however, the amount ultimately paid upon resolution of issues raised may differ materially from the amount accrued. The examination and the resolution process may last longer than one year.

The components of Net income before income taxes are summarized as follows:

Year Ended December 31,	2012	2011	2010
Domestic	**$ 319,907**	$ 309,391	$ 360,937
Foreign	**8,046**	6,852	6,795
	$ 327,953	$ 316,243	$ 367,732

The effective income tax rate differs from the federal income tax statutory rate due to the following:

Year Ended December 31,	2012	2011	2010
Statutory rate	**35.0%**	35.0%	35.0%
State taxes, net of Federal tax benefit	**1.0**	2.0	2.0
Foreign tax expense and tax rate differential	**1.6**	0.6	0.4
Research and development tax credit	**—**	(0.7)	(0.5)
Domestic Production Activities Deduction	**(0.6)**	(0.7)	—
Valuation allowance on PA loss carryforwards	**(0.3)**	—	—
Domestic Production Activities Deduction, prior years, net	**—**	(1.5)	—
Net change in uncertain tax positions (1)	**0.5**	0.4	0.2
Other, net	**(0.3)**	0.1	(0.1)
	36.9%	35.2%	37.0%

(1) For 2012, 0.15 percent relates to federal issues mainly associated with compilation of foreign tax credits, 0.33 percent relates to state tax issues and the remaining 0.02 percent relates to foreign tax issues. For 2011, 0.25 percent relates to federal issues, 0.14 percent relates to state tax issues and the remaining 0.01 percent relates to foreign tax issues. For 2010, 0.14 percent relates to federal issues and the remaining 0.06 percent relates to state tax issues.

Undistributed earnings of the Company's foreign subsidiaries, except for SEI Asset Korea Co., Ltd. (SEI AK), amounted to approximately $47,385 at December 31, 2012. Those earnings are considered to be indefinitely reinvested and, accordingly, no U.S. federal and state income taxes have been provided thereon. Upon distribution of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes, subject to an adjustment for foreign tax credits, and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation, including the availability, or lack thereof, of foreign tax credits to reduce a portion of the U.S. liability. The Company no longer considers the earnings of SEI AK to be indefinitely reinvested and, therefore, has accrued U.S. deferred taxes on the cumulative undistributed earnings (See Note 15).

Deferred income taxes for 2012, 2011, and 2010 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.

The net deferred income tax liability is comprised of:

Year Ended December 31,	2012	2011
Current deferred income taxes:		
Gross assets	**$ 2,012**	$ 1,151
Gross liabilities	**—**	(1)
	2,012	1,150
Valuation allowance	**—**	—
	2,012	1,150
Long-term deferred income taxes:		
Gross assets	**63,129**	63,374
Gross liabilities	**(149,708)**	(148,540)
	(86,579)	(85,166)
Valuation allowance	**(6,879)**	(8,585)
	(93,458)	(93,751)
Net deferred income tax liability	**$ (91,446)**	$ (92,601)

The valuation allowances against deferred tax assets at December 31, 2012 and 2011 are related to state net operating losses from certain domestic subsidiaries. Certain state tax statutes significantly limit the utilization of net operating losses for domestic subsidiaries. Furthermore, these net operating losses cannot be used to offset the net income of other subsidiaries.

The tax effect of significant temporary differences representing deferred tax liabilities is:

Year Ended December 31,	2012	2011
Difference in financial reporting and income tax depreciation methods	**$ (10,104)**	$ (13,600)
Reserves not currently deductible	**325**	374
Capitalized software currently deductible for tax purposes, net of amortization	**(137,467)**	(139,455)
State deferred income taxes	**5,943**	6,717
Revenue and expense recognized in different periods for financial reporting and income tax purposes	**4,397**	3,149
Unrealized holding gain on investments	**(1,428)**	(927)
Stock-based compensation expense	**42,133**	43,879
State net operating loss carryforward	**13,883**	14,485
Valuation allowance on deferred tax assets	**(6,879)**	(8,585)
Federal benefit of state tax deduction for uncertain tax positions	**2,359**	1,725
Foreign currency exchange	**(39)**	(363)
Foreign deferred including taxes on cumulative undistributed earnings of SEI AK	**(4,569)**	—
Net deferred income tax liability	**$ (91,446)**	$ (92,601)

The Company recognizes uncertain tax positions in accordance with the applicable accounting guidance and adjusts these liabilities when management's judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different than from our current estimate of the tax liabilities. The Company's total unrecognized tax benefit, not including interest and penalties, as of December 31, 2012 was $11,553, of which $9,965 would affect the effective tax rate if the Company were to recognize the tax benefit. The gross amount of uncertain tax liability of $5,291 which is expected to be paid within one year is included in Current liabilities while the remaining amount of $7,032 is included in Other long-term liabilities on the accompanying Consolidated Balance Sheets. During the year ended December 31, 2012, the Company recognized $1,944 of previously unrecognized tax benefits relating to the lapse of the statute of limitation for certain state filings.

The Company files a consolidated federal income tax return and separate income tax returns with various states. Certain subsidiaries of the Company file tax returns in foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examination for years before 2009 and is no longer subject to state, local or foreign income tax examinations by authorities for years before 2006.

A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

	2012	2011	2010
Balance as of January 1	**$ 9,410**	$ 5,723	$ 4,989
Tax positions related to current year:			
Gross additions	**2,196**	2,392	1,372
Gross reductions	**—**	—	—
	2,196	2,392	1,372
Tax positions related to prior years:			
Gross additions	**1,990**	1,992	—
Gross reductions	**—**	—	(104)
	1,990	1,992	(104)
Settlements	**(99)**	—	(102)
Lapses on statute of limitations	**(1,944)**	(697)	(432)
Balance as of December 31	**$ 11,553**	$ 9,410	$ 5,723

The above reconciliation of the gross unrecognized tax benefit will differ from the amount which would affect the effective tax rate because of the recognition of the federal and state tax benefits.

The Company classifies all interest and penalties as income tax expense. The Company has recorded $770, $634 and $690 in liabilities for tax related interest and penalties in 2012, 2011, and 2010, respectively.

The Company estimates it will recognize $5,291 of unrecognized tax benefits within the next twelve months due to lapses on the statute of limitation and settlements.

The Company includes its direct and indirect subsidiaries in its U.S. consolidated federal income tax return. The Company's tax sharing allocation agreement provides that any subsidiary having taxable income will pay a tax liability equivalent to what that subsidiary would have paid if it filed a separate income tax return. If the separately calculated federal income tax provision for any subsidiary results in a tax loss, the current benefit resulting from such loss, to the extent utilizable on a separate return basis, is accrued and paid to that subsidiary.

Note 13 — Business Segment Information

The Company's reportable business segments are:

- **Private Banks —** provides investment processing and investment management programs to banks and trust institutions worldwide, independent wealth advisers located in the United Kingdom, and financial advisors in Canada;
- **Investment Advisors —** provides investment management programs to affluent investors through a network of independent registered investment advisors, financial planners, and other investment professionals in the United States;
- **Institutional Investors —** provides investment management programs and administrative outsourcing solutions to retirement plan sponsors, hospitals, and not-for-profit organizations worldwide;
- **Investment Managers —** provides investment operations outsourcing solutions to investment managers, fund companies and banking institutions located in the United States, and to investment managers worldwide of alternative asset classes such as hedge funds, funds of hedge funds, and private equity funds across both registered and partnership structures; and
- **Investments in New Businesses —** provides investment management programs to ultra-high-net-worth families residing in the United States through the SEI Wealth Network® and conducts other research and development activities.

In 2012, 2011 and 2010, no single customer accounted for more than ten percent of revenues in any business segment.

The following tables highlight certain financial information about each of the Company's business segments for the years ended December 31, 2012, 2011, and 2010:

For the Year Ended December 31, 2012	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments in New Businesses	Total
Revenues	$ 364,788	$ 202,703	$ 227,889	$ 193,484	$ 3,658	$ 992,522
Expenses	357,001	120,146	116,546	127,525	14,954	736,172
Operating profit (loss)	$ 7,787	$ 82,557	$ 111,343	$ 65,959	$ (11,296)	$ 256,350
Profit margin	2%	41%	49%	34%	N/A	26%

For the Year Ended December 31, 2011	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments in New Businesses	Total
Revenues	$ 348,122	$ 189,780	$ 210,027	$ 177,975	$ 3,823	$ 929,727
Expenses	339,339	110,438	106,585	115,963	11,559	683,884
Operating profit (loss)	$ 8,783	$ 79,342	$ 103,442	$ 62,012	$ (7,736)	$ 245,843
Profit margin	3%	42%	49%	35%	N/A	26%

For the Year Ended December 31, 2010	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments in New Businesses	Total
Revenues	$ 346,668	$ 183,378	$ 206,531	$ 160,159	$ 4,099	$ 900,835
Expenses	310,633	110,388	106,934	103,421	12,676	644,052
Operating profit (loss)	$ 36,035	$ 72,990	$ 99,597	$ 56,738	$ (8,577)	$ 256,783
Profit margin	10%	40%	48%	35%	N/A	29%

A reconciliation of the total reported for the business segments to income from operations in the Consolidated Statements of Operations for the years ended December 31, 2012, 2011, and 2010 is as follows:

Year Ended December 31,	2012	2011	2010
Total operating profit from segments above	**$ 256,350**	$ 245,843	$ 256,783
Corporate overhead expenses	**(45,759)**	(43,398)	(40,715)
Noncontrolling interest reflected in segments	**975**	1,620	1,465
Income from operations	**$ 211,566**	$ 204,065	$ 217,533

The following tables provide additional information for the years ended December 31, 2012, 2011, and 2010 pertaining to our business segments:

	Capital Expenditures			Depreciation		
Year Ended December 31,	2012	2011	2010	2012	2011	2010
Private Banks	**$ 32,509**	$ 35,045	$ 32,982	**$ 15,226**	$ 15,648	$ 15,704
Investment Advisors	**11,193**	11,933	11,691	**1,981**	2,251	2,384
Institutional Investors	**2,781**	2,059	2,601	**1,012**	1,079	1,170
Investment Managers	**5,494**	3,081	3,659	**1,914**	1,809	1,891
Investments in New Businesses	**632**	577	608	**1,716**	114	148
Total from business segments	**$ 52,609**	$ 52,695	$ 51,541	**$ 21,849**	$ 20,901	$ 21,297
Corporate Overhead	**1,465**	530	799	**737**	570	605
	$ 54,074	$ 53,225	$ 52,340	**$ 22,586**	$ 21,471	$ 21,902

	Amortization		
Year Ended December 31,	2012	2011	2010
Private Banks	**$ 22,218**	$ 18,081	$ 15,100
Investment Advisors	**7,167**	6,201	5,467
Institutional Investors	**1,208**	864	1,213
Investment Managers	**804**	580	820
Investments in New Businesses	**1,249**	433	477
Total from business segments	**$ 32,646**	$ 26,159	$ 23,077
Corporate Overhead	**612**	1,129	971
	$ 33,258	$ 27,288	$ 24,048

	Total Assets	
	2012	2011
Private Banks	**$ 481,602**	$ 457,333
Investment Advisors	**120,255**	119,053
Institutional Investors	**99,461**	80,133
Investment Managers	**118,221**	95,760
Investments in New Businesses	**5,846**	5,962
Total from business segments	**$ 825,385**	$ 758,241
Corporate Overhead (1)	**484,439**	536,318
	$ 1,309,824	$ 1,294,559

(1) Unallocated assets primarily consist of cash and cash equivalents, marketable securities, and certain other shared services assets.

The following table presents revenues based on the location of the use of the products or services:

For the Year Ended December 31,	2012	2011	2010
United States	**$ 843,407**	$ 785,506	$ 767,068
International operations	**149,115**	144,221	133,767
	$ 992,522	$ 929,727	$ 900,835

The following table presents assets based on their location:

	2012	2011
United States	**$ 1,066,451**	$ 1,098,643
International operations	**243,373**	195,916
	$ 1,309,824	$ 1,294,559

Note 14 — Related Party Transactions

The Company, either by itself or through its wholly-owned subsidiaries, is a party to Investment Advisory and Administration Agreements with regulated investment companies (RICs) and other investment products which are administered by the Company. These investment products are offered to clients of the Company and its subsidiaries. Under the Investment Advisory and Administration Agreements, the Company receives a fee for providing investment advisory, administrative, and accounting services. The investment advisory and administration fee is a fixed percentage, referred to as basis points, of the average daily net assets, subject to certain limitations. Investment advisory and administration fees received by the Company totaled $380,645, $364,602 and $354,341 in 2012, 2011 and 2010, respectively. The Company is also a party to various agreements with several RICs which are advised and/or administered by the Company. The Company receives a fee for providing shareholder, administrative and distribution services pursuant to the provisions of various shareholder service, administrative service, and distribution plans adopted by the RICs. These fees totaled $37,827, $39,017 and $36,007 in 2012, 2011 and 2010, respectively. A portion of the transaction costs incurred by the RICs for securities transactions are directed to the Company's broker-dealer subsidiary in its capacity as an introducing broker-dealer. The Company recognized $1,213, $2,772 and $4,875 in commissions during 2012, 2011 and 2010, respectively.

Note 15 — Sale of SEI Asset Korea

On July 31, 2012, the Company, MetLife International Holdings, Inc. (MetLife) and International Finance Corporation (IFC) entered into a definitive agreement with Baring Asset Management Limited to sell all ownership interests in SEI AK. SEI AK is located in South Korea and provides domestic equity and fixed income investment management services to financial institutions and pension funds. Consummation of the acquisition of SEI AK under the definitive agreement is subject to regulatory approvals and other customary closing conditions.

The Company's ownership interest in SEI AK is 56.1 percent as of December 31, 2012. The Company consolidates the assets, liabilities and operations of SEI AK in its Consolidated Financial Statements. The ownership interests in SEI AK for MetLife and IFC is reflected in Noncontrolling interest in the Consolidated Financial Statements. The operating results of SEI AK are included in the Private Banks business segment. Upon closing of the agreement, the then current cash balance of SEI AK will be distributed to the Company, Metlife and IFC in accordance with the ownership interests.

As of December 31, 2012, SEI AK had total corporate assets of $54,783, of which $48,306 is included in Cash and Cash equivalents on the Consolidated Balance Sheet. All other accounts of SEI AK are not material to any financial statement line item in the Consolidated Financial Statements.

The Company did not provide U.S. deferred taxes on the undistributed earnings of SEI AK since its inception because those earnings were considered to be indefinitely reinvested. As a result of the potential sale of SEI AK, the Company no longer considers the undistributed earnings of SEI AK to be indefinitely reinvested and, therefore, accrued $4,815 for U.S. deferred taxes on the cumulative undistributed earnings during 2012.

If the requisite regulatory approvals are obtained, the other conditions to closing are satisfied or waived and the transaction is consummated, then the Company expects to recognize a net after tax gain on the sale of its shares of SEI AK depending upon revenue during a pre-closing measurement period and specified revenues during three one-year periods after the closing.

Note 16 — Quarterly Financial Data (Unaudited)

	For the Three Months Ended			
2012	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**
Revenues	$ 237,898	$ 241,237	$ 251,752	$ 261,635
Income before income taxes	$ 79,950	$ 78,501	$ 83,501	$ 87,544
Net income attributable to SEI	$ 49,965	$ 49,555	$ 50,743	$ 56,585
Basic earnings per share	$ 0.28	$ 0.28	$ 0.29	$ 0.33
Diluted earnings per share	$ 0.28	$ 0.28	$ 0.29	$ 0.32
Effective income tax rate	37.2%	36.6%	39.0%	35.0%
Total SIV-related gains	$ 2,882	$ 1,072	$ 3,389	$ 5,897
Diluted earnings per share (1)	$ 0.01	$ —	$ 0.01	$ 0.02

(1) Attributable to SIV-related gains.

	For the Three Months Ended			
2011	**March 31**	**June 30**	**Sept. 30**	**Dec. 31**
Revenues	$ 232,493	$ 237,760	$ 233,227	$ 226,247
Income before income taxes	$ 92,164	$ 82,820	$ 74,900	$ 68,603
Net income attributable to SEI	$ 57,728	$ 53,603	$ 49,232	$ 44,396
Basic earnings per share	$ 0.31	$ 0.29	$ 0.27	$ 0.25
Diluted earnings per share	$ 0.31	$ 0.29	$ 0.27	$ 0.25
Effective income tax rate	37.1%	34.7%	33.8%	34.7%
Total SIV-related gains (losses)	$ 6,864	$ (1,944)	$ (792)	$ (738)
Diluted earnings per share (2)	$ 0.02	$ 0.01	$ —	$ —

(2) Attributable to SIV-related gains (losses).

Schedule II — Valuation and Qualifying Accounts and Reserves

SEI Investments Company and Subsidiaries

Year Ended December 31,		Additions			
Description	**Balance at Beginning of Year**	**Charged to Costs and Expenses**	**Charged to Other Accounts**	**(Deductions)**	**Balance at End of Year**
Allowance for doubtful accounts:					
2012	$ 924	$ —	$ —	$ (119)	$ 805
2011	1,195	—	—	(271)	924
2010	3,348	—	—	(2,153)	1,195
Deferred income tax valuation allowance:					
2012	$ 8,585	$ (1,706)	$ —	$ —	$ 6,879
2011	9,008	(423)	—	—	8,585
2010	6,217	1,443	1,348	—	9,008

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

None.

Item 9A. Controls and Procedures.

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this annual report to provide reasonable assurance that the information required to be disclosed by us in reports filed under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control — Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2012.

The effectiveness of our internal control over financial reporting as of December 31, 2012 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Identification of Directors
Information with respect to the members of the Board of Directors of the Company is set forth under the caption "Election of Directors" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

Identification of Executive Officers
The Board of Directors of the Company has determined that the Company's executive officers within the meaning of Rule 3b-7 promulgated under the Securities Exchange Act of 1934, as amended, are as follows:

ALFRED P. WEST, JR., 70, 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.

KEVIN P. BARR, 47, has been an employee of the Company since May 2000. Mr. Barr has been an Executive Vice President since May 2008.

ROBERT F. CRUDUP, 65, has been an employee of the Company since 1987. Mr. Crudup has been an Executive Vice President since January 2001.

KATHY C. HEILIG, 54, has been an employee of the Company since November 1987. Ms. Heilig has been Chief Accounting Officer and Controller since May 1999. Ms. Heilig was Treasurer from May 1997 to May 2005.

N. JEFFREY KLAUDER, 60, has been Executive Vice President and General Counsel of the Company since August 2004. Prior to August 2004, Mr. Klauder was a partner of Morgan Lewis & Bockius, LLP, a law firm.

EDWARD D. LOUGHLIN, 62, has been an employee of the Company since September 1979. Mr. Loughlin has been an Executive Vice President since May 1993 and a Senior Vice President since January 1988.

DENNIS J. MCGONIGLE, 52, has been an employee of the Company since August 1985. Mr. McGonigle has been the Chief Financial Officer since December 2002 and an Executive Vice President since July 1996 and a Senior Vice President since May 1995.

STEPHEN G. MEYER, 48, has been an employee of the Company since November 1992. Mr. Meyer has been an Executive Vice President since December 2006 and a Senior Vice President since December 2005.

JOSEPH P. UJOBAI, 51, has been an employee of the Company since May 1998. Mr. Ujobai has been an Executive Vice President since May 2003 and a Senior Vice President since January 2001.

WAYNE M. WITHROW, 57, has been an employee of the Company since January 1990. Mr. Withrow has been an Executive Vice President since March 2000 and a Senior Vice President since January 1994. Mr. Withrow was Chief Information Officer from March 2000 to May 2002.

Section 16(a) Beneficial Ownership Reporting Compliance
Information with respect to the Section 16(a) compliance of the directors and executive officers of the Company is set forth under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

Code of Conduct
The Company has adopted a Code of Conduct applicable to all of its employees, including its executive officers, as well as a Code of Ethics for Senior Financial Officers. The Code of Conduct and the Code of Ethics for Senior Financial Officers is posted on our website, www.seic.com under the Corporate Governance section.

Item 11. Executive Compensation.

Information required by this item is set forth under the caption "Executive Compensation" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

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

Information required by this item is set forth under the caption "Ownership of Shares" in the Company's definitive proxy statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

The following table provides information regarding the aggregate number of securities to be issued under all of our equity compensation plans upon exercise of outstanding options, warrants, and other rights and their weighted-average exercise price as of December 31, 2012. Material features of each of the plans reflected in the table are described below.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted —average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	25,609,619	$ 20.81	2,568,545
Equity compensation plans not approved by security holders	—	—	—
Total	25,609,619	$ 20.81	2,568,545

(1) Consists of: (i) the 2007 Equity Compensation Plan, and (ii) the Amended and Restated 1998 Equity Compensation Plan.

The 2007 Equity Compensation Plan:

On April 3, 2007, the Board of Directors adopted the 2007 Equity Compensation Plan (the 2007 Plan), and the Company's shareholders approved the adoption of the 2007 Plan on May 23, 2007. The 2007 Plan provides for grants of stock options (incentive stock options and nonqualified stock options) and stock appreciation rights (SARs) to all employees (including employees who are also directors) of the Company or its subsidiaries, consultants and advisors who perform valuable services to the Company or its subsidiaries and members of the Board of Directors who are not employees of the Company. The Company has not granted any incentive stock options or stock appreciation rights under the 2007 Plan.

The 2007 Plan is administered and interpreted by the Compensation Committee; however, the Board of Directors or its delegate will make grants under the 2007 Plan to non-employee directors. The Compensation Committee has the authority to (i) determine the individuals to whom grants will be made under the 2007 Plan, (ii) determine the type, size and terms of the grants, (iii) determine the time when grants will be made and the duration of any applicable exercise or restriction period, including the exercisability and the acceleration of exercisability, (iv) amend the terms of any previously issued grant, (v) adopt guidelines separate for the 2007 Plan that set forth the specific terms and conditions for grants under the 2007 Plan, and (vi) deal with any other matters arising under the 2007 Plan.

Options granted under the 2007 Plan may be "incentive stock options," which are intended to qualify within the meaning of Section 422 of the Internal Revenue Code, and "nonqualified stock options" which are not intended to so qualify. Options are granted under the 2007 Plan with an exercise price equal to or greater than the fair market value of the Company's common stock on the date of grant and the term of may not exceed ten years from the date of grant. The vesting period for options commences on the date of grant, or upon the achievement of such vesting requirements, and ends on such date as is determined in each case by the Compensation Committee, in its sole discretion, which is specified in the grant letter. Options may be exercised only while the participant is actively employed by or actively providing service to the Company unless the Compensation Committee provides for a period after such employment or service in which the option may be exercised.

The Compensation Committee may grant SARs to anyone eligible to participate in the 2007 Plan. Upon exercise of a SAR, the participant will receive an amount equal to the excess of the fair market value of the Company's common stock on the date of exercise over the base amount set forth in the grant letter. Such payment to the participant will be in cash, in shares of common stock, or in a combination of cash and shares of common stock. The Compensation Committee will determine the period when SARs vest and become exercisable, the base amount of the SARs, and whether SARs will be granted in connection with, or independently of, any options. SARs may be exercised only while the participant is actively employed by or actively providing service to the Company unless the Compensation Committee provides for a period after such employment or service in which the option may be exercised.

If there is any change in the number or kind of shares of common stock outstanding by reason of a stock dividend, spin-off, recapitalization, stock split, or combination or exchange of shares, by reason of a merger, reorganization or consolidation, by reason

of a recapitalization or change in par value or by reason of any other extraordinary or unusual event affecting the outstanding common stock as a class without the Company's receipt of consideration, or if the value of outstanding shares of common stock is substantially reduced as a result of a spin-off or the Company's payment of an extraordinary dividend or distribution, the maximum number of shares of common stock available for issuance under the 2007 Plan, the maximum number of shares of common stock which any individual may receive pursuant to grants in any year, the kind and number of shares covered by outstanding grants, the kind and number of shares issued and to be issued under the 2007 Plan, and the price per share or the applicable market value of such grants shall be appropriately adjusted by the Compensation Committee, in such manner as the Compensation Committee deems appropriate, to reflect any increase or decrease in the number of, or change in the kind or value of, the issued shares of common stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the 2007 Plan and such outstanding grants.

In the event of a change in control, the Compensation Committee may take any of the following actions with respect to outstanding grants: (i) determine that outstanding options and SARs will be fully exercisable as of the date of the change in control or at such other time as the Compensation Committee determines, (ii) require that participants surrender their options and SARs in exchange for payment by the Company, in cash or shares of common stock as determined by the Compensation Committee, in an amount equal to the amount by which the then-fair market value subject to the participant's unexercised options and SARs exceeds the exercise price of the option or the base amount of the SAR, as applicable, (iii) after giving participants the opportunity to exercise their options and SARs, the Compensation Committee may terminate any or all unexercised options and SARs at such time as the Compensation Committee determines appropriate, or (iv) determine that grants that remain outstanding after the change in control will be converted to similar grants of the surviving corporation.

The Board of Directors may amend or terminate the 2007 Plan at any time, subject to shareholder approval. No grants may be issued under the 2007 Plan after June 1, 2017.

As of December 31, 2012, options to acquire 16,433,709 shares were outstanding under the 2007 Plan, out of a total of 20,000,000 shares of common stock reserved for issuance under the 2007 Plan. A total of 2,568,545 shares of common stock remain available for issuance under the 2007 Plan for future grants.

The 1998 Equity Compensation Plan:

On May 21, 1998, the Board of Directors adopted the 1998 Equity Compensation Plan (the 1998 Plan), and the Company's shareholders approved the adoption of the 1998 Plan. The Board of Directors had made certain amendments to the 1998 Plan after its adoption that did not require shareholder approval. The 1998 Plan was most recently amended and restated in May 2003. The 1998 Plan provided for grants of stock options (incentive stock options and nonqualified stock options), stock appreciation rights, restricted stock and performance units to all employees (including employees who were also directors) of the Company or its subsidiaries, consultants and advisors who performed valuable services to the Company or its subsidiaries and members of the Board of Directors who were not employees of the Company. The Company did not grant any incentive stock options, stock appreciation rights, restricted stock or performance units under the 1998 Plan. The 1998 Plan was terminated by the Board of Directors in April 2007, and no further options, stock appreciation rights, restricted stock and performance units may be granted. However, options granted under the 1998 Plan prior to its termination continue in effect under the terms of the grant and the 1998 Plan.

All options that were granted under the 1998 Plan to employees and consultants were granted at the fair market value of the Company's common stock on the date of grant, become exercisable ratably upon the attainment of specific diluted earnings per share targets or in their entirety after seven years from the date of grant (for grants prior to 2006), and expire ten years from the date of grant.

The 1998 Plan provided that non-employee members of the Board of Directors would receive automatic grants of nonqualified stock options. Each non-employee director who first became a member of the Board of Directors after the effective date of the 1998 Plan, but before the termination of the 1998 Plan, received a non-qualified stock option to purchase 8,000 shares. In addition, each non-employee director received a non-qualified stock option to purchase 4,000 shares pursuant to the 1998 Plan. The exercise prices for these options were equal to the fair market value of the Company's stock on the date of grant, the term is ten years from the date of grant, and the options became exercisable ratably over the first four anniversaries of the date of grant (unless otherwise determined by the Compensation Committee).

If the Company is consolidated or merged into another corporation, each optionee with an outstanding option under the 1998 Plan will receive, upon exercise of the option, the same consideration as other shareholders of the Company received in connection with the transaction. If all or substantially all of the assets of the Company are sold or exchanged (other than by merger or consolidation), each optionee will have the right to exercise the option in full within ten days after the Compensation Committee provides notice of the right to exercise the option, and any portion of the option not exercised will lapse.

As of December 31, 2012, options to acquire 9,175,910 shares were outstanding under the 1998 Plan, out of a total of 40,444,000 shares of common stock reserved for issuance under the 1998 Plan.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Information required by this item is set forth under the captions “Election of Directors,” “Executive Compensation,” and “Director Compensation” in the Company’s definitive proxy statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services.

Information required by this item is set forth under the caption “Ratification or Appointment of Independent Public Accountants” in the Company’s definitive proxy statement to be filed pursuant to Regulation 14A, which information is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

1 and 2. **Financial Statements and Financial Statement Schedules.** The following is a list of the Consolidated Financial Statements of the Company and its subsidiaries and supplementary data filed as part of Item 8 hereof:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets — December 31, 2012 and 2011

Consolidated Statements of Operations — For the years ended December 31, 2012, 2011 and 2010

Consolidated Statements of Comprehensive Income — For the years ended December 31, 2012, 2011 and 2010

Consolidated Statements of Changes in Equity — For the years ended December 31, 2012, 2011 and 2010

Consolidated Statements of Cash Flows — For the years ended December 31, 2012, 2011 and 2010

Notes to Consolidated Financial Statements

Schedule II — Valuation and Qualifying Accounts and Reserves — For the years ended December 31, 2012, 2011 and 2010

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 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.

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 February 22, 2013 By /s/ Dennis J. McGonigle

Dennis J. McGonigle
Chief Financial Officer

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

Date February 22, 2013 By /s/ Alfred P. West, Jr.

Alfred P. West, Jr.
Chairman of the Board,
Chief Executive Officer, and *Director*

Date February 22, 2013 By /s/ Carmen V. Romeo

Carmen V. Romeo
Director

Date February 22, 2013 By /s/ Richard B. Lieb

Richard B. Lieb
Director

Date February 22, 2013 By /s/ William M. Doran

William M. Doran
Director

Date February 22, 2013 By /s/ Kathryn M. McCarthy

Kathryn M. McCarthy
Director

Date February 22, 2013 By /s/ Sarah W. Blumenstein

Sarah W. Blumenstein
Director

Exhibit Index

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.)

3.1.2 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.)

3.1.5 Amendment to Articles of Incorporation of the Registrant, dated February 14, 2001. (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, 2000.)

3.2 Amended and Restated By-Laws. (Incorporated by reference to exhibit 3.2 to the Registrant's Current Report on Form 8-K dated January 6, 2009.)

3.2.1 Amendment of Section 3.02 of the Amended and Restated Bylaws. (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, 2010.)

4.1 Rights Agreement dated January 6, 2009. (Incorporated by reference to exhibit 4.1 to the Registrant's Current Report on Form 8-K dated January 6, 2009.)

4.2 Statement with Respect to Shares of a Domestic Corporation amending the designations of Series A Junior Participating Preferred Shares as a series of the Series Preferred Stock of the Company, dated January 6, 2009. (Incorporated by reference to exhibit 4.1 to the Registrant's Current Report on Form 8-K dated January 6, 2009.)

Note: Exhibits 10.4 through 10.11 constitute the management contracts and executive compensatory plans or arrangements in which certain of the directors and executive officers of the Registrant participate.

10.4 1998 Equity Compensation Plan, Amended and Restated as of April 8, 2003. (Incorporated by reference to exhibit 99.1 to the Registrant's Registration Statement on Form S-8 (No. 333-111224) filed December 16, 2003.)

10.4.1 Amendment 2006-1 to the 1998 Equity Compensation Plan, Amended and Restated as of April 8, 2003. (Incorporated by reference to exhibit 10.4.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)

10.5 Employee Stock Purchase Plan as Amended and Restated on May 20, 2008. (Incorporated by reference to the Registrant's Current Report on Form 8-K dated May 20, 2008.)

10.6 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.)

10.9 Employment Agreement, dated June 25, 2004, between N. Jeffrey Klauder 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, 2006.)

10.10 2007 Equity Compensation Plan. (Incorporated by reference to exhibit 10.10 to the Registrant's Current Report on Form 8-K dated April 11, 2007.)

10.22 Credit Facility, dated January 14, 2003 between Royal Bank of Canada and SEI Investments Canada Company, a subsidiary of SEI Investments Company. (Incorporated by reference to exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.)

10.22.1 First Amendment, dated June 15, 2005 to Credit Facility, dated January 14, 2003 between Royal Bank of Canada and SEI Investments Canada Company, a subsidiary of SEI Investments Company. (Incorporated by reference to exhibit 10.22.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.)

10.22.2 Second Amendment, dated February 20, 2006 to Credit Facility, dated January 14, 2003 between Royal Bank of Canada and SEI Investments Canada Company, a subsidiary of SEI Investments Company. (Incorporated by reference to exhibit 10.22.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.)

10.24 $300,000 Credit Agreement, dated February 2, 2012, among SEI Investments Company, the Lenders Party thereto, U.S. Bank National Association, as Syndication Agent, Citizens Bank of Pennsylvania and Manufacturers and Traders Trust

	Company, each as Documentation Agent, and Wells Fargo Bank, National Association, as Administrative Agent (Incorporated by reference to exhibit 10.24 to the Registrant's Current Report on Form 8-K/A dated February 2, 2012.)
10.25	Guaranty and Collateral Agreement dated as of October 1, 2012 among SEI Investments Company, LSV Employee Group III, LLC, and The PrivateBank and Trust Company. (Incorporated by reference to exhibit 10.25 to the Registrant's Current Report on Form 8-K dated October 1, 2012.)
14	Code of Ethics for Senior Financial Officers. (Incorporated by reference to exhibit 14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.)
21*	Subsidiaries of the Registrant.
23.1*	Consent of Independent Registered Public Accounting Firm.
23.2*	Consent of Independent Registered Public Accounting Firm relating to the financial statements of LSV Asset Management.
31.1*	Rule 13a-15(e)/15d-15(e) Certification of Chief Executive Officer.
31.2*	Rule 13a-15(e)/15d-15(e) Certification of Chief Financial Officer.
32*	Section 1350 Certifications.
99	Financial Statements of LSV Asset Management dated December 31, 2005 and 2004. (Incorporated by reference to exhibit 99.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.)
99.1	Financial Statements of LSV Asset Management dated December 31, 2010 and 2009. (Incorporated by reference to exhibit 99.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.)
99.2	Financial Statements of LSV Asset Management dated December 31, 2011 and 2010. (Incorporated by reference to exhibit 99.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.)
99.3*	Financial Statements of LSV Asset Management dated December 31, 2012 and 2011.
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document

* Filed herewith as an exhibit to this Annual Report on Form 10-K.

Exhibit 31.1
Certifications

I, Alfred P. West, Jr., certify that:

1. I have reviewed this Annual Report on Form 10-K of SEI Investments Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2013

/s/ Alfred P. West, Jr.

Alfred P. West, Jr.
Chairman and *Chief Executive Officer*

Exhibit 31.2
Certifications

I, Dennis J. McGonigle, certify that:

1. I have reviewed this Annual Report on Form 10-K of SEI Investments Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 22, 2013

/s/ Dennis J. McGonigle

Dennis J. McGonigle
Chief Financial Officer

Exhibit 32
Section 1350 Certifications

I, Alfred P. West, Jr., Chairman and Chief Executive Officer, and Dennis J. McGonigle, Chief Financial Officer, of SEI Investments Company, a Pennsylvania corporation (the “Company”), hereby certify that, to my knowledge:

(1) The Company’s Annual Report on Form 10-K for the annual period ended December 31, 2012 (the “Form 10-K”) fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 22, 2013

/s/ Alfred P. West, Jr.

Alfred P. West, Jr.
Chairman and *Chief Executive Officer*

Date: February 22, 2013

/s/ Dennis J. McGonigle

Dennis J. McGonigle
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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SEI Investments Company

(NASDAQ: SEIC)

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T 610 676 1000 / www.seic.com

› **Shareholder Assistance**
For address changes, registration changes, lost stock certificates, or questions about your position, contact:

American Stock Transfer & Trust Company, LLC
6201 15th Avenue
Brooklyn, NY 11219
T 800 937 5449

Board of Directors

Alfred P. West, Jr.
Chairman and Chief Executive Officer, SEI

Sarah W. Blumenstein
Philanthropic Consultant

William M. Doran
Consultant. Retired Partner,
Morgan, Lewis & Bockius, LLP (Law Firm)

Richard B. Lieb
Private Investor

Kathryn M. McCarthy
Independent Consultant and Financial Advisor

Carmen V. Romeo
Private Investor

Executive Officers

Alfred P. West, Jr.
Chairman and Chief Executive Officer

Kevin P. Barr
Executive Vice President

Robert F. Crudup
Executive Vice President

Kathy C. Heilig
Vice President and Controller

N. Jeffrey Klauder
Executive Vice President and General Counsel

Edward D. Loughlin
Executive Vice President

Dennis J. McGonigle
Executive Vice President and Chief Financial Officer

Stephen G. Meyer
Executive Vice President

Joseph P. Ujobai
Executive Vice President

Wayne M. Withrow
Executive Vice President

› **SEI Offices**
SEI serves clients, and conducts or is registered to conduct business and/or operations, from numerous offices worldwide. SEI's Internet site, www.seic.com, offers a complete list of SEI offices.

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