

SECURITIES AND  
EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-K

(Mark One)

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

For the fiscal year ended: DECEMBER 31, 1998  
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OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0 - 10200  
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SEI INVESTMENTS COMPANY

-----  
(Exact name of registrant as specified in its charter)

PENNSYLVANIA

23-1707341

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

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

Title of Each Class -----	Name of Each Exchange on Which Registered -----
NONE	

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

COMMON STOCK, PAR VALUE \$.01 PER SHARE  
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(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required  
to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during  
the preceding 12 months (or for such shorter period that the registrant was  
required to file such reports), and (2) has been subject to such filing  
requirements for the past 90 days. Yes  No   
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405  
of Regulation S-K is not contained herein, and will not be contained, to the  
best of registrant's knowledge, in definitive proxy or information statements  
incorporated by reference in Part III of this Form 10-K or any amendment to this  
Form 10-K.

(Cover page 1 of 2 pages)  
Exhibit Index on Page 64  
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State the aggregate market value of the voting stock held by non-affiliates of  
the registrant based on the closing price of such stock as reported by NASDAQ as  
of February 26, 1999: \$1,272,785,000. For purposes of making this calculation  
only, registrant has defined affiliates as including all directors and  
beneficial owners of more than ten percent of the common stock of the  
registrant.

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

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

Yes \_\_\_\_\_ No \_\_\_\_\_

APPLICABLE ONLY TO CORPORATE REGISTRANTS:

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of February 26, 1999: 17,874,121.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the following documents are incorporated by reference herein:

1. Notice of and Proxy Statement for the 1999 Annual Meeting of Shareholders to be filed within 120 days after the end of the fiscal year covered by this annual report, incorporated by reference in Part III hereof.

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PART I  
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ITEM 1. BUSINESS.  
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General Development of Business  
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SEI Investments Company ("SEI") was incorporated in Pennsylvania in 1968. SEI Investments Distribution Company ("SIDCO"), SEI Investments Management Corporation ("SIMC"), and SEI Trust Company ("SEI Trust") are the principal wholly owned subsidiaries of SEI. SIDCO is a broker-dealer registered with the Securities and Exchange Commission ("SEC") under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. SIMC is an investment advisor registered with the SEC under the Investment Advisers Act of 1940. SEI Trust is a trust entity chartered in the Commonwealth of Pennsylvania.

At the time of SEI's initial public offering in March 1981, its principal business activity was providing an on-line, real-time accounting and management information system to bank trust departments. This service is offered today through the TRUST 3000 product line. An extension of the trust technology product line is provided through SEI Trust, offering complete back-office accounting and processing services to trust institutions which allows them to outsource their trust operations and related investment functions.

In 1982, SEI, through SIDCO and SIMC, began to sponsor a number of institutional investment products, primarily in the form of registered investment companies sold to institutional investors and financial intermediaries. These subsidiaries also provide various asset management services to institutional investors and to high-net-worth individuals. These services include programs created to help clients establish asset allocation strategies and to gain access to top-quality investment managers. SEI has expanded its asset management services outside the United States by targeting selected foreign markets for its investment management programs.

SIDCO and SIMC also provide a full range of administration and distribution services to proprietary mutual funds established for banks and other financial institutions and intermediaries. The client serves as the investment advisor for the proprietary funds, and the funds are sold primarily to customers of the client.

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Industry Segments  
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Starting in 1998, we report financial information through four business lines: Technology Services, Mutual Fund Services, Asset Management, and Investments in New Business. These business segments reflect how management measures financial information internally. The Technology Services segment, which accounted for 45

percent of consolidated revenues in 1998, includes the TRUST 3000 product line and trust operations outsourcing. The Mutual Fund Services segment, which accounted for 27 percent of consolidated revenues in 1998, includes proprietary funds administration and distribution services created for banks, money managers and other financial institutions. The Asset Management segment, which accounted for 25 percent of consolidated revenues in 1998, consists of the distribution of asset management products to the institutional and high-net-worth markets. Investments in New Business, which accounted for 3 percent of consolidated revenues in 1998, consists of our Canadian and international operations.

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

#### TECHNOLOGY SERVICES

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##### Trust Technology Services

Through SIMC, we provide trust and investment accounting and management information services as an outsourcer to financial institutions with our TRUST 3000 product line. The success of TRUST 3000 is tied to its reliability, broad functionality and open architecture system. TRUST 3000 provides banks with comprehensive software capabilities to manage investments for their personal and institutional trust clients. TRUST 3000 is a complete trust accounting and investment system with fully automated securities movement and control linked directly to the Depository Trust Company. TRUST 3000 offers investment management functionality through a number of integrated products and sub-systems that supports investment accounting, client administration, portfolio analysis, and trade order processing for both domestic and global securities processing. TRUST 3000 also provides access to multiple third-party pricing and asset related information. Trust and investment processing services are provided through a state-of-the-art data communications network that is internally managed. Clients utilize terminals and workstations that are connected through this network to access our data center.

The value of the TRUST 3000 product line has been further enhanced by the introduction of the StrataQuest product line. StrataQuest is a flexible combination of modular workstation application products that transform data into user-friendly customer service and investment analysis desktop applications. StrataQuest also provides technology platform products that manage the flow of data and allow for the integration of TRUST 3000 information with other financial institution systems in an open systems architecture. This product provides standard, efficient, and reliable interfaces that update and retrieve TRUST 3000 information from any application operating in the customer's distributed computing environment. StrataQuest may be installed on the client's processor or provided in a service bureau environment through our network at our data center.

Beginning in 1982, we began offering liquidity products to bank trust departments. Clients that use the TRUST 3000 product line can effect purchases and redemptions through an automated subsystem that performs daily sweeps of trust accounts and invests the available cash in one or more of our liquidity investment products. Bank clients can also invest in the SEI Tri-Party Repurchase Agreement program that offers competitive yields for short-term investing.

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

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The market for our trust accounting and management information services consists primarily of bank trust departments managing assets between \$10 million and \$100 billion. There are approximately 1,500 trust departments of this size. At December 31, 1998, we were providing processing or software services to approximately 92 trust departments, including trust departments of 20 of the top 60 banks, primarily located throughout the United States. We segregate the trust accounting and information services market by trust assets under management: \$20 billion or more in managed assets; \$750 million to \$20 billion in managed assets; and under \$750 million in managed assets. Each of these three trust accounting and management information services markets are characterized by different pricing, service, and product parameters. We endeavor to offer a full range of products and services suitable for each. Customers generally contract for terms of three to seven years and revenues are based on monthly processing and software application service fees.

Principal competitors offering trust accounting and processing services are

Fidelity-Trust Technology Services LLC, SunGard Data Systems, and Marshall and Isley, as well as numerous financial institutions that operate their own trust processing systems. In addition, consolidations in the banking industry may reduce the number of bank prospects and/or eliminate customers from our user base. In terms of both revenues and number of trust accounts processed, the TRUST 3000 product line is the leading trust accounting and management system sold by third-party vendors to bank trust departments. With regard to the TRUST 3000 product line, the most important factors in a potential customer's evaluation and choice of vendor are: product and service reliability; security and risk; functional capability; ease of use and future flexibility; value; and cost effectiveness. A vendor's experience in, and commitment to, the financial industry is also considered. Revenues from trust technology services accounted for approximately 41 percent of consolidated revenues in 1998.

#### Trust Operations Outsourcing

In 1994, we began to expand our trust technology product line by offering trust back-office processing to assist those who wish to outsource their trust department operations and processes. We provide back office services, which include trust operations, asset management, and custody. Our outsourcing is the integration of well-defined processes, along with fully automated, on-line, real-time accounting, control, and reporting systems. This level of outsourcing provides trust institutions with access to TRUST 3000, along with processing, reporting, and custody services provided through the specialized capabilities of SEI Trust personnel. SEI Trust automates and centralizes the client's trust accounting, income collections, securities settlement, and securities processing functions. In addition, SEI Trust prepares and processes customer statements, investment reviews, and employee benefit accrual reports and remittances to the clients' customers.

Initially, community banks were the target market for this product. However, as the concept of outsourcing has gained credibility and acceptance within the industry, banks of all sizes are recognizing the value in outsourcing their trust operations. The market for our trust operations outsourcing consists primarily of bank trust departments ranging in size from start-ups to those managing assets of \$10 billion, and selected business lines of trust departments up to \$100 billion in assets. We also believe there is a market for these services in non-bank financial institution channels. The term of the contracts varies from three to five years. At December 31, 1998, we had contracts to perform trust operations outsourcing services to 62 clients.

The major strategic issue facing this product line is the continued consolidation of the banking industry, which may reduce the number of potential bank prospects and/or eliminate customers from our user base. Currently, the only significant competitor in this market is Marshall and Isley. Additional competitors can be expected over the next few years. Revenues from trust operations outsourcing accounted for approximately 4 percent of consolidated revenues in 1998.

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#### MUTUAL FUND SERVICES

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In 1990, through SIDCO and SIMC, we began providing administrative and distribution services to bank proprietary mutual funds that were sold primarily to bank customers for which the bank served as investment advisor. Today, we provide a full range of services to banks as well as, insurance firms, and investment management companies. Services include fund administration and accounting, legal and regulatory compliance, and shareholder recordkeeping services. Distribution services range from assistance with strategic business planning to product development through marketing program development and execution. We assist our clients with identifying distribution opportunities and establishing product and program strategies that cross retail and institutional markets.

The market for fund services and products consists primarily of banks, insurance companies, and investment managers. At the end of 1998, there were approximately 105 bank proprietary fund complexes that existed in the United States. As of December 31, 1998, we provided fund services to 35 banks, investment management companies, and insurance firms with proprietary mutual fund assets of approximately \$133.4 billion. Additionally, we maintain an office in Dublin, Ireland that offers administrative services, distribution consulting services, and marketing support services to fund complexes in international markets.

Contracts with mutual fund complexes have initial terms ranging from two to five years. Principal competitors for mutual fund services include The BISYS Group, Federated Investors, Inc., First Data Corporation, PFPC, and State Street Bank. Potential customers of mutual fund services consider the price of such services, the performance of its administrative and other support services such as legal and marketing, and the integration of such services provided through our proprietary software.

While banks are currently prohibited by banking laws from serving as the principal underwriter to mutual funds, legislation has been proposed from time

to time to remove this restriction. If such legislation is passed, some banks may consider performing some or all of these services themselves. In addition, consolidations in the banking industry may reduce the number of bank proprietary fund complexes in existence. In view of this phenomenon, we are vigorously pursuing new market opportunities. Revenues from mutual fund services accounted for approximately 27 percent of consolidated revenues in 1998.

#### ASSET MANAGEMENT

Through SIDCO and SIMC, we have created a number of investment products and services for institutional investors and high-net-worth investors distributed through investment advisors and other financial intermediaries. The initial investment products, first distributed in 1982, were developed to meet the liquidity requirements of bank trust departments utilizing the TRUST 3000 product line. In 1985, we began offering equity, fixed income, and tax-exempt products. Currently, the products offered include a series of domestic equity, fixed income, and tax-exempt mutual funds, separate account management, and offshore funds. We employ a total investment management approach that utilizes a quantitative asset allocation model and investment strategies based upon the precepts of modern portfolio theory, specialist sub-advisors that we select and monitor, and active risk management.

Through SIMC, we serve as the administrator, transfer agent, and fund accountant for these products. We also acts as the investment advisor for many of these products. The investment advisory and administration contracts between SIMC and the funds are subject to renewal annually by the board of trustees of the funds. These contracts provide for the payment of administrative fees based on a percentage of the average daily net assets of each fund.

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#### Investment Management Fees

We began providing investment solutions to defined benefit plans, hospitals, foundations, endowment funds, and other institutional investors in 1991. We offer such investors an integrated investment program, which enables a pension or other investment committee to outsource their investment management process to us. We offer flexible investment strategies using a disciplined fund management process and superior technology. We work with each client to develop asset management strategies that are consistent with the client's business needs and investment objectives. Consideration is given to the client's financial and investment objectives, risk tolerance, investment restrictions, and time horizon. Then, through the combination of the portfolio construction process, multiple asset classes, and style allocations, we work toward the client's investment goals. A client's strategy is implemented through our Family of Funds that employ sub-advisors that are specialists in a particular style. We select the best style-specific investment managers to act as sub-advisors and manage each asset class. The potential benefit of this method is improved performance with reduced volatility. This style-neutral approach eliminates the task of attempting to estimate which style of equity investing will be in favor at any point in time. Specialist-advisors are monitored for performance and so trading strategies conform to predetermined market, sector, and style characteristics. We maintain the asset class exposure within the specifically defined boundaries of our client's asset allocation plan by incorporating a formal rebalancing program in our asset management process utilizing state-of-the-art technology. Overall, diversifying by asset class, manager style, sub-style, and sector tends to reduce risk while improving the prospects for long-term growth. Clients also have the ability to access specialized money managers through separate accounts.

We also offer asset management programs tailored to meet the needs of high-net-worth individuals (defined as individuals with over \$500,000 of investable assets) and small institutions that are marketed through selected intermediaries such as independent broker-dealers, registered investment advisors, financial planners, life insurance producers, and bank trust departments. Our investment philosophy focuses on four key principles: asset allocation, portfolio structure, specialist investment and continuous portfolio management. Our asset management strategies offer financial intermediaries various asset allocation models that provide diversification among investment classes and periodic rebalancing to achieve the investor's objectives. It also provides access to institutional money managers normally not available to individual investors. We offer a wide range of investment solutions including tax managed programs. We also provide marketing assistance, sales support, investor reporting, and back-office services such as custody and recordkeeping.

At December 31, 1998, there were approximately 1,900 clients invested in our asset management programs through separate accounts or through our Family of Funds with \$18.1 billion in assets invested. The principal competition for our asset management products is from other investment advisors and mutual fund companies. Also, revenues are affected by changes in the value of securities traded in various financial markets. Fees are earned as a percentage of average assets under management. Revenues from investment management fees accounted for approximately 21 percent of consolidated revenues in 1998.

#### Liquidity Management Fees

We assist corporations in developing investment programs to meet their unique cash flow needs by coordinating investment strategies with expected disbursements. CashStrategies is a sophisticated system for managing corporate cash that incorporates cash flow analytics with our proprietary software to provide corporate treasurers with an effective solution in managing their cash and investment portfolios. We help clients allocate their cash between liquid and longer-term investments. Longer-duration cash is invested in one of our Secondary Cash Investment Models, each providing an optimal balance of strong yield and high liquidity. We help to implement the strategy and render ongoing service and analytical support. We also offer the CashSweep program that enables financial institutions to sweep excess balances from demand deposit accounts into money market accounts. To build a successful sweep program, we combine technology with our cash management investment products, cash management services, marketing and consulting support.

Liquidity products consist primarily of money market and other short-term mutual funds and our Repurchase Agreement Program ("REPO"). REPO permits institutions to invest short-term funds in overnight and term tri-party repurchase agreements and other overnight and short-term investment products. Clients may purchase or redeem investment products and retrieve information about their accounts through SEI Direct, or by telephone orders to SIMC.

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The market for our liquidity products and services consist primarily of bank trust departments, investment advisors, and corporations located in the United States. The number of bank and non-bank clients utilizing our liquidity products and services totaled approximately 600 at December 31, 1998. Total assets invested in liquidity funds, including REPO, totaled \$20.0 billion at December 31, 1998.

Principal competitors in liquidity products and services include Federated Investors, Inc., Fidelity Management Corporation, Investors Fiduciary Trust Company, and Goldman, Sachs & Co., and other mutual fund complexes that market to institutional investors as well as individual bank proprietary and common trust funds. A potential customer of liquidity services business considers the price and performance of investment products and diverse product offerings, as well as the ease of investment through the automated sweep system. Revenues from liquidity management fees offered to investment advisors and corporations accounted for approximately 4 percent of consolidated revenues in 1998.

#### INVESTMENTS IN NEW BUSINESS

We have several other operations that include performance evaluation and consulting services to Canadian pension plans and other business ventures to expand our asset management programs and services to high-net-worth investors, pension plans, governmental organizations, and private corporations in foreign countries.

Performance evaluation and other consulting services offered to Canadian pension plans are provided through SEI Inc., a wholly owned subsidiary. We also support money managers in managing their clients' investments through investment performance evaluation services, as well as trading cost analysis and marketing strategy review. The market for our consulting services consists mainly of defined benefit plan sponsors and investment managers located in Canada. At December 31, 1998, we were providing consulting services to approximately 400 defined benefit plan sponsors and investment managers.

Fund sponsor and money manager clients remit payment for performance evaluation and consulting services in cash or, subject to applicable regulatory guidelines, by directing brokerage commissions to SIDCO or SEI Inc. through SEI-approved clearing agents or clearing brokers. These clients may also apply a portion of such directed brokerage commissions to defray certain other third-party costs. As a result of the directed brokerage business, revenues may be affected by changes in market trading volume or changes in government regulations affecting directed brokerage payments.

We also formed an asset management company in Canada in 1994, Primus Capital Advisors Co. ("Primus"). Primus is an investment counselor/portfolio manager offering investment advisory services to both large and small Canadian defined benefit pension plans.

We are currently establishing distribution channels for our asset management programs in the global asset management marketplace through various acquisitions and the startup of satellite offices outside the United States. Our approach is to expand existing business lines into a coherent global business consistent with our United States strategy of providing portfolio solution offerings rather than product sales. Similar to the United States model, we design global investment strategies and employ specialist money managers to implement these strategies. We are also responsible for managing the allocation of assets among the portfolio's specialist money managers and directing and evaluating the investment services provided by these selected managers. Our efforts have focused on establishing the business platform, which includes the delivery of local investment management as part of a portfolio solution and local distribution and marketing. In South Africa, we have assembled an investment

advisory team that markets institutional asset management programs to pension and insurance industries. We also acquired established investment advisory firms in Argentina and Mexico that offer asset management services to high-net-worth investors. In addition, we have established a joint venture in Taiwan and Korea that offers asset management solutions to institutions and high-net-worth individuals.

The global market for financial services is highly competitive. Entering into a foreign market requires a shift in perspective from a United States focus to that of the other country. In addition, consideration must be given to the regulatory and financial constraints that exist in a foreign market. Finally, it can be difficult to overcome recognition and branding hurdles caused by lack of a track record in a particular market. The way that we attempt to overcome these obstacles is to purchase or partner with a local firm who already has an established presence in the market. By partnering, we get a recognized name and established customers. We also get access to a staff that speaks the language and understands the culture, which helps us in making decisions about product packaging and distribution strategies. Revenues from other investment products and services accounted for approximately 3 percent of consolidated revenues in 1998.

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#### OTHER

##### Equity Investments in Investees

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In 1994, we formed a partnership with three leading academics in the field of finance. The partnership, LSV Asset Management ("LSV"), is a registered investment advisor which provides investment advisory services to institutions, including pension plans and investment companies. LSV is a value-oriented, contrarian money manager that offers a deep-value investment alternative. LSV utilizes a proprietary equity investment model to identify securities that are generally considered to be out of favor. They identify stocks that exhibit below-average past performance and below-average market expectations for future growth because these stocks typically produce superior future returns as their future growth exceeds the pessimistic expectation of the market. LSV is currently the specialist-advisor to a portion of SEI Large Cap Value Fund and SEI Small Cap Value Fund. In addition, LSV is a portfolio manager to a portion of our global investment products. Approximately 17% of the total assets managed by LSV relate to our products. At December 31, 1998, our interest represented approximately 45% of the partnership's total interests.

##### Marketing and Sales

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We employ 17 sales representatives in the Technology Services segment, 7 sales representatives in the Mutual Fund Services segment, 40 sales representatives in the Asset Management segment, and 27 sales representatives in the Investments in New Business segment. These sales personnel operate from 18 offices located in Oaks, Pennsylvania; San Francisco and Irvine, California; Chicago, Illinois; Boston, Massachusetts; New York, New York; Dallas, Texas; Norcross, Georgia; Toronto, Ontario; Montreal, Quebec; Vancouver, British Columbia; Halifax, Nova Scotia; Zurich, Switzerland; Dublin, Ireland; Johannesburg, South Africa; Causeway Bay, Hong Kong; Buenos Aires, Argentina, and Mexico City, Mexico.

##### Customers

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We currently serve approximately 3,200 clients. For the year ended December 31, 1998, no single customer accounted for more than 10 percent of revenues in any industry segment.

##### Development of New Products and Services

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###### Software products

We believe that service to existing and potential customers is enhanced by substantial investment in improving existing software products and developing new products and services for the financial industry. To sustain and enhance our competitive position in the industry, we are committed to a continuous and high level of expenditures for research and development. We currently utilize 238 professionals dedicated to the design, development, and enhancement of our software products. New products are released when they are completed. The benefit to the client is frequent, more manageable releases. Maintenance releases generally occur four times each year.

During the year, we have continued to focus our product development efforts on the StrataQuest open architecture product line. StrataQuest allows clients to operate in a multi-platform environment using client/server installations. This open architecture facilitates the development of new applications, as well as expanding the upward functionality of our existing products to enhance their attractiveness to even the largest clients. Also, StrataQuest has positioned us

for the installation of web based products. During 1998, we began to design our web-browser technology platform using open architecture as the interface to TRUST 3000. Clients will soon be able to access our services through the Internet which offers several advantages. First, Internet and web-browser technology dramatically alters the quality and responsiveness of information and services that can be offered to end investors. Our clients can enhance the relationships with their clients by using the web as a delivery mechanism. Second, the web offers a lower cost infrastructure for our clients to deploy services across professionals' desk-tops. Internet technology can allow clients to access services remotely from home or on the road. Finally, Internet technology gives clients far more flexibility and access from the desk-top to multiple sources of information.

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We expended, including amounts capitalized, approximately \$24,866,000 (6.8 percent of revenues) in 1998, \$22,500,000 (7.7 percent of revenues) in 1997, and \$26,254,000 (10.6 percent of revenues) in 1996 to design, develop, and modify existing or new products and services.

#### Investment products

We are looking to capitalize on international growth opportunities in the investment management industry by expanding the distribution of investment products and services through asset management solutions for institutions and high-net-worth investors outside North America. Our strategy is designed to capitalize on two major trends in the global marketplace: (1) the privatization and globalization of pension funds, and (2) the increased wealth accumulation among high-net-worth investors. Our marketing efforts have focused on four main regions: Europe, East Asia, Latin America, and South Africa. In all four regions, the initial strategy is to team with local partners to establish name recognition and distribution channels for our products and services. Our global asset management group has made significant progress during the past three years, including the establishment of an offshore fund family in Ireland, the creation of a distribution network and the acquisition of investment advisory firms in Argentina and Mexico, a joint venture in Taiwan and Korea, and asset management contracts signed with European pension plans and several South African institutions.

#### Year 2000

We began work on the Year 2000 issue in 1995 with management recognition that failure to acknowledge, analyze and remediate potential Year 2000 processing issues could result in material consequences to our clients and to the perpetuation of our own business. Through May 1997, we focused our Year 2000 efforts on an assessment of our TRUST 3000 product line. In mid-1997, we expanded our efforts to include a review of all proprietary systems, vendors, internally used systems, and any other item that could be affected by the Year 2000. A Corporate Year 2000 Committee reports regularly to the Board of Directors on the progress and status of the Year 2000 efforts.

The Corporate Year 2000 Committee is made up of representatives from every area of our business and is managed by a full time senior project manager. The Year 2000 program encompasses all system hardware and software, physical facilities, utilities, electronic equipment and communications, as well as all other ancillary purchased products and services. Our Year 2000 program process fully subscribes to the Federal Financial Institutions Examination Council (FFIEC) guidelines.

We continue to do everything possible to mitigate any potential risk resulting from the roll over to the Year 2000. However, there is the potential of experiencing minor to moderate system issues at the beginning of the Year 2000. In preparation for the century roll over, we will work closely with all clients to instruct them on maintaining all year-end 1999 data for recovery purposes. Current Year 2000 project expertise will remain dedicated to the Year 2000 program to be available to resolve all potential issues. We will budget funds into the Year 2000 to support potential problems.

Our contingency planning efforts have been focused on the most critical business functions and vary significantly based on the TRUST 3000 system and how it operates. The contingency strategy for our own proprietary products, which includes TRUST 3000, focuses on additional planned resources to react in the Year 2000. A plan exists to identify, correct and release Year 2000 related core and custom problems in the quickest fashion possible. Clients will be apprised of the plan and advised on appropriate data retention (See Assessment of Risks Associated with the Year 2000 in Management's Discussion and Analysis of Financial Condition and Results of Operations).

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#### Regulatory Considerations

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Our subsidiaries, SIDCO and SIMC, are subject to various federal and state laws and regulations that grant supervisory agencies, including the SEC, broad



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

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

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. Plan sponsor clients are subject to supervision by the Department of Labor and compliance with employee benefit regulations. Investment advisor clients are regulated by the SEC and state securities authorities. Existing or future regulations applicable to our clients may affect such clients' purchase of our products and services.

Personnel  
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At February 28, 1999, we had 1,211 full-time and 98 part-time employees. None of our employees are represented by a labor union. Management considers employee relations to be good.

ITEM 2. PROPERTIES.  
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Our corporate headquarters are located in Oaks, Pennsylvania. The corporate campus consists of six buildings situated on approximately 90 acres. We own and operate the land and buildings, which encompasses approximately 265,000 square feet. Our data center and warehouse facility is housed in an additional 70,000 square feet of leased space in Wayne, Pennsylvania. We also lease an additional 67,500 square feet of space in Wayne for our mutual funds operation. All other offices that we lease aggregate 43,000 square feet. Additionally, we own a New York City condominium (3,400 square feet) used for business purposes.

ITEM 3. LEGAL PROCEEDINGS.  
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There are no legal proceedings to which we are a party or to which any of our properties is subject which are expected to have a material adverse effect on our business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.  
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There were no matters submitted to a vote of security holders during the fourth quarter of 1998.

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

PART II  
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ITEM 5. MARKET FOR THE REGISTRANT'S SECURITIES AND RELATED STOCKHOLDER MATTERS.  
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Price Range of Common Stock:  
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SEI's common stock is traded in the NASDAQ National Market System under the symbol SEIC. The following table shows the range of closing sales prices on the NASDAQ National Market System for the periods indicated.

<TABLE>  
<CAPTION>

1998	High	Low
- - - - -	-----	---
<S>	<C>	<C>

First Quarter	69	37
Second Quarter	76	61
Third Quarter	80 1/2	59 5/16
Fourth Quarter	100 1/2	50 1/4

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

As of February 26, 1999, there were approximately 850 shareholders of record. The Board of Directors declared a \$.16 dividend in May and December of 1998, and a \$.14 dividend in May and December of 1997. The Board of Directors has indicated its intention to pay future dividends on a semiannual basis.

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ITEM 6. SELECTED FINANCIAL DATA.

(In thousands, except per share data)

The following table summarizes selected financial data for the five years in the period ended December 31, 1998. The historical selected financial data for each of the five years in the period ended December 31, 1998 are derived from, and are qualified by reference to, the financial statements which are included with Item 8 in this report. Such financial statements have been audited by Arthur Andersen LLP, independent public accountants, to the extent indicated in their reports. This data should be read in conjunction with the financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this report.

FOR THE YEAR 1994 (A)	1998	1997	1996	1995 (A)
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$366,119	\$292,749	\$247,817	\$225,964
\$205,051				
Expenses:				
Operating and development.....	180,937	148,536	129,776	115,366
110,504				
Sales and marketing.....	103,834	84,770	68,719	58,892
48,561				
General and administrative.....	13,463	13,931	13,235	16,963
16,919				
--	-----	-----	-----	-----
Income from operations.....	67,885	45,512	36,087	34,743
29,067				
Gain on sale of investments available for sale.....	--	--	1,097	--
--				
Equity in the earnings of unconsolidated affiliate.....	3,015	--	--	--
--				
Interest income.....	1,558	983	808	1,019
407				
Interest expense.....	(2,575)	(2,488)	(48)	(255)
(33)				
--	-----	-----	-----	-----
Income from continuing operations				
before income taxes.....	69,883	44,007	37,944	35,507
29,441				
Income taxes.....	26,904	17,163	14,798	14,381
11,188				
--	-----	-----	-----	-----
Income from continuing operations.....	42,979	26,844	23,146	21,126
18,253				
Income (loss) from discontinued operations.....	--	--	--	(1,942)
997				
Income (loss) from disposal of				
discontinued operations.....	710	--	(16,335)	--
--				
--	-----	-----	-----	-----
Net income.....	\$ 43,689	\$ 26,844	\$ 6,811	\$ 19,184
				\$

19,250					
-----					
Basic earnings per common share from					
continuing operations.....	\$ 2.41	\$ 1.47	\$ 1.25	\$ 1.14	\$
.97					
Basic earnings (loss) per common share from					
discontinued operations.....	.04	--	(.88)	(.11)	
.05					
-----					
--					
Basic earnings per common share.....	\$ 2.45	\$ 1.47	\$ .37	\$ 1.03	\$
1.02					
Shares used to calculate basic earnings per					
common share.....	17,827	18,315	18,497	18,607	
18,845					
-----					
Diluted earnings per common share from					
continuing operations.....	\$ 2.25	\$ 1.40	\$ 1.20	\$ 1.08	\$
.91					
Diluted earnings (loss) per common share from					
discontinued operations.....	.04	--	(.85)	(.10)	
.05					
-----					
--					
Diluted earnings per common share.....	\$ 2.28	\$ 1.40	\$ .35	\$ .98	\$
.96					
Shares used to calculate diluted earnings per					
common share.....	19,126	19,236	19,364	19,554	
20,101					
-----					
Cash dividends declared per common share.....	\$ .32	\$ .28	\$ .24	\$ .20	\$
.16					
-----					
Year-end Financial Position:					
Cash and cash equivalents.....	\$ 52,980	\$ 16,891	\$ 13,167	\$ 10,256	\$
20,232					
Total assets.....	\$208,772	\$168,884	\$141,041	\$101,347	\$
91,148					
Short-term borrowings.....	\$ --	\$ --	\$ 20,000	\$ --	\$ -
-					
Long-term debt (including short-term portion).....	\$ 33,000	\$ 35,000	\$ --	\$ --	\$ -
-					
Shareholders' equity.....	\$ 59,685	\$ 46,410	\$ 56,108	\$ 56,002	\$
51,309					
-----					

</TABLE>

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

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

(In thousands, except per share data)

Management's discussion and analysis reviews the consolidated financial condition at December 31, 1998 and 1997, the consolidated results of operations for the past three years and, where appropriate, other factors that may affect future financial performance. This discussion should be read in conjunction with the Consolidated Financial Statements, Notes to the Consolidated Financial Statements and Selected Financial Data.

We are organized around our four business lines: Technology Services, Mutual Fund Services, Asset Management, and Investments in New Business. Financial information on each of these segments is reflected in Note 12 of the Notes to Consolidated Financial Statements included with Item 8 to this report.

RESULTS OF OPERATIONS  
-----

1998 COMPARED WITH 1997

CONSOLIDATED OVERVIEW  
-----

<TABLE>  
 <CAPTION>  
 INCOME STATEMENT DATA  
 (In thousands, except per common share data)

	1998 ----	1997 ----	PERCENT CHANGE -----
<S>	<C>	<C>	<C>
<b>Revenues:</b>			
Technology Services Segment.....	\$164,648	\$129,525	27%
Mutual Fund Services Segment.....	97,972	83,157	18%
Asset Management Segment.....	90,056	61,871	46%
Investments in New Business Segment.....	13,443	14,439	(7%)
Other.....	--	3,757	(100%)
	-----	-----	
Total revenues.....	\$366,119	\$292,749	25%
<b>Operating Income (Loss):</b>			
Technology Services Segment.....	\$ 49,170	\$ 37,146	32%
Mutual Fund Services Segment.....	24,405	23,858	2%
Asset Management Segment.....	18,091	3,281	451%
Investments in New Business Segment.....	(10,318)	(5,799)	(78%)
Other.....	(13,463)	(12,974)	(4%)
	-----	-----	
Income from operations.....	67,885	45,512	49%
Other income (expense), net.....	1,998	(1,505)	233%
	-----	-----	
Income from continuing operations before income taxes.....	69,883	44,007	59%
Income taxes.....	26,904	17,163	57%
	-----	-----	
Income from continuing operations.....	\$ 42,979	\$ 26,844	60%
	=====	=====	
Diluted earnings per common share from continuing operations.....	\$ 2.25	\$ 1.40	61%
	=====	=====	

<CAPTION>  
 ASSET BALANCES  
 (In millions)

	As of December 31, -----		PERCENT
	1998 ----	1997 ----	CHANGE -----
<S>	<C>	<C>	<C>
Assets invested in liquidity funds.....	\$ 19,971	\$ 17,950	11%
Assets invested in non-liquidity mutual funds.....	24,994	14,347	74%
	-----	-----	
Assets under management.....	44,965	32,297	39%
Client proprietary assets under administration.....	133,407	83,419	60%
	-----	-----	
Assets under administration.....	\$178,372	\$115,716	54%
	=====	=====	

</TABLE>

Revenues and earnings from continuing operations reached record levels in 1998 primarily due to the contracting of new trust technology clients, the recognition of a substantial one-time buyout fee, and significant growth in fund balances. Although consolidated revenues in 1998 were affected by the recognition of significant one-time items, recurring revenues constitute approximately 81 percent of total revenues. Technology Services and Asset Management experienced significant increases in business activity beginning in late 1997 and extending into 1998. The inclusion of significant one-time charges and increased investments in several product lines curtailed earnings growth in 1998. Excluding the one-time buyout fee and one-time charges, revenue growth would have approximated 21 percent and earnings growth would have approximated 37 percent. Revenues and earnings are expected to increase in 1999 assuming the sales momentum in Asset Management can be sustained and once the new trust technology clients are successfully implemented. However, continued consolidation in the banking industry and a prolonged unfavorable change in the financial markets could impede growth in revenues and earnings.

The effective tax rate from continuing operations was 38.5 percent for 1998, as compared to 39.0 percent for 1997. Income taxes are accounted for pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (See Note 1 and Note 11 of the Notes to Consolidated Financial Statements).

Assets under management consist of total assets invested in our liquidity (money market and short-term mutual funds) and non-liquidity mutual funds (Family of

Funds) for which we provide management services. Assets under administration consist of total assets for which we provide management and administration services, including client proprietary fund balances for which we only provide administration services.

TECHNOLOGY SERVICES

The Technology Services segment provides trust and investment accounting and management information services as an outsourcer to banks and other financial institutions with our TRUST 3000 product line. TRUST 3000 incorporates a myriad of integrated products and sub-systems to provide a complete trust accounting and investment system.

Trust operations outsourcing incorporates the TRUST 3000 product line within a package of services that includes custody and other back-office capabilities. Through this business, we handle a trust department's back-office administration function. This allows trust department managers to concentrate on expanding and servicing their clients.

<TABLE>  
<CAPTION>

	1998	1997	DOLLAR CHANGE	PERCENT CHANGE
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Revenues:				
Trust technology services.....	\$148,583	\$119,378	\$29,205	24%
Trust operations outsourcing.....	16,065	10,147	5,918	58%
	-----	-----	-----	-----
Total revenues.....	164,648	129,525	35,123	27%
Expenses:				
Operating and development.....	87,284	67,973	19,311	28%
Sales and marketing.....	28,194	24,406	3,788	16%
	-----	-----	-----	-----
Total operating profits.....	\$ 49,170	\$ 37,146	\$12,024	32%
	=====	=====	=====	-----

</TABLE>

Trust technology services revenues consists of the monthly processing and software application fees from the TRUST 3000 product line, project fees associated with the conversion of new clients onto the TRUST 3000 product line, management fees for assets invested in our liquidity funds from bank clients, and bank-related brokerage services. A significant one-time contractual buyout fee from a client involved in an acquisition increased revenues in 1998. New trust technology client relationships established in 1997 favorably affected recurring processing fees by an incremental \$9.3 million and nonrecurring implementation fees by an incremental \$6.0 million in 1998. Conversely, when a client prematurely terminates its contract for processing services, recurring processing fees are negatively affected in future periods and a one-time contractual buyout fee is received. Buyout fees are recognized in income when the client is completely removed from the TRUST 3000 product line. As a result of lost trust technology clients in 1998, \$15.0 million in one-time contractual buyout fees were recognized and recurring processing fees decreased \$7.0 million. Revenues earned from bank clients utilizing our liquidity products and brokerage services increased 22 percent or \$3.8 million, but only accounts for approximately 16 percent of total trust technology services revenues recognized in 1998 and 1997. The

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recurring processing fee base is projected to increase as these new trust technology clients are successfully implemented onto the TRUST 3000 product line by mid-1999. Consolidations in the banking industry could provide additional opportunities or could negatively affect future revenues depending on its effect on our trust technology client base.

Trust operations outsourcing revenues experienced another year of strong growth. Revenues are derived from processing and management fees. Revenues earned from processing services accounts for approximately 60 percent in 1998 and 55 percent in 1997 of total trust operations outsourcing revenues, while custody and investment solutions comprise the remaining 40 percent in 1998 and 45 percent in 1997. Assets under custody were \$38.8 billion at December 31, 1998 and \$24.8 billion at December 31, 1997. New client relationships established in 1998 provided significant growth in this business.

Although revenues from this segment increased 27 percent and operating profits increased 32 percent during 1998, profit margin only increased slightly to 30 percent for 1998, as compared to 29 percent for 1997. The contracting of new clients and the recognition of a substantial one-time buyout fee increased operating profits in 1998. However, increases in operating expenses to maintain these new client relationships and a one-time write-off of capitalized software development costs negatively affected operating profits in 1998. As a

percentage of sales, operating and development expenses increased slightly to 53 percent from 52 percent and sales and marketing expenses decreased slightly to 17 percent from 19 percent.

Operating and development expenses in 1998 increased mainly due to increased business activity, a stronger commitment to enhancing products, the write-off of previously capitalized software development costs, and the direct correlation between bank-related brokerage services revenues and direct expenses. The contracting of new clients required additional personnel and other related operating costs in order to properly implement, service, and maintain these new relationships. Additionally, substantial investments were incurred to analyze and improve the implementation process for new clients. These investments included process redesign and infrastructure reinvention.

Operating and development expenses were significantly affected in 1998 due to several factors associated with software development costs. First, each year, we evaluate strategies for new and existing software products, as well as performing a recoverability assessment of software development projects currently in production. The recoverability assessment included an evaluation of expected future revenues and cash flows, acceptability of the software product in its target market, a cost-benefit analysis as to the delivery and support of the software product, and any technological advancements that could enhance or render the product obsolete. As a result, certain projects were considered either obsolete or incapable of achieving the expected results in their original design and approximately \$4.8 million of net software development costs previously capitalized were written off during the fourth quarter of 1998. Second, in order to keep a competitive edge, substantial investments in research and development costs for the TRUST 3000 product line were incurred during 1998. Finally, with the completion and subsequent release of several capitalized software development projects, amortization expense increased during 1998.

Operating profits are expected to increase in 1999. This expectation is based upon the fact that several new trust technology clients are near completion of the implementation process, which should more than offset any negative effect on operating profits from lost clients. Once these clients are successfully implemented, recurring processing fees are expected to increase without any significant corresponding increase in variable costs. Also, operating profits should be favorably affected if sales momentum of the trust operations outsourcing product continues. Consolidations in the banking industry could affect future operating profits depending on how our clients are affected.

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MUTUAL FUND SERVICES

The Mutual Fund Services segment provides administration and distribution services to proprietary mutual funds created for banks, insurance firms, and investment management companies. These services include fund administration and accounting, legal, shareholder recordkeeping, and marketing.

<TABLE>  
<CAPTION>

	1998 ----	1997 ----	DOLLAR CHANGE -----	PERCENT CHANGE -----
<S>	<C>	<C>	<C>	<C>
Total revenues.....	\$97,972	\$83,157	\$14,815	18%
Expenses:				
Operating and development.....	55,897	44,173	11,724	27%
Sales and marketing.....	17,670	15,126	2,544	17%
	-----	-----	-----	
Total operating profits.....	\$24,405	\$23,858	\$ 547	2%
	=====	=====	=====	

</TABLE>

Mutual fund services revenues are earned through administrative fees that are based upon a fixed percentage, referred to as basis points, of the average daily net asset value of the proprietary funds. The amount of basis points earned is specific to each proprietary fund complex and can vary among complexes. The increase in revenues was primarily fueled by growth in existing complexes and the conversion of a large bank complex in 1998. Average proprietary fund balances increased \$27.1 billion or 37 percent to \$100.4 billion for 1998 versus \$73.3 billion for 1997. Growth in average proprietary fund balances resulted from banks being able to successfully convince their customers to invest assets into bank sponsored mutual funds. Average basis points earned decreased in 1998 primarily due to a reduction in pricing for some larger clients in order to solidify long-term relationships and the loss of some higher margin relationships. However, the outlook for mutual fund services revenues remains optimistic. Increased emphasis in the non-bank and offshore markets has produced some positive results. Some recent successes achieved in the non-bank and offshore markets included: the signing of a large non-bank client in mid-1998 that will fund approximately \$7 billion in assets by early 1999, and increased business activity offshore.

Although revenues increased 18 percent, operating profits only increased 2 percent. Profit margin in 1998 decreased to 25 percent, as compared to 29 percent for 1997. A significant increase in operating and development expenses negatively affected operating profits in 1998. As a percentage of sales, operating and development expenses increased to 57 percent from 53 percent. Two primary factors contributed to this increase. There is a direct correlation between revenues and certain direct expenses. The increase in revenues during 1998 generated an incremental \$7.0 million in direct proprietary expenses. Also, with the increased business activity and emphasis on other markets, back-office operational costs increased, in order to maintain quality service for existing clients and to establish distribution channels and name recognition internationally. As a percentage of sales, sales and marketing expenses remained flat at 18 percent for 1998 and 1997.

The combination of reduced pricing for some larger clients, the loss of some higher margin relationships, and increased operating costs decreased profit margin in 1998. Profit margin is expected to remain relatively flat in 1999. Expanding services into the non-bank and offshore markets could produce additional opportunities. However, continued consolidations in the banking industry and a significant prolonged unfavorable change in the financial markets could negatively affect revenues and profits.

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ASSET MANAGEMENT

The Asset Management segment provides investment solutions through various investment products and services distributed directly or through professional investment advisors, financial planners, and other financial intermediaries to institutional or high-net-worth markets. The primary products offered include money market funds and investment strategies and portfolios delivered to these markets through mutual funds and other pooled vehicles.

<TABLE>  
<CAPTION>

	1998 ----	1997 ----	DOLLAR CHANGE -----	PERCENT CHANGE -----
<S>	<C>	<C>	<C>	<C>
Revenues:				
Investment management fees.....	\$75,669	\$51,188	\$24,481	48%
Liquidity management fees.....	14,387	10,683	3,704	35%
	-----	-----	-----	
Total revenues.....	90,056	61,871	28,185	46%
Expenses:				
Operating and development.....	27,460	25,488	1,972	8%
Sales and marketing.....	44,505	33,102	11,403	34%
	-----	-----	-----	
Total operating profits.....	\$18,091	\$ 3,281	\$14,810	451%
	=====	=====	=====	

</TABLE>

Investment management fees are earned through management fees that are based upon a fixed percentage, referred to as basis points, of the average daily net asset value of assets under management. Substantial increases in average assets under management generated the 48 percent increase in revenues. Average assets under management increased \$5.1 billion or 53 percent to \$14.7 billion during 1998, as compared to \$9.6 billion during 1997. Investment solutions offered to high-net-worth investors through registered investment advisors, financial planners, and other financial intermediaries produced strong sales gains during 1998. These gains result from a unique product that allows the investment advisor to dedicate more effort to increasing assets rather than administering record-keeping and processing tasks. Additionally, many new institutional clients were contracted for services in 1998. The sales momentum established in the registered investment advisors market is projected to continue.

Liquidity management fees consist of our money market, short-term mutual funds and cash sweep technology that are marketed to corporations and investment firms. The 35 percent increase in liquidity management fees was mainly driven by an increase in average assets under management and increased sales of the cash sweep technology product.

The Asset Management segment experienced a significant increase in operating profits primarily due to growth in assets under management. Profit margin in 1998 also improved substantially. Profit margin rose to 20 percent for 1998, as compared to 5 percent for 1997. As a percentage of sales, operating and development expenses decreased to 31 percent from 41 percent and sales and marketing expenses decreased to 49 percent from 54 percent. Our ability to leverage on our infrastructure resulted in improved margins as revenues increased with minimal incremental variable operating costs. With the increased sales momentum and the ability to leverage on our infrastructure, this segment

is expected to produce favorable operating results in 1999. However, any significant devaluation in the financial markets could negatively affect revenues and profits.

INVESTMENTS IN NEW BUSINESS

Investments in New Business consist of our Canadian and international operations. Products being offered in Canada include investment advisory, performance evaluation and other consulting services to Canadian pension plans. International operations consist of various investment products and services providing investment solutions to institutional and high-net-worth investors outside North America.

<TABLE>  
<CAPTION>

	1998	1997	DOLLAR CHANGE	PERCENT CHANGE
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Total revenues.....	\$ 13,443	\$14,439	\$ (996)	(7%)
Expenses:				
Operating and development.....	10,296	8,102	2,194	27%
Sales and marketing.....	13,465	12,136	1,329	11%
	-----	-----	-----	
Total operating losses.....	\$(10,318)	\$(5,799)	\$(4,519)	(78%)
	=====	=====	=====	

</TABLE>

Our Canadian operations are experiencing a transition in product demand. The performance evaluation and consulting business experienced another year where client terminations exceeded new client contracting. The investment advisory business in Canada is gaining momentum as evidenced by revenues and assets under management increasing in 1998. As a percentage of total segment revenues, the performance evaluation and consulting business accounted for approximately 57 percent in 1998, as compared to 62 percent in 1997, and the investment advisory business accounted for approximately 19 percent in 1998, as compared to only 8 percent in 1997.

Our offshore enterprises are looking to capitalize on international growth opportunities by creating distribution channels for our investment products and services outside North America. Our efforts are currently focused on four main regions: Europe, East Asia, Latin America, and South Africa. As a percentage of total segment revenues, these offshore enterprises accounted for approximately 22 percent in 1998, as compared to 16 percent in 1997. Revenues from any one region were immaterial as a percentage of total segment revenues.

Operating results were affected by substantial investments made in foreign markets. Our strategy is to team with local partners to establish name recognition and distribution channels for our investment products and services. Additionally, operating results were negatively affected by \$2.7 million associated with the write-off of customer lists from a foreign acquisition (See Note 5 of the Notes to Consolidated Financial Statements). Continued investment into offshore arenas will remain the primary focus for this business segment.

OTHER  
- - - - -

In 1994, we found a partnership, LSV Asset Management ("LSV"), with three leading academics in the field of finance. Our interest in LSV at that time was 51 percent. LSV is a registered investment advisor which provides investment advisory services to institutions, including pension plans and investment companies. LSV is currently the investment sub-advisor to a portion of SEI Large Cap Value Fund and SEI Small Cap Value Fund, as well as portfolio manager to a portion of our global investment products. In 1997, LSV was consolidated into our operating results. LSV reported \$3,757 in total revenues and operating profits of \$957.

Beginning in the first quarter of 1998, our interest in LSV was reduced from 51 percent to approximately 45 percent. As a result, LSV must be accounted for using the equity method of accounting. The vested interest in the net operating results of LSV for 1998 is reflected in Equity in the earnings of unconsolidated affiliate on the accompanying Consolidated Statements of Operations. Our interest in LSV's net earnings for 1998 was \$3,015.

General and administrative expenses decreased 3 percent to \$13,463 for the year ended December 31, 1998 from \$13,931 for the year ended December 31, 1997. As a percentage of total consolidated revenues, general and administrative expenses were 4 percent in 1998, as compared to 5 percent in 1997. The decrease in



general and administrative expenses is primarily due to a reduction in personnel costs in corporate overhead groups.

Interest income for the year ended December 31, 1998 was \$1,558, as compared to \$983 for the year ended December 31, 1997. Interest income is earned based upon the amount of cash that is invested daily and fluctuations in interest income recognized for one period in relation to another is due to changes in the average cash balance invested for the period.

Interest expense for the year ended December 31, 1998 was \$2,575, as compared to \$2,488 for the year ended December 31, 1997. Interest expense primarily relates to the issuance of long-term debt in early 1997 (See Note 7 of the Notes to Consolidated Financial Statements).

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1997 COMPARED WITH 1996

<TABLE>			
<CAPTION>			
INCOME STATEMENT DATA			
(In thousands, except per common share data)			
	1997	1996	PERCENT
	----	----	CHANGE
<S>	<C>	<C>	<C>
Revenues:			
Technology Services Segment.....	\$129,525	\$128,025	1%
Mutual Fund Services Segment.....	83,157	62,874	32%
Asset Management Segment.....	61,871	46,184	34%
Investments in New Business Segment.....	14,439	10,354	39%
Other.....	3,757	380	889%
	-----	-----	
Total revenues.....	\$292,749	\$247,817	18%
Operating Income (Loss):			
Technology Services Segment.....	\$ 37,146	\$ 43,309	(14%)
Mutual Fund Services Segment.....	23,858	15,874	50%
Asset Management Segment.....	3,281	(2,971)	210%
Investments in New Business Segment.....	(5,799)	(6,559)	12%
Other.....	(12,974)	(13,566)	4%
	-----	-----	
Income from operations.....	45,512	36,087	26%
Other income (expense), net.....	(1,505)	1,857	(181%)
	-----	-----	
Income from continuing operations			
before income taxes.....	44,007	37,944	16%
Income taxes.....	17,163	14,798	16%
	-----	-----	
Income from continuing operations.....	\$ 26,844	\$ 23,146	16%
	=====	=====	
Diluted earnings per common share			
from continuing operations.....	\$ 1.40	\$ 1.20	17%
	=====	=====	

<CAPTION>			
ASSET BALANCES			
(In millions)			
	As of December 31,		PERCENT
	1997	1996	CHANGE
	----	----	-----
<S>	<C>	<C>	<C>
Assets invested in liquidity funds.....	\$ 17,950	\$ 14,732	22%
Assets invested in non-liquidity funds.....	\$ 14,347	\$ 9,050	59%
	-----	-----	
Assets under management.....	\$ 32,297	\$ 23,782	36%
Client proprietary assets under administration.....	\$ 83,419	\$ 61,380	36%
	-----	-----	
Assets under administration.....	\$115,716	\$ 85,162	36%
	=====	=====	

</TABLE>

Revenues and earnings from continuing operations increased in 1997 primarily due to strong growth in the Mutual Fund Services and Asset Management segments. The growth in these two segments was primarily fueled by significant growth in fund balances. However, the growth in revenues was partially offset by the recognition of substantial one-time trust technology services revenues in 1996 due to bank clients involved in mergers and acquisitions. Also in 1996, a \$1.1 million one-time realized gain, or \$.03 diluted earnings per common share, was

realized from the sale of an investment.

The effective tax rate from continuing operations was 39.0 percent for 1997 and 1996. Income taxes are accounted for pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (See Note 1 and Note 11 of the Notes to Consolidated Financial Statements).

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TECHNOLOGY SERVICES

<TABLE>  
<CAPTION>

	1997	1996	DOLLAR CHANGE	PERCENT CHANGE
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Revenues:				
Trust technology services.....	\$119,378	\$123,782	\$ (4,404)	(4%)
Trust operations outsourcing.....	10,147	4,243	5,904	139%
	-----	-----	-----	-----
Total revenues.....	129,525	128,025	1,500	1%
Expenses:				
Operating and development.....	67,973	62,746	5,227	8%
Sales and marketing.....	24,406	21,970	2,436	11%
	-----	-----	-----	-----
Total operating profits.....	\$ 37,146	\$ 43,309	\$ (6,163)	(14%)
	=====	=====	=====	

</TABLE>

The comparison of trust technology services revenues were affected by the recognition of significant one-time contractual buyout fees in 1996. An incremental \$4.5 million of one-time buyout fees were recognized in 1996, as compared to 1997, associated with trust clients that terminated their relationships. When a client terminates its contract for processing services, recurring processing fees are negatively affected in future periods. As a result, recurring processing fees in 1997 decreased approximately \$4.8 million associated with these lost clients. However, an incremental \$2.2 million in one-time implementation fees were recognized in 1997 due to the contracting of new trust technology clients and the expansion of services to existing bank clients involved in mergers and acquisitions. Revenues earned from liquidity products and bank-related brokerage services increased 17 percent or \$2.9 million, but only accounts for approximately 16 percent of total trust technology services revenues in 1997 and 13 percent in 1996.

Trust operations outsourcing experienced significant growth in 1997 primarily due to the establishment of new client relationships, including some larger banks. Revenues earned from processing services were 55 percent in 1997 and 36 percent in 1996, while custody and investment solutions were 45 percent in 1997 and 64 percent in 1996. Assets under custody were \$24.8 billion at December 31, 1997 and \$16.8 billion at December 31, 1996. The transition between processing and investment solutions was due to an increase in new clients contracting for processing services during 1997.

Operating profits and profit margin decreased in 1997. Profit margin for 1997 was 29 percent, as compared to 34 percent for 1996. Operating profits in 1996 were boosted by the recognition of a substantial one-time contractual buyout fee received from a client involved in an acquisition. Profit margin in 1997 was affected by a rise in expenses associated with the contracting of new clients and additional amortization expense of capitalized software development projects. As a percentage of sales, operating and development expenses increased to 52 percent from 49 percent and sales and marketing expenses increased to 19 percent from 17 percent.

Operating and development expenses increased during 1997 primarily due to additional operating costs associated with the contracting of new trust operations outsourcing clients and software development costs. The contracting of new trust operations outsourcing clients required additional personnel and other operating costs to properly service and maintain the relationship. Significant resources were expended to enhance the trust technology product line, primarily through the open architecture project, as well as a concentrated effort to address the Year 2000 issue. Amortization expense for software development costs previously capitalized increased in 1997.

Sales and marketing expenses increased primarily due to additional personnel and promotion costs. Personnel costs increased as a result of additional sales compensation associated with the contracting of new trust technology clients in 1997. The increase in promotion costs resulted from additional sponsored marketing events during 1997.

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## MUTUAL FUND SERVICES

<TABLE>  
<CAPTION>

	1997	1996	DOLLAR CHANGE	PERCENT CHANGE
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Total revenues.....	\$83,157	\$62,874	\$20,283	32%
Expenses:				
Operating and development.....	44,173	36,255	7,918	22%
Sales and marketing.....	15,126	10,745	4,381	41%
	-----	-----	-----	
Total operating profits.....	\$23,858	\$15,874	\$ 7,984	50%
	=====	=====	=====	

</TABLE>

Mutual fund services revenues reported another year of strong growth primarily fueled by the increase in average proprietary fund balances over the past year. Average proprietary fund balances increased \$22.9 billion or 45 percent from \$50.4 billion during 1996 to \$73.3 billion during 1997. Average basis points earned on proprietary funds decreased primarily due to a new contract established with one of our largest non-bank proprietary clients in mid-1996 that reduced the amount of revenues earned from that complex. This decrease in administrative fees earned was offset by an equal reduction in direct proprietary fund expenses. The growth in proprietary fund balances was mainly fueled by growth in existing proprietary fund complexes. This growth in existing complexes was primarily the result of banks becoming more successful at selling mutual funds and the favorable stock market environment. Additionally, proprietary fund balances were affected by regulatory changes in 1996 that permit the transfer of common trust assets into proprietary mutual funds on a tax-free basis.

Operating profits and profit margin in 1997 increased primarily due to a significant increase in proprietary fund balances. Profit margin was 29 percent for 1997 and 25 percent in 1996. As a percentage of sales, operating and development expenses decreased to 53 percent from 58 percent and sales and marketing expenses remained relatively flat. The decrease in operating and development expenses, as a percentage of sales, was due to administrative costs remaining relatively flat from year to year.

## ASSET MANAGEMENT

<TABLE>  
<CAPTION>

	1997	1996	DOLLAR CHANGE	PERCENT CHANGE
	----	----	----	----
<S>	<C>	<C>	<C>	<C>
Revenues:				
Investment management fees.....	\$51,188	\$37,543	\$13,645	36%
Liquidity management fees.....	10,683	8,641	2,042	24%
	-----	-----	-----	
Total revenues.....	61,871	46,184	15,687	34%
Expenses:				
Operating and development.....	25,488	25,438	50	--
Sales and marketing.....	33,102	23,717	9,385	40%
	-----	-----	-----	
Total operating profits.....	\$ 3,281	\$(2,971)	\$ 6,252	210%
	=====	=====	=====	

</TABLE>

Investment management fees increased 36 percent from the prior-year period due to an increase in average fund balances. Average assets under management increased \$3.2 billion to \$9.6 billion for 1997, as compared to \$6.4 billion for 1996, an increase of 50 percent. This increase in average fund balances was primarily the result of increased sales of our Family of Funds to high-net-worth individuals through various registered investment advisors, financial planners, and other financial intermediaries, as well as an increase in sales of our asset management programs to institutional investors during 1997. Additionally, average basis points earned increased slightly during 1997.

The 24 percent increase in liquidity management fees was mainly driven by an increase in average assets under management in liquidity products. However, average basis points earned decreased slightly in 1997 due to clients transferring funds into lower-fee liquidity products. Additionally, the increase in revenues was slightly influenced by growth in our cash sweep services to smaller banks.

The increase in operating profits and margin was primarily due to significant growth in assets under management that generated a substantial increase in revenues without a corresponding increase in variable costs. Profit margin increased to 5 percent for 1997, as compared to a negative 6 percent in 1996. As a percentage of sales, operating and development expenses decreased to 41 percent from 55 percent. This decrease is due to our ability to leverage on our infrastructure without incurring significant additional operating costs. As a percentage of sales, sales and marketing expenses increased to 54 percent from 51 percent. This increase is due to additional personnel costs, primarily sales compensation, and promotion costs for a television advertising campaign.

#### INVESTMENTS IN NEW BUSINESS

- - - - -

<TABLE>

<CAPTION>

	1997	1996	DOLLAR CHANGE	PERCENT CHANGE
	----	----	-----	-----
<S>	<C>	<C>	<C>	<C>
Total revenues.....	\$14,439	\$10,354	\$4,085	39%
Expenses:				
Operating and development.....	8,102	4,626	3,476	75%
Sales and marketing.....	12,136	12,287	(151)	(1%)
	-----	-----	-----	
Total operating profits.....	\$(5,799)	\$(6,559)	\$ 760	12%
	=====	=====	=====	

</TABLE>

Revenues increased 39 percent primarily due to an increase in assets under management. The increase in assets under management primarily stemmed from an acquisition that was done in late 1996. Additionally, the investment advisory business in Canada experienced significant increases in assets under management.

We continued our strategy to establish name recognition and distribution channels in foreign markets. As a result, significant expenditures were incurred.

#### OTHER

- - - - -

In 1994, we formed a partnership, LSV, with three leading academics in the field of finance. Our interest in LSV was 51 percent during 1996 and 1997 and was consolidated into our operating results. LSV reported \$3,757 in total revenues during 1997, as compared to \$380 during 1996. Operating profits from LSV were \$957 in 1997, as compared to operating losses of \$331 in 1996.

General and administrative expenses increased 5 percent to \$13,931 for the year ended December 31, 1997 from \$13,235 for the year ended December 31, 1996. The increase in general and administrative expenses is primarily due to increases in facilities and corporate overhead expenses. As a percentage of total consolidated revenues, general and administrative expenses were 5 percent in 1997 and 1996.

Gain on sale of investments available for sale in 1996 was \$1,097. The realized gain is the result of the disposition of certain marketable securities classified as Investments available for sale at an amount greater than original cost.

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

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

#### LIQUIDITY AND CAPITAL RESOURCES

- - - - -

<TABLE>

<CAPTION>

	----	----	----
<S>	<C>	<C>	<C>
Net cash provided by operating activities.....	\$ 99,869	\$ 46,537	\$ 30,547
Net cash used in investing activities.....	(31,702)	(21,854)	(41,930)
Net cash provided by (used in) financing activities.....	(32,078)	(20,959)	14,294
	-----	-----	-----
Net increase in cash and cash equivalents.....	36,089	3,724	2,911
Cash and cash equivalents, beginning of year.....	16,891	13,167	10,256
	-----	-----	-----
Cash and cash equivalents, end of year.....	\$ 52,980	\$ 16,891	\$ 13,167
	=====	=====	=====

</TABLE>

Cash requirements and liquidity needs are primarily funded through operations and our capacity for additional borrowing. We currently have a line of credit agreement that provides for borrowings of up to \$50,000. The availability of the line of credit is subject to compliance with certain covenants set forth in the agreement (See Note 6 of the Notes to Consolidated Financial Statements). At December 31, 1998, the unused sources of liquidity consisted of cash and cash equivalents of \$52,980 and the unused portion of the line of credit of \$50,000.

Cash flow generated from operations in 1998 primarily resulted from an increase in income, increased receivables collections, and an increase in accrued compensation and various accrued liabilities. The increase in accrued compensation and various accrued liabilities resulted from increased business activity during 1998. Accrued compensation is paid annually in the first quarter of the following year. Cash flow provided by operations in 1997 was negatively affected by an increase in receivables. As a result of the contracting of new trust clients in 1997, a substantial increase in unbilled receivables relating to implementation fees was experienced. This increase in unbilled receivables results from timing differences between services provided and contractual billing schedules.

Cash flows provided by operations were also affected by several other factors. Receivables from regulated investment companies increased in 1998 and 1997 primarily due to an increase in assets under management. These balances are paid off in the following month. In 1998 and 1997, cash flows from operations were favorably affected by the sales of loans classified as Loans receivable available for sale, whereas, cash flows from operations in 1996 were negatively affected by the purchase of these loans.

Cash flows from investing activities are principally affected by capital expenditures, including capitalized software development costs. Capital expenditures included significant costs associated with the construction and subsequent expansion of our corporate campus. Construction of the corporate campus began in late 1994 and was completed in late 1996. Construction of an additional building within the corporate campus began in early 1998 and was completed in early 1999. As of February 28, 1999, \$5,751 has been spent on the new building and we expect the total cost to be approximately \$6,300. Capitalized software development costs in 1998, 1997, and 1996 primarily result from continued investments in the TRUST 3000 product line, especially the open architecture project and a concentrated effort to address Year 2000 compliance issues. In 1996, \$5,536 in net proceeds were received from the sale of marketable securities classified as Investments available for sale.

Cash flows from financing activities are primarily affected by debt and equity transactions. On February 24, 1997, we issued \$35,000 of medium-term notes in a private offering with certain financial institutions. The proceeds were used to repay the outstanding balance on our line of credit at that date, which amounted to \$30,000. Principal payments are made annually from the date of issuance while interest payments are made semi-annually (See Note 7 of the Notes to Consolidated Financial Statements). We continued our common stock repurchase program. Approximately 867,000 shares of our common stock were acquired at a cost of \$55,156 during 1998 pursuant to an open market stock purchase authorization of \$298,365 made by the Board of Directors. As of February 28, 1999, SEI still had \$28,056 remaining authorized for the purchase of our common stock. Proceeds received from the issuance of common stock, including tax benefit, rose substantially in 1998 primarily due to increased stock option activity and the rapid increase in our common stock share price.

Our operating cash flow, borrowing capacity, and liquidity should provide adequate funds for continuing operations, continued investment in new products and equipment, our common stock repurchase program, future dividend payments, and principal and interest payments on our long-term debt.

DISCONTINUED OPERATIONS

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In May 1995, the Board of Directors approved a plan of disposal for the SEI Capital Resources Division ("CR") and the SEI Defined Contribution Retirement Services Division ("DC"). CR provided investment performance evaluation services, consulting services, and brokerage services to employee benefit plan

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

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

A provision for the disposal of CR and DC was established in the fourth quarter of 1996 that included certain estimates relating to future commitments on certain operating leases utilized by CR. These estimates were based upon certain assumptions relating to the sub-leasing of these facilities. In 1998, these sub-lease arrangements were finalized. As a result, the original discontinued operations provision was overstated and accordingly was reduced by \$1,154,000, net of tax expense of \$444,000, and is reflected in Income from disposal of discontinued operations on the Consolidated Statements of Operations.

#### ASSESSMENT OF RISKS ASSOCIATED WITH THE YEAR 2000

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##### BACKGROUND

We began work on the Year 2000 issue in 1995 with management recognition that failure to acknowledge, analyze and remediate potential Year 2000 processing issues could result in material consequences to our financial position and operating results. Through early 1997, we focused our efforts on an assessment of our TRUST 3000 product line and by mid-1997, we expanded our efforts to include a review of all proprietary systems, vendors, internally used systems, and any other item that may be affected by the Year 2000. A corporate Year 2000 committee was formed consisting of representatives from every area of our business and is managed by a full time senior project manager. This committee reports regularly to the Board of Directors on the progress and status of our Year 2000 efforts. The Year 2000 program encompasses all system hardware and software, physical facilities, utilities, electronic equipment and communications, as well as all other ancillary purchased products and services. Our Year 2000 program fully subscribes to the Federal Financial Institutions Examination Council ("FFIEC") guidelines.

##### STATE OF READINESS

In accordance with FFIEC guidelines, Year 2000 remediation and time dimensional testing for all proprietary applications, including TRUST 3000, was completed. The final release of TRUST 3000 Year 2000 remediated code was released into production in late 1998. All TRUST 3000 clients have been provided with the opportunity to review the actual Year 2000 test scripts and test results and/or conduct their own time dimensional testing.

With the completion of remediation and testing of all proprietary systems, we proceeded with vendor testing. A corporate intranet database was established to track and evaluate the compliance status of all vendors and their products. Each vendor product within this database has been assigned to a specific coordinator who is responsible for communications and certification of vendor products. The vendor products have been evaluated using the following criterion to establish the vendor relationship:

- Business Risk - Products importance to mission-critical functionality
- Failure Risk - Likelihood of vendor achieving or not achieving Year 2000 compliance on time
- Compliance Code - Based on communications from vendor and/or test results.

As of early 1999, approximately 42 percent of vendor products had been certified as Year 2000 compliant within FFIEC guidelines. The remaining 58 percent are on target to be fully compliant by mid-1999.

All systems in use for internal business purposes, including, but not limited to, network, accounting, communications and power supply, have been tested or are in the process of being modified for Year 2000 compliance. Internal use systems requiring modifications will be mitigated through enhancements to existing software and hardware or conversions to new software and hardware.

##### COSTS TO ADDRESS YEAR 2000 ISSUES

The cost of Year 2000 remediation and testing of the TRUST 3000 product line is projected to be \$10 million. Through December 31, 1998, approximately \$6.3 million has been spent, of which approximately \$4.5 million has been capitalized pursuant to Statement of Financial Accounting Standards No. 86, "Accounting for

the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed" (See Note 1 of the Notes to Consolidated Financial Statements). Additional spending of \$1.7 million is projected for 1999 and approximately \$2.0 million is estimated for contingency plans in the Year 2000. The spending dedicated to the TRUST 3000 product line represents the material costs incurred to achieve Year 2000 compliance. All Year 2000 compliance costs for all other proprietary systems, including those used for internal business purposes, were expensed as incurred or capitalized if new software or hardware was purchased. These costs were immaterial. Any future costs incurred associated with ancillary systems or equipment is not expected to be material. No planned development projects were delayed or cancelled as a result of Year 2000 compliance efforts.

#### RISKS OF THE YEAR 2000 ISSUES

Every effort has been made to mitigate any potential risk resulting from the roll over to the Year 2000. However, we believe that despite all of our best efforts, there still exists the potential of experiencing minor to moderate system issues at the beginning of the Year 2000. In anticipation of these risks, we are planning the following actions:

- 1.) Work closely with all clients to instruct them on maintaining all 1999 year-end data for recovery purposes.
- 2.) Current Year 2000 project expertise will remain dedicated to the Year 2000 program to be available to resolve potential issues.
- 3.) Budget funds into the Year 2000 to support potential issues.
- 4.) All future product releases will be analyzed for potential date related changes. If such a change is identified as having an impact to our Year 2000 certification, tests will be performed to re-certify the modified code.
- 5.) To reconfirm the TRUST 3000 product line as Year 2000 compliant, a full re-certification of compliance will be conducted in the third quarter of 1999.

As part of our Corporate Year 2000 due diligence, all of our insurance programs were reviewed with regard to the Year 2000. There are no specific Year 2000 exclusions in any of our policies. In addition, we have reviewed and will continue to review the status of our Year 2000 program efforts with our insurance carriers.

#### CONTINGENCY PLANS

Contingency planning efforts have been focused on the most critical business functions and vary significantly based on a system's functionality and how it operates. Manual overrides exist for many functions and in some cases alternative suppliers or delivery channels have been identified. The contingency strategy for our own proprietary products focuses on additional planned resources to react in the Year 2000. A plan exists to identify, correct and release Year 2000 related core and custom problems in the quickest fashion possible. A rapid response team will be available during peak processing times that will execute this plan. Clients will be apprised of the plan and advised on appropriate data retention. In the event electrical suppliers are not Year 2000 compliant and an interruption in electrical services occurs, each facility has a backup generator that will supply necessary electrical service to core processing systems and databases.

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#### FORWARD-LOOKING INFORMATION

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The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. 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, and contain words or phrases such as "may," "expects," "anticipates," or similar expressions. Forward-looking statements are based upon estimates and assumptions that involve certain risks and uncertainties, including but not limited to, economic, competitive, governmental and technological, many of which are beyond our control or are subject to change. Although we believe the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate. Therefore, we caution the reader that revenues and income could differ materially from those expected to occur. We disclaim any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

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#### Item 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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We do have several offices located outside the United States that conduct business in the local currencies of that country. We do not use foreign currency exchange contracts or other types of derivative financial investments to hedge local currency cash flows. All foreign operations only account for

approximately 4 percent of total revenues. Due to this limited activity, we do not expect any material loss with respect to foreign currency risk.

Exposure to market risk for changes in interest rates relate primarily to our investment portfolio and long-term debt. Currently, we do not invest in derivative financial instruments. SEI does not undertake any specific actions to cover its exposure to interest rate risk and is not a party to any interest rate risk management transactions. We place our investments in financial instruments that meet high credit quality standards. We are adverse to principal loss and ensure the safety and preservation of our invested funds by limiting default risk, market risk, and reinvestment risk. The interest rate on our long-term debt is fixed and is not traded on any established market. We have no cash flow exposure due to rate changes for our long-term debt.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.  
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Index to Financial Statements:

Report of Independent Public Accountants  
Consolidated Balance Sheets -- December 31, 1998 and 1997  
Consolidated Statements of Operations -- For the years ended  
December 31, 1998, 1997, and 1996  
Consolidated Statements of Shareholders' Equity -- For the years ended  
December 31, 1998, 1997, and 1996  
Consolidated Statements of Cash Flows -- For the years ended  
December 31, 1998, 1997, and 1996  
Notes to Consolidated Financial Statements  
Schedule II -- Valuation and Qualifying Accounts

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

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To SEI Investments Company:

We have audited the accompanying consolidated balance sheets of SEI Investments Company (a Pennsylvania corporation) and subsidiaries as of December 31, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1998. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SEI Investments Company and subsidiaries as of December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

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

ARTHUR ANDERSEN LLP

Philadelphia, Pa.  
February 5, 1999

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<TABLE>  
<CAPTION>

CONSOLIDATED BALANCE SHEETS (In thousands)	SEI Investments Company and Subsidiaries	
	DECEMBER 31, 1998	1997
<S> ASSETS	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 52,980	\$ 16,891
Receivables from regulated investment companies.....	18,999	14,452
Receivables, net of allowance for doubtful accounts of \$1,200.....	27,919	31,192
Loans receivable available for sale.....	2,167	11,340
Deferred income taxes.....	7,598	6,337
Prepaid expenses.....	3,846	3,783
	-----	-----
TOTAL CURRENT ASSETS.....	113,509	83,995
	-----	-----
PROPERTY AND EQUIPMENT, net of accumulated depreciation and amortization of \$57,452 and \$49,493.....	62,761	52,131
	-----	-----
CAPITALIZED SOFTWARE, net of accumulated amortization of \$8,238 and \$7,959.....	17,068	18,440
	-----	-----
OTHER ASSETS, net.....	15,434	14,318
	-----	-----
	\$208,772	\$168,884
	-----	-----

</TABLE>

The accompanying notes are an integral part of these statements.

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<TABLE>  
<CAPTION>

CONSOLIDATED BALANCE SHEETS (In thousands, except par value)	SEI Investments Company and Subsidiaries	
	DECEMBER 31, 1998	1997
<S> LIABILITIES AND SHAREHOLDERS' EQUITY	<C>	<C>
CURRENT LIABILITIES:		
Current portion of long-term debt.....	\$ 2,000	\$ 2,000
Accounts payable.....	6,805	5,798
Accrued compensation.....	32,105	20,920
Accrued proprietary fund services.....	10,370	9,812
Accrued consulting services.....	6,934	3,260
Accrued discontinued operations disposal costs.....	3,860	7,228
Other accrued liabilities.....	35,209	25,500
Deferred revenue.....	13,511	7,158
	-----	-----
TOTAL CURRENT LIABILITIES.....	110,794	81,676
	-----	-----
LONG-TERM DEBT.....	31,000	33,000
	-----	-----
DEFERRED INCOME TAXES.....	7,293	7,798
	-----	-----
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Series Preferred stock, \$.05 par value, 60 shares authorized; no shares issued and outstanding.....	--	--
Common stock, \$.01 par value, 100,000 shares authorized; 17,861 and 17,767 shares issued and outstanding.....	179	178
Capital in excess of par value.....	57,541	46,724
Retained earnings.....	2,422	--
Accumulated other comprehensive losses.....	(457)	(492)
	-----	-----



TOTAL SHAREHOLDERS'	COMMON STOCK		CAPITAL IN EXCESS OF		RETAINED	FOREIGN CURRENCY TRANSLATION	HOLDING GAIN (LOSS) ON
	SHARES	AMOUNT	PAR VALUE	EARNINGS	ADJUSTMENTS	INVESTMENTS	
EQUITY							
=====							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
<C>							
BALANCE, DECEMBER 31, 1995.....	18,425	\$184	\$48,207	\$ 7,167	\$ (58)	\$ 502	
\$56,002							
Comprehensive income:							
Net income.....	--	--	--	6,811	--	--	--
6,811							
Foreign currency translation							
adjustments.....	--	--	--	--	(119)	--	--
(119)							
Realized loss on investments,							
net of reclassification adjustment.....	--	--	--	--	--	--	(502)
(502)							
-----							
Total comprehensive income.....							
6,190							
Purchase and retirement of common							
stock.....	(533)	(5)	(1,396)	(8,369)	--	--	--
(9,770)							
Issuance of common stock under the							
employee stock purchase plan.....	52	--	976	--	--	--	--
976							
Issuance of common stock upon							
exercise of stock options.....	554	6	4,434	--	--	--	--
4,440							
Tax benefit on stock options exercised.....	--	--	2,738	--	--	--	--
2,738							
Cash dividends.....	--	--	--	(4,468)	--	--	--
(4,468)							
=====							
BALANCE, DECEMBER 31, 1996.....	18,498	185	54,959	1,141	(177)	--	--
56,108							
Comprehensive income:							
Net income.....	--	--	--	26,844	--	--	--
26,844							
Foreign currency translation							
adjustments.....	--	--	--	--	(240)	--	--
(240)							
Unrealized loss on investments.....	--	--	--	--	--	--	(75)
(75)							
-----							
Total comprehensive income.....							
26,529							
Purchase and retirement of common							
stock.....	(1,403)	(14)	(20,666)	(22,940)	--	--	--
(43,620)							
Issuance of common stock under the							
employee stock purchase plan.....	47	1	1,053	--	--	--	--
1,054							
Issuance of common stock upon							
exercise of stock options.....	625	6	8,009	--	--	--	--
8,015							
Tax benefit on stock options							
exercised.....	--	--	3,369	--	--	--	--
3,369							
Cash dividends.....	--	--	--	(5,045)	--	--	--
(5,045)							
=====							
BALANCE, DECEMBER 31, 1997.....	17,767	\$178	\$ 46,724	\$ --	\$ (417)	\$ (75)	
\$46,410							
=====							

</TABLE>

The accompanying notes are an integral part of these statements.

<TABLE>  
<CAPTION>

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
Company  
(In thousands)  
Subsidiaries

SEI Investments

and

TOTAL SHAREHOLDERS' EQUITY	COMMON STOCK		CAPITAL	RETAINED	ACCUMULATED OTHER COMPREHENSIVE INCOME			
	SHARES	AMOUNT	IN EXCESS OF	EARNINGS	CUMULATIVE FOREIGN CURRENCY	UNREALIZED HOLDING GAIN (LOSS)	ON	
			PAR VALUE		ADJUSTMENTS	INVESTMENTS		
BALANCE, DECEMBER 31, 1997.....	17,767	\$178	\$ 46,724	\$ --	\$ (417)		\$ (75)	
Comprehensive income:								
Net income.....	--	--	--	43,689	--	--	--	--
Foreign currency translation adjustments.....	--	--	--	--	9	--	--	--
Unrealized gain on investments.....	--	--	--	--	--	--	26	--
Total comprehensive income.....				43,724				
Purchase and retirement of common stock.....	(898)	(9)	(21,998)	(35,566)	--	--	--	--
Issuance of common stock under the employee stock purchase plan.....	28	--	1,524	--	--	--	--	--
Issuance of common stock upon exercise of stock options.....	964	10	11,262	--	--	--	--	--
Tax benefit on stock options exercised.....	--	--	20,029	--	--	--	--	--
Cash dividends.....	--	--	--	(5,701)	--	--	--	--
BALANCE, DECEMBER 31, 1998.....	17,861	\$179	\$ 57,541	\$ 2,422	\$ (408)		\$ (49)	

The accompanying notes are an integral part of these statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)

SEI Investments Company  
and Subsidiaries

YEAR ENDED DECEMBER 31,	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$43,689	\$ 26,844	\$ 6,811
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization.....	15,688	14,068	10,039
Provision for losses on receivables.....	--	--	144
Equity in the earnings of unconsolidated affiliate.....	(3,015)	--	--
Write-off of capitalized software.....	4,832	--	--
Write-off of customer lists.....	2,662	--	--
Deferred income tax expense (benefit).....	(3,608)	893	3,821
Discontinued operations.....	(710)	--	6,046
Gain on sale of investments available for sale.....	--	--	(1,097)
Other.....	3,450	(1,214)	(3,739)

Change in current assets and liabilities:

Decrease (increase) in:

Receivables from regulated investment companies.....	(4,547)	(3,616)	(2,079)
Receivables.....	2,121	(11,634)	2,734
Loans receivable available for sale.....	9,173	1,703	(7,891)
Prepaid expenses.....	(63)	42	1,065

Increase (decrease) in:

Accounts payable.....	1,007	(65)	(389)
Accrued compensation.....	11,208	6,417	779
Accrued discontinued operations disposal costs.....	(2,658)	(189)	7,417
Accrued proprietary fund services.....	558	3,064	4,065
Accrued consulting services.....	3,674	(836)	1,206
Other accrued liabilities.....	10,055	9,025	2,287
Deferred revenue.....	6,353	2,035	(672)

Total adjustments.....	56,180	19,693	23,736
------------------------	--------	--------	--------

NET CASH PROVIDED BY OPERATING ACTIVITIES.....	\$99,869	\$ 46,537	\$30,547
--	----------	-----------	----------

</TABLE>

The accompanying notes are an integral part of these statements.

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<TABLE>

<CAPTION>

Consolidated Statements of Cash Flows  
Company  
(In thousands)  
Subsidiaries

SEI Investments

and

Year Ended December 31,	1998	1997	1996
<S>	<C>	<C>	<C>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Additions to property and equipment..... (33,060)	(21,774)	(12,955)	
Additions to capitalized software..... (10,668)	(6,719)	(8,096)	
Proceeds from sale (purchase) of investments available for sale.....	(2,626)	--	5,536
Other..... (3,738)	(583)	(803)	
NET CASH USED IN INVESTING ACTIVITIES..... (41,930)	(31,702)	(21,854)	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from (payment on) long-term debt.....	(2,000)	35,000	--
Proceeds from (payment on) line of credit.....	--	(20,000)	20,000
Purchase and retirement of common stock..... (9,770)	(55,156)	(43,620)	
Proceeds from issuance of common stock.....	10,379	9,069	5,416
Tax benefit on stock options exercised.....	20,029	3,369	2,738
Payment of dividends..... (4,090)	(5,330)	(4,777)	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES.....	(32,078)	(20,959)	14,294
NET INCREASE IN CASH AND CASH EQUIVALENTS.....	36,089	3,724	2,911
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	16,891	13,167	10,256
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$ 52,980	\$ 16,891	\$ 13,167

</TABLE>

The accompanying notes are an integral part of these statements.

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NATURE OF OPERATIONS - SEI Investments Company (the "Company") is organized around its four primary business lines: Technology Services, Mutual Fund Services, Asset Management, and Investments in New Business. The Technology Services segment, which accounted for 45 percent of consolidated revenues in 1998, includes the Trust 3000 product line and trust operations outsourcing. The Mutual Fund Services segment, which accounted for 27 percent of consolidated revenues in 1998, provides administration and distribution services to proprietary mutual funds created for banks, insurance firms, and investment management companies. The Asset Management segment, which accounted for 25 percent of consolidated revenues in 1998, provides investment solutions through various investment products and services distributed directly or through professional investment advisors, financial planners, and other financial intermediaries to institutional and high-net-worth markets. Investments in New Business, which accounted for 3 percent of consolidated revenues in 1998, consists of the Company's Canadian and international operations which provide investment advisory services globally through investment products and services and performance evaluation and consulting services to Canadian pension plans.

PRINCIPLES OF CONSOLIDATION - The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. The Company's principal subsidiaries are SEI Investments Distribution Company ("SIDCO"), SEI Investments Management Corporation ("SIMC"), and SEI Trust Company. All intercompany accounts and transactions have been eliminated. Investment in unconsolidated affiliate is accounted for using the equity method due to the Company's less than 50 percent ownership. The Company's portion of the affiliate's operating results is reflected in Equity in the earnings of unconsolidated affiliate on the accompanying Consolidated Statements of Operations (See Note 5).

CASH AND CASH EQUIVALENTS - At December 31, 1998 and 1997, Cash and cash equivalents included \$50,283,000 and \$10,436,000, respectively, primarily invested in SEI Tax Exempt Trust, one of several mutual funds sponsored by SIMC. Interest and dividend income for 1998, 1997, and 1996 was \$1,558,000, \$983,000, and \$808,000, respectively (See Note 13).

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

<TABLE>  
<CAPTION>

	1998	1997	ESTIMATED USEFUL LIVES (IN YEARS)
<S>	<C>	<C>	<C>
Equipment.....	\$ 53,739,000	\$ 42,376,000	3 to 5
Buildings.....	28,303,000	27,940,000	25 to 39
Land.....	6,993,000	6,993,000	N/A
Purchased software.....	10,270,000	9,181,000	3
Furniture and fixtures.....	10,284,000	9,790,000	3 to 5
Leasehold improvements.....	6,791,000	5,344,000	Lease Term
Construction in progress.....	3,833,000	--	N/A
	-----	-----	
	120,213,000	101,624,000	
Less: Accumulated depreciation and amortization.....	(57,452,000)	(49,493,000)	
	-----	-----	
Property and Equipment, net.....	\$ 62,761,000	\$ 52,131,000	

</TABLE>

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

CAPITALIZED SOFTWARE - The Company accounts for software development costs in accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed" ("SFAS 86"). Under SFAS 86, costs incurred to create a computer software product are charged to research and development expense as incurred until technological feasibility has been established. The Company establishes technological feasibility upon completion of a detailed program design. At that point, computer

software costs are capitalized until the product is available for general release to customers. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized software development costs require considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues, estimated economic life, and changes in technology.

Amortization begins when the product is released. Capitalized software development costs are amortized on a product-by-product basis using the straight-line method over the estimated economic life of the product or enhancement, which is primarily three to ten years, with a weighted average remaining life of 9.0 years.

Capitalized software development costs consist primarily of salary, consulting, and computer costs incurred to develop new products and enhancements to existing products. During 1998, 1997, and 1996, software development costs of \$6,719,000, \$8,096,000, and \$10,668,000 were capitalized, respectively. Amortization expense was \$3,259,000, \$3,233,000, and \$1,447,000 in 1998, 1997, and 1996, respectively, and is included in Operating and development expense on the accompanying Consolidated Statements of Operations.

Total research and development costs, including capitalized software, were \$24,866,000, \$22,500,000, and \$26,254,000 in 1998, 1997, and 1996, respectively.

Management continually evaluates the recoverability of existing software products, as well as strategies for new software products. The assessment as to the recoverability of existing software products included an evaluation of expected future revenues, acceptability of the product in the market, the ability to support the product in a cost-effective manner, and technological enhancements. In the fourth quarter of 1998, management determined that certain software products were considered either obsolete or incapable of producing the anticipated results that the product was designed to produce. As a result, the Company wrote-off net capitalized software development costs of \$4,832,000.

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

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

<TABLE>  
<CAPTION>

	1998 ----	1997 ----	1996 ----
794,000	Interest paid..... \$ 2,598,000	\$1,499,000	\$
876,000	Interest and dividends received..... \$ 1,467,000	\$ 957,000	\$
\$5,525,000	Income taxes paid (Federal and state)..... \$12,514,000	\$8,667,000	

</TABLE>

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

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

FOREIGN CURRENCY TRANSLATION - The assets and liabilities of foreign operations are translated into U.S. dollars using the rates of exchange at year end. The results of operations are translated into U.S. dollars at the average daily exchange rates for the period. All foreign currency transaction gains and losses are included in income in the periods in which they occur, and are immaterial for each of the three

years in the period ended December 31, 1998.

EARNINGS PER SHARE - In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"), which supersedes Accounting Principles Board Opinion No. 15. Pursuant to SFAS 128, dual presentation of basic and diluted earnings per common share is required on the face of the statements of operations for companies with complex capital structures. Basic earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share reflects the potential dilution from the exercise or conversion of securities into common stock, such as stock options.

<TABLE>  
<CAPTION>

FOR THE YEAR ENDED DECEMBER 31, 1998			
SHARE	INCOME	SHARES	PER
Amount	(NUMERATOR)	(Denominator)	
	-----	-----	---
<S>	<C>	<C>	<C>
Basic earnings per common share from continuing operations.....	\$42,979,000	17,827,000	
\$2.41			
Dilutive effect of stock options.....	--	1,299,000	
Diluted earnings per common share from continuing operations.....	\$42,979,000	19,126,000	
\$2.25			

<CAPTION>

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

<CAPTION>

FOR THE YEAR ENDED DECEMBER 31, 1996			
SHARE	INCOME	SHARES	PER
Amount	(NUMERATOR)	(Denominator)	
	-----	-----	---
<S>	<C>	<C>	<C>
Basic earnings per common share from continuing operations.....	\$23,146,000	18,497,000	
\$1.25			
Dilutive effect of stock options.....	--	867,000	
Diluted earnings per common share from continuing operations.....	\$23,146,000	19,364,000	
\$1.20			

</TABLE>



Options to purchase 422,000, 580,000, and 544,000 shares of common stock, with an average exercise price per share of \$89.43, \$42.00, and \$24.20, were outstanding during 1998, 1997, and 1996, respectively, but were excluded from the diluted earnings per common share calculation because the option's exercise price was greater than the average market price of the Company's common stock.

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

<TABLE>  
<CAPTION>

	1996
<S>	<C>
Per common share amounts from continuing operations:	
Primary earnings per common share as reported.....	\$1.20
Effect of SFAS 128.....	.05
Basic earnings per common share as restated.....	\$1.25
Fully diluted earnings per common share as reported.....	\$1.20
Effect of SFAS 128.....	.00
Diluted earnings per common share as restated.....	\$1.20

</TABLE>

COMPREHENSIVE INCOME - In 1998, the Company adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"). SFAS 130 establishes standards for reporting and presentation of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements that is presented with equal prominence as other financial statements. Comprehensive income consists of net income, foreign currency translation adjustments, and unrealized holding gains and losses. The adoption of SFAS 130 had no impact on total shareholders' equity and is presented on the accompanying Consolidated Statements of Shareholders' Equity. Prior year financial statements have been reclassified to conform with the provisions established in SFAS 130.

<TABLE>  
<CAPTION>

TAX	PRE-TAX	TAX	NET-OF
	AMOUNT	(EXPENSE) OR BENEFIT	AMOUNT
<S>	<C>	<C>	<C>
For the Year Ended December 31, 1996:			
Unrealized gains on investments:			
Unrealized holding gains arising during period.....	\$ 273	\$(106)	\$ 167
Less: reclassification adjustment for gains realized in net income.....	(1,097)	428	(669)
Net unrealized loss.....	(824)	322	(502)
Foreign currency translation adjustments.....	(195)	76	(119)
Total other comprehensive loss.....	\$ (1,019)	\$ 398	\$ (621)
FOR THE YEAR ENDED DECEMBER 31, 1997:			
Unrealized holding loss arising during period.....	\$ (393)	\$ 153	\$ (240)
Foreign currency translation adjustments.....	(123)	48	(75)
Total other comprehensive loss.....	\$ (516)	\$ 201	\$ (315)
FOR THE YEAR ENDED DECEMBER 31, 1998:			

Unrealized holding gains arising during period.....	\$ 15	\$ (6)	\$ 9
Foreign currency translation adjustments.....	42	(16)	26
	-----	-----	-----
Total other comprehensive income.....	\$ 57	\$ (22)	\$ 35
	=====	=====	=====

---  
</TABLE>

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Management's Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

NOTE 2 - DISCONTINUED OPERATIONS:

In May 1995, the Company's Board of Directors approved a plan of disposal for the SEI Capital Resources Division ("CR") and the SEI Defined Contribution Retirement Services Division ("DC"). CR provided investment performance evaluation services, consulting services, and brokerage services to employee benefit plan sponsors and investment advisors in the United States. DC provided administrative and processing services, recordkeeping services, and employee retirement planning materials for use by defined contribution plans. In 1996, the Company completed the transfer of DC's full service recordkeeping operations to KPMG Peat Marwick. CR and DC were being accounted for together as discontinued operations. The accompanying Consolidated Financial Statements reflect the operating results and balance sheet items of the discontinued operations separately from continuing operations.

At the measurement date, the Company expected the sale of CR would have resulted in a gain on the disposal of CR's assets which would have been sufficient to offset any losses incurred by DC. As a result, no provision for estimated losses was established for the period from the measurement date to the estimated disposal date. In the fourth quarter of 1996, based on current information, management of the Company concluded that any proceeds received from a possible sale of CR would not be sufficient to offset the remaining net assets of CR and DC. Therefore, the Company recorded a charge of \$16,335,000 (\$.88 basic earnings per common share and \$.85 diluted earnings per common share), net of income tax benefit of \$5,139,000. This provision was established to cover all future costs associated with the disposal of CR and DC. This provision is reflected in Accrued discontinued operations disposal costs on the accompanying Consolidated Balance Sheets.

In July 1997, the Company entered into a definitive agreement to sell the remaining net assets of CR to a private investment firm. The deal was closed on December 31, 1997. Based upon the terms of the agreement, the Company received a specified amount at closing which was subject to adjustment. The adjustment to the purchase price consisted of a working capital adjustment plus an amount representing the net amount of cash activity from CR's operations during the period between August 18, 1997 and December 31, 1997. Additionally, the Company received a note from the acquiring firm, which was due in two installments in August 1998 and February 1999. As of March 29, 1999, the Company has not received any principal payments on this note. No additional gain or loss was recorded at December 31, 1997 as a result of this transaction. Any additional gain will be recorded when payment on the note is received.

The charge recorded in the fourth quarter of 1996 included certain estimates relating to the Company's future commitments on certain of its operating leases utilized by CR. These estimates were based upon certain assumptions relating to the sub-leasing of these facilities. In 1998, these sub-lease arrangements were finalized. As a result, the original discontinued operations provision was overstated. Accordingly, the Company reduced the discontinued operations provision by \$1,154,000, net of tax expense of \$444,000, which is reflected in Income from disposal of discontinued operations on the Consolidated Statements of Operations.

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NOTE 3 - RECEIVABLES:

Receivables on the accompanying Consolidated Balance Sheets consist of the

following:

<TABLE>  
<CAPTION>

	1998	1997
<S>	<C>	<C>
Trade receivables.....	\$14,586,000	\$16,219,000
Fees earned, not received.....	2,558,000	2,308,000
Fees earned, not billed.....	11,975,000	13,865,000
	-----	-----
	29,119,000	32,392,000
Less: Allowance for doubtful accounts.....	(1,200,000)	(1,200,000)
	-----	-----
	\$27,919,000	\$31,192,000

</TABLE>

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

Receivables from regulated investment companies on the accompanying Consolidated Balance Sheets represent fees collected from the Company's wholly owned subsidiaries, SIDCO and SIMC, for distribution, investment advisory, and administration services provided by these subsidiaries to various regulated investment companies sponsored by the Company (See Note 13).

NOTE 4 - LOANS RECEIVABLE AVAILABLE FOR SALE:

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

NOTE 5 - OTHER ASSETS:

Other assets on the accompanying Consolidated Balance Sheets consist of the following:

<TABLE>  
<CAPTION>

	1998	1997
<S>	<C>	<C>
Investments available for sale.....	\$ 3,565,000	\$
876,000		
Investment in unconsolidated affiliate.....	2,573,000	-
-		
Customer lists, net of accumulated amortization of \$291.....	--	
3,009,000		
Other, net.....	9,296,000	
10,433,000	-----	-----
-		
Other assets.....	\$15,434,000	
\$14,318,000	-----	-----

</TABLE>

INVESTMENTS AVAILABLE FOR SALE - Investments available for sale consist of investments in mutual funds sponsored by the Company. The Company accounts for investments in marketable securities pursuant to Statement of Financial

Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("SFAS 115"). SFAS 115 requires that debt and equity securities classified as available for sale be reported at market value. Unrealized holding gains and losses, net of income taxes, are reported as a separate component of Comprehensive income. Realized gains and losses, as determined on a specific identification basis, are reported separately on the accompanying Consolidated Statements of Operations.

Investments available for sale had an aggregate cost of \$3,645,000 and \$1,000,000 at December 31, 1998 and 1997, respectively. These securities had an aggregate market value of \$3,565,000 and \$876,000, with gross unrealized holding losses of \$80,000 and \$124,000 at December 31, 1998 and 1997, respectively. The net unrealized holding losses of \$49,000 and \$75,000 (net of income tax benefit of \$31,000 and \$49,000) were reported as a separate component of Accumulated other comprehensive losses on the accompanying Consolidated Balance Sheets at December 31, 1998 and 1997, respectively. There were no gross unrealized holding gains as of December 31, 1997.

In 1996, proceeds from the sale of securities classified as Investments available for sale were \$6,536,000. The aggregate cost of these securities prior to sale was \$5,439,000, resulting in a realized gain of \$1,097,000. This gain is reflected in Gain on sale of investments available for sale on the accompanying Consolidated Statements of Operations. The Company did not sell any of its investments in 1997.

INVESTMENT IN UNCONSOLIDATED AFFILIATE - In 1994, the Company and three leading academics in the field of finance formed a general partnership, LSV Asset Management ("LSV"). The Company contributed \$1,000,000 in cash for a 51 percent general partnership interest and the other three partners contributed all of its rights, title, and interest in the Quantitative Value Analysis Method and Software in consideration for aggregate partnership interests of 49 percent. LSV is a registered investment advisor which provides investment advisory services to institutions, including pension plans and investment companies. LSV is currently the investment sub-advisor to a portion of SEI Large Cap Value Fund and SEI Small Cap Value Fund, two of several portfolios included in both SEI Institutional Managed Trust and SEI Institutional Investments Trust, which are open-end regulated investment companies. In addition, LSV is a portfolio manager of certain assets within SEI U.S. Equity Portfolio, which is one of many portfolios included in SEI Global Master Fund, a variable limited liability investment company organized in Ireland.

Beginning in the first quarter of 1998, the Company's interest in LSV was reduced to approximately 45 percent. As a result, the Company modified its accounting for LSV from the consolidation method to the equity method. The Company's portion of LSV's net earnings is reflected in Equity in the earnings of unconsolidated affiliate on the accompanying Consolidated Statements of Operations.

The following table contains condensed financial information of LSV:

<TABLE>  
<CAPTION>

CONDENSED STATEMENT OF OPERATIONS	1998
<S>	<C>
Revenues.....	\$10,810,000
Net income.....	\$ 6,637,000

</TABLE>

<TABLE>  
<CAPTION>

CONDENSED BALANCE SHEET	1998
<S>	<C>
Current assets.....	\$6,284,000
Non-current assets.....	100,000
Total assets.....	\$6,384,000
Current liabilities.....	\$1,096,000
Partners' capital.....	5,288,000
Total liabilities and partners' capital.....	\$6,384,000

</TABLE>

relationships obtained in various acquisitions. Customer Lists are amortized on a straight-line basis over 10 years. Amortization expense for 1998 and 1997 was \$384,000 and \$291,000, respectively. There was no amortization expense in 1996.

Management continually evaluates the realizability of intangible assets based on estimates of undiscounted future cash flows over the remaining useful life of the asset. If the amount of such estimated undiscounted future cash flow is less than the net book value of the asset, the asset is written down to its net realizable value. In the fourth quarter of 1998, the Company recorded a charge of \$2,662,000 to write-off the remaining value assigned to customer lists acquired in the 1996 acquisition of a company in Latin America. A recent change in the strategic direction of this business resulted in a devaluation of the customer list that was originally acquired.

NOTE 6 - LINE OF CREDIT:

The Company has a line of credit agreement (the "Agreement") with its principal lending institution which provides for borrowings of up to \$50,000,000. The Agreement ends on May 31, 1999, at which time the outstanding principal balance, if any, becomes due unless the Agreement is extended. Management believes the Agreement will be extended. The line of credit, when utilized, accrues interest at the Prime rate or three-tenths percent above the London Interbank Offered Rate. The Company is obligated to pay a commitment fee equal to one-tenth percent per annum on the average daily unused portion of the commitment. Certain covenants under the Agreement require the Company to maintain specified levels of net worth and place certain restrictions on investments.

The maximum month-end amount of debt outstanding on the Company's line of credit for the years ended December 31, 1998 and 1997 was \$15,000,000 and \$30,000,000, respectively. Interest expense, including commitment fees, on the Company's line of credit was \$127,000, \$302,000, and \$794,000 based on a weighted average interest rate of approximately 5.9 percent, 5.8 percent, and 6.0 percent for the years ended December 31, 1998, 1997, and 1996, respectively.

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NOTE 7 - LONG-TERM DEBT:

On February 24, 1997, the Company signed a Note Purchase Agreement authorizing the issuance and sale of \$20,000,000 of 7.20% Senior Notes and \$15,000,000 of 7.27% Senior Notes (collectively, the "Notes") in a private offering with certain financial institutions. The Notes are unsecured with final maturities ranging from 10 to 15 years. The proceeds from the Notes were used to repay the outstanding balance on the Company's line of credit at that time. The Note Purchase Agreement, as amended, contains various covenants, including limitations on indebtedness, maintenance of minimum net worth levels, and restrictions on certain investments. In addition, the agreement limits the Company's ability to merge or consolidate, and to sell certain assets. Principal payments on the Notes are made annually from the date of issuance while interest payments are made semi-annually. The Company paid the first two principal payments for \$2,000,000 each in February 1998 and 1999. The carrying amount of the Company's long-term debt approximates its fair value.

Aggregate maturities of long-term debt at December 31, 1998 are:

<TABLE>

<S>	<C>
1999.....	\$ 2,000,000
2000.....	2,000,000
2001.....	2,000,000
2002.....	2,000,000
2003.....	4,000,000
2004 and thereafter.....	21,000,000
	-----
	\$33,000,000

</TABLE>

Interest expense relating to the Company's long-term debt was \$2,448,000 and \$2,186,000 for the years ended December 31, 1998 and 1997, respectively.

NOTE 8 - SHAREHOLDERS' EQUITY:

STOCK-BASED COMPENSATION PLANS - The Company has several stock option plans under which non-qualified and incentive stock options for common stock are

available for grant to officers, directors, and key employees. The options granted and the option prices are established by the Board of Directors in accordance with the terms of the plans. The Board of Directors has reserved an aggregate 14,605,000 shares for grant under these plans. All options outstanding were granted at prices equal to the fair market value of the stock on the date of grant and expire 10 years after the date of grant. All options granted prior to December 1997 vest ratably over a four year period from the date of grant. All options granted in December 1997 and after vest ratably upon the Company's attainment of specific earnings levels or entirely after seven years from the date of grant.

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

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<TABLE>  
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Net income:			
As reported.....	\$43,689	\$26,844	\$6,811
Pro forma.....	\$37,721	\$25,334	\$6,201
Basic earnings per common share:			
As reported.....	\$ 2.45	\$ 1.47	\$ .37
Pro forma.....	\$ 2.12	\$ 1.38	\$ .34
Diluted earnings per common share:			
As reported.....	\$ 2.28	\$ 1.40	\$ .35
Pro forma.....	\$ 1.97	\$ 1.32	\$ .32

</TABLE>

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

The weighted average fair value of the stock options granted during 1998, 1997, and 1996 was \$121.86, \$59.71, and \$31.31, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

<TABLE>  
<CAPTION>

	1998	1997	1996
<S>	<C>	<C>	<C>
Risk-free interest rate.....	5.34%	6.55%	6.70%
Expected dividend yield.....	1.00%	1.00%	1.00%
Expected life.....	7 YEARS	7 Years	7 Years
Expected volatility.....	40.19%	37.36%	34.87%

</TABLE>

Certain information relating to the Company's stock option plans for 1998, 1997, and 1996 is summarized as follows:

<TABLE>  
<CAPTION>

	Number of Shares	Weighted Average Exercise Price
<S>	<C>	<C>
Balance as of December 31, 1995.....	4,127,000	\$13.44
Granted.....	365,000	21.65
Exercised.....	(554,000)	8.02
Expired or canceled.....	(82,000)	20.44

Balance as of December 31, 1996.....	3,856,000	14.85
Granted.....	622,000	40.55
Exercised.....	(625,000)	12.83
Expired or canceled.....	(58,000)	22.25
	-----	
Balance as of December 31, 1997.....	3,795,000	19.27

</TABLE>

48

<TABLE>  
<CAPTION>

	Number of Shares	Weighted Average Exercise Price
	-----	-----
<S>	<C>	<C>
Balance as of December 31, 1997.....	3,795,000	19.27
Granted.....	508,000	84.07
Exercised.....	(964,000)	11.70
Expired or canceled.....	(95,000)	32.49
	-----	
Balance as of December 31, 1998.....	3,244,000	\$31.25
Exercisable as of December 31, 1998.....	1,976,000	\$15.99
Available for future grant as of December 31, 1998.....	1,429,000	--

</TABLE>

As of December 31, 1997 and 1996, there were 2,725,000 shares and 3,010,000 shares exercisable, respectively. The expiration dates for options at December 31, 1998 range from July 17, 1999 to December 16, 2008, with a weighted average remaining contractual life of 6.2 years.

The following table summarizes information relating to all options outstanding at December 31, 1998:

<TABLE>  
<CAPTION>

Range of Exercise Prices (Per Share)	Options Outstanding at December 31, 1998		Options Exercisable at December 31, 1998		Weighted Average Remaining Contractual Life (Years)
	Number of Shares	Weighted Average Exercise Price (Per Share)	Number of Shares	Weighted Average Exercise Price (Per Share)	
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
\$ 8.00 - \$13.00	748,000	\$ 9.95	748,000	\$ 9.95	2.3
13.75 - 18.50	670,000	16.65	668,000	16.65	4.8
19.50 - 26.25	794,000	22.73	560,000	23.25	6.7
42.00 - 57.00	598,000	43.75	--	--	9.1
68.75 - 89.75	434,000	88.83	--	--	9.9
	-----		-----		
	3,244,000		1,976,000		

</TABLE>

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 1,300,000 shares for issuance under this plan. At December 31, 1998, 761,000 cumulative shares have been issued.

COMMON STOCK BUYBACK - The Board of Directors has authorized the purchase of the Company's common stock on the open market or through private transactions of up to an aggregate of \$298,365,000. Through December 31, 1998, a total of 15,503,000 shares at an aggregate cost of \$264,278,000 have been purchased and retired. The Company purchased 867,000 shares at a cost of \$55,156,000 during 1998.

The Company immediately retires its common stock when purchased. Upon retirement, the Company reduces Capital in excess of par value for the average capital per share outstanding and the remainder is charged against

Retained earnings. If the Company reduces its Retained earnings to zero, any subsequent purchases of common stock will be charged entirely to Capital in excess of par value.

SHAREHOLDERS' RIGHTS PLAN - On December 10, 1998, the Company's Board of Directors adopted a new Shareholder Rights Plan to replace the Shareholder Rights Plan originally adopted in 1988 which expired on December 19, 1998. The Company's Shareholders Rights Plan is designed to deter coercive or unfair takeover tactics and to prevent a person or group from acquiring control of the Company without offering a fair price to all shareholders.

Under the terms of the 1998 Shareholder Rights Plan, all common shareholders of record at the close of business on December 19, 1999 shall receive one Right for each outstanding common share of the Company. Any new common shares issued after December 19, 1999 will receive one Right for each common share. Each Right entitles the registered holder to purchase from the Company one two-thousandths of a share of Series A Junior Participating Preferred Shares, par value \$.05 per share, at an exercise price of \$500 per share. The Rights will become exercisable and trade separately from the Common Stock 10 days following a public announcement that a person or group is the beneficial owner of 20 percent or more of the outstanding Common Shares (the "Stock Acquisition Date"), or the commencement of a tender or exchange offer that would result in such a person or group owning 20 percent or more of the outstanding Common Shares.

In the event that the Company is involved in a merger or other business combination in which the Company survives and its common stock remains outstanding, the other stockholders will be able to exercise the Rights and buy common stock of the Company having twice the value of the exercise price of the Rights. Additionally, if the Company is involved in certain other mergers where its shares are exchanged or certain major sales of its assets occur, stockholders will be able to purchase the other party's common shares in an amount equal to twice the value of the exercise price of the Rights. Upon the occurrence of any of these events, the Rights will no longer be exercisable into Preferred Shares.

The Rights, which do not have voting rights, will expire on December 19, 2008, and may be redeemed by the Company any time until ten days following the Stock Acquisition Date at a price of \$.01 per Right.

DIVIDENDS - On May 21, 1998, the Board of Directors declared a cash dividend of \$.16 per share on the Company's common stock, which was paid on June 30, 1998, to shareholders of record on June 16, 1998. On December 10, 1998, the Board of Directors declared a cash dividend of \$.16 per share on the Company's common stock, which was paid on January 25, 1999, to shareholders of record on January 5, 1999.

The dividends declared in 1998 and 1997 were \$5,701,000 and \$5,045,000, respectively. The Board of Directors has indicated its intention to pay future dividends on a semiannual basis.

NOTE 9 - EMPLOYEE BENEFIT PLAN:

The Company has a tax-qualified defined contribution plan (the "Plan"). The Plan provides retirement benefits, including provisions for early retirement and disability benefits, as well as a tax-deferred savings feature. After satisfying certain requirements, participants are vested in employer contributions at the time the contributions are made. All Company contributions are discretionary and are made from available profits. The Company contributed \$1,471,000, \$1,412,000, and \$1,345,000 to the Plan in 1998, 1997, and 1996, respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES:

The Company has entered into various operating leases for facilities, data processing equipment, and software. Some of these leases contain escalation clauses for increased taxes and operating expenses. Rent expense was \$14,142,000, \$16,192,000, and \$17,527,000 in 1998, 1997, and 1996, respectively.

Aggregate noncancellable minimum lease commitments at December 31, 1998 are:

<TABLE>

<S>	<C>
1999.....	\$ 6,658,000
2000.....	5,036,000
2001.....	4,330,000
2002.....	1,887,000



2003.....	1,430,000
2004 and thereafter.....	125,000
	-----
	\$19,466,000

</TABLE>

The Company has future lease obligations relating to office facilities that were being used by its discontinued operations. The Company established a provision for future lease commitments relating to these facilities which is included in Accrued discontinued operations disposal costs on the accompanying Consolidated Balance Sheets. Management of the Company believes this provision will be adequate to cover all future costs incurred relating to these facilities. These lease obligations are not included in the above commitments table.

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

NOTE 11 - INCOME TAXES:

Income taxes from continuing operations consist of the following:

YEAR ENDED DECEMBER 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Current			
Federal.....	\$28,841,000	\$15,544,000	\$10,491,000
State.....	1,671,000	726,000	486,000
	-----	-----	-----
	30,512,000	16,270,000	10,977,000
Deferred, including current deferred			
Federal.....	(3,020,000)	607,000	2,963,000
State.....	(588,000)	286,000	858,000
	-----	-----	-----
	(3,608,000)	893,000	3,821,000
Total income taxes from continuing operations.....	\$26,904,000	\$17,163,000	\$14,798,000

</TABLE>

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

YEAR ENDED DECEMBER 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Statutory rate.....	35.0%	35.0%	35.0%
State taxes, net of Federal tax benefit.....	1.0	1.3	2.3
Foreign losses.....	3.2	1.2	1.1
Other, net.....	(0.7)	1.5	0.6
	----	----	----
	38.5%	39.0%	39.0%

</TABLE>

Deferred income taxes for 1998, 1997, and 1996 reflect the impact of "temporary differences" between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. Principal items comprising the deferred income tax provision (benefit) from continuing operations are as follows:

YEAR ENDED DECEMBER 31,	1998	1997	1996
<S>	<C>	<C>	<C>
Difference in financial reporting and income			

tax depreciation methods.....	\$ 385,000	\$ 996,000	\$ 598,000
Reserves not currently deductible.....	1,000,000	(73,000)	(28,000)
Capitalized software currently deductible for tax purposes, net of amortization.....	(674,000)	1,662,000	3,461,000
State deferred income taxes.....	(382,000)	186,000	558,000
Revenue and expense recognized in different periods for financial reporting and income tax purposes.....	(2,722,000)	(1,508,000)	(724,000)
Other, net.....	(1,215,000)	(370,000)	(44,000)
	-----	-----	-----
	\$ (3,608,000)	\$ 893,000	\$3,821,000

</TABLE>

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

<TABLE>		
<CAPTION>		
YEAR ENDED DECEMBER 31,	1998	1997
-----	-----	-----
<S>	<C>	<C>
Current deferred income taxes:		
Gross assets.....	\$ 7,598,000	\$ 6,461,000
Gross liabilities.....	--	(124,000)
	-----	-----
	7,598,000	6,337,000
	-----	-----
Long-term deferred income taxes:		
Gross assets.....	116,000	243,000
Gross liabilities.....	(7,409,000)	(8,041,000)
	-----	-----
	(7,293,000)	(7,798,000)
	-----	-----
Net deferred income tax asset (liability).....	\$ 305,000	\$ (1,461,000)
-----	-----	-----

</TABLE>

The Company did not record any valuation allowance against deferred tax assets at December 31, 1998 and 1997.

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

<TABLE>		
<CAPTION>		
YEAR ENDED DECEMBER 31,	1998	1997
-----	-----	-----
<S>	<C>	<C>
Difference in financial reporting and income		
tax depreciation methods.....	\$ (119,000)	\$ 52,000
Reserves not currently deductible.....	853,000	750,000
Capitalized software currently deductible for tax purposes, net of amortization.....	(7,288,000)	(8,088,000)
State deferred income taxes.....	173,000	324,000
Revenue and expense recognized in different periods for financial reporting and income tax purposes.....	6,572,000	5,388,000
Unrealized holding gain on investments.....	114,000	48,000
Other, net.....	--	65,000
	-----	-----
	\$ 305,000	\$ (1,461,000)
-----	-----	-----

</TABLE>

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NOTE 12 - SEGMENT INFORMATION:

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 131 establishes standards for the way public business enterprises report financial information about operating segments in financial statements. SFAS 131 also requires additional disclosures about product and services, geographic areas, and major customers. The Company adopted SFAS 131 in its December 31, 1998 financial statements. All prior period segment information has been restated to conform with the provisions of SFAS 131.

The Company is organized around its four primary business lines: Technology



	<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues.....	\$292,749,000	\$129,525,000	\$83,157,000	\$61,871,000	\$14,439,000	\$ 3,757,000	
Operating income (loss).....	45,512,000	\$ 37,146,000	\$23,858,000	\$ 3,281,000	\$(5,799,000)	\$(12,974,000)	\$
Other expense, net.....	1,505,000						\$
Income from continuing operations before income taxes.....	44,007,000						\$
Depreciation and amortization.....	14,068,000	\$ 8,634,000	\$ 1,883,000	\$ 1,791,000	\$ 1,021,000	\$ 739,000	\$
Capital expenditures.....	12,955,000	\$ 9,465,000	\$ 600,000	\$ 1,636,000	\$ 225,000	\$ 1,029,000	\$
Total assets.....	\$168,884,000	\$ 89,471,000	\$15,559,000	\$17,464,000	\$29,994,000	\$ 16,396,000	

</TABLE>

<TABLE>  
<CAPTION>

1996 Total	Technology Services	Mutual Fund Services	Asset Management	Investments In New Business	Other	
Revenues.....	\$247,817,000	\$128,025,000	\$62,874,000	\$46,184,000	\$10,354,000	\$ 380,000
Operating income (loss).....	36,087,000	\$ 43,309,000	\$15,874,000	\$(2,971,000)	\$(6,559,000)	\$(13,566,000)
Other income, net.....	1,857,000					\$
Income from continuing operations before income taxes.....	37,944,000					\$
Depreciation and amortization.....	10,039,000	\$ 6,567,000	\$ 1,367,000	\$ 1,246,000	\$ 649,000	\$ 210,000
Capital						

expenditures.....	\$ 20,174,000	\$ 1,277,000	\$ 6,763,000	\$ 401,000	\$ 4,445,000	\$
33,060,000						
-----						
Total assets.....	\$ 67,819,000	\$13,283,000	\$19,216,000	\$26,964,000	\$ 13,759,000	
\$141,041,000						
-----						

</TABLE>

Other consists of expenses and assets attributable to corporate overhead groups that are not allocated to the operating segments for internal financial reporting purposes. Other in 1997 and 1996 also consists of the revenues, expenses, and assets of LSV, which are not allocated to any operating segment. Unallocated assets primarily consist of cash and cash equivalents, deferred tax assets, the investment in and assets of LSV, and certain other shared services assets.

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The following table presents the details of Other income (expense):

<TABLE>				
<CAPTION>				
FOR THE YEAR ENDED DECEMBER 31,	1998	1997	1996	
-----				
<S>	<C>	<C>	<C>	
Equity in the earnings of unconsolidated affiliate.....	\$ 3,015,000	\$ --	\$ --	
Gain on sale of investments available for sale.....	--	--	1,097,000	
Interest income.....	1,558,000	983,000	808,000	
Interest expense.....	(2,575,000)	(2,488,000)	(48,000)	
	-----	-----	-----	
	\$ 1,998,000	\$ (1,505,000)	\$1,857,000	
-----				

</TABLE>

The following table presents revenues by country based on the location of the use of the product or services.

<TABLE>				
<CAPTION>				
FOR THE YEAR ENDED DECEMBER 31,	1998	1997	1996	
-----				
<S>	<C>	<C>	<C>	
United States.....	\$350,729,000	\$277,655,000	\$237,046,000	
Canada.....	10,183,000	9,952,000	8,785,000	
Other.....	5,207,000	5,142,000	1,986,000	
	-----	-----	-----	
	\$366,119,000	\$292,749,000	\$247,817,000	
-----				

</TABLE>

The following table presents assets based on its location.

<TABLE>				
<CAPTION>				
	1998	1997	1996	
-----				
<S>	<C>	<C>	<C>	
United States.....	\$193,133,000	\$141,652,000	\$117,225,000	
Canada.....	3,706,000	3,708,000	4,030,000	
Other.....	11,933,000	23,524,000	19,786,000	
	-----	-----	-----	
	\$208,772,000	\$168,884,000	\$141,041,000	
-----				

</TABLE>

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NOTE 13 - RELATED PARTY TRANSACTIONS:

SIMC, either by itself or through its wholly owned subsidiaries, is a party to Investment Advisory and Administration Agreements with several regulated investment companies ("RICs"), which are administered by the Company.

Shares of the RICs are offered to clients of the Company and its subsidiaries. Under the Investment Advisory and Administration Agreements, SIMC receives a fee for providing investment advisory, administrative, and accounting services to the RICs. The investment advisory and administration fee is a fixed percentage of the average daily net asset value of each RIC, subject to certain limitations. Investment advisory and administration fees received by the Company totaled \$152,076,000, \$119,606,000, and \$92,143,000 in 1998, 1997, and 1996, respectively. SIDCO is a party to Distribution Agreements with several RICs, which are advised and/or administered by SIMC. SIDCO receives a fee from the RICs for providing distribution services pursuant to the provisions of various Rule 12b-1 Plans adopted by the RICs. These distribution fees totaled \$15,480,000, \$7,269,000, and \$4,026,000 in 1998, 1997, and 1996, respectively.

NOTE 14 - QUARTERLY FINANCIAL DATA (UNAUDITED):

<TABLE>  
<CAPTION>

1998	For the Three Months Ended			
	MARCH 31	JUNE 30	SEPT. 30	DEC. 31
<S>	<C>	<C>	<C>	<C>
Revenues.....	\$81,871,000	\$85,499,000	\$90,492,000	\$108,257,000
Income from continuing operations before income taxes.....	\$12,458,000	\$15,709,000	\$18,546,000	\$ 23,170,000
Income from continuing operations.....	\$ 7,597,000	\$ 9,585,000	\$11,551,000	\$ 14,246,000
Net income.....	\$ 7,597,000	\$ 9,585,000	\$11,551,000	\$ 14,956,000 (a)
Basic earnings per common share from continuing operations.....	\$ .43	\$ .54	\$ .64	\$ .80
Basic earnings per common share.....	\$ .43	\$ .54	\$ .64	\$ .84 (a)
Diluted earnings per common share from continuing operations.....	\$ .40	\$ .50	\$ .60	\$ .75
Diluted earnings per common share.....	\$ .40	\$ .50	\$ .60	\$ .79 (a)

</TABLE>

(a) Includes income from disposal of discontinued operations of \$710,000 or \$.04 basic earnings per common share and \$.04 diluted earnings per common share (See Note 2).

<TABLE>  
<CAPTION>

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

</TABLE>

SEI INVESTMENTS COMPANY AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED DECEMBER 31, 1998

<TABLE>  
<CAPTION>

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

For the Year Ended December 31, 1997:

Allowance for doubtful accounts	\$1,350,000	\$	--	\$	--	\$ (150,000)	\$1,200,000
	=====	=====	=====	=====	=====	=====	=====

For the Year Ended December 31, 1998:

Allowance for doubtful accounts	\$1,200,000	\$	--	\$	--	\$	--	\$1,200,000
	=====	=====	=====	=====	=====	=====	=====	=====

</TABLE>

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

None.

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PART III  
 -----

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.  
 -----

The information required by this item concerning directors is hereby incorporated by reference to the Company's definitive proxy statement for its 1999 Annual Meeting of Shareholders to be filed with the Securities and Exchange Commission within 120 days after December 31, 1998 pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "1999 Proxy Statement").

The executive officers of the Company are as follows:

ALFRED P. WEST, JR., 56, has been the Chairman of the Board of Directors and Chief Executive Officer of the Company since its inception in 1968. Mr. West was President from June 1979 to August 1990.

HENRY H. GREER, 61, has been Chief Financial Officer since September 1996. Mr. Greer has been President and Chief Operating Officer since August 1990, and was an Executive Vice President from July 1990 to August 1990. Mr. Greer has been a Director since November 1979.

CARMEN V. ROMEO, 55, has been an Executive Vice President since December 1985. Mr. Romeo has been a Director since June 1979. Mr. Romeo was Treasurer and Chief Financial Officer from June 1979 to September 1996.

RICHARD B. LIEB, 51, has been an Executive Vice President since October 1990, and a Director since May 1995.

CARL A. GUARINO, 41, has been a Senior Vice President since April 1988, and was General Counsel from April 1988 to January 1994.

EDWARD D. LOUGHLIN, 48, has been an Executive Vice President since January 1994 and a Senior Vice President since January 1988.

DENNIS J. MCGONIGLE, 38, has been an Executive Vice President since July 1996. Mr. McGonigle has been a Senior Vice President since January 1994 and a Vice President since January 1991.

KEVIN P. ROBINS, 37, has been a Senior Vice President and General Counsel since January 1994 and a Vice President since January 1992.

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ITEM 11. EXECUTIVE COMPENSATION.  
 -----

The information called for in this item is hereby incorporated by reference to the 1999 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.  
 -----

The information called for in this item is hereby incorporated by reference to the 1999 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.  
 -----

The information called for in this item is hereby incorporated by reference to the 1999 Proxy Statement.

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PART IV

-----

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

-----

- (a) 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 Public Accountants  
Consolidated Balance Sheets -- December 31, 1998 and 1997  
Consolidated Statements of Operations -- For the years ended  
December 31, 1998, 1997, and 1996  
Consolidated Statements of Shareholders' Equity -- For the years  
ended December 31, 1998, 1997, and 1996  
Consolidated Statements of Cash Flows -- For the years ended  
December 31, 1998, 1997, and 1996  
Notes to Consolidated Financial Statements  
Schedule II -- Valuation and Qualifying Accounts
- All other schedules are omitted because they are not applicable,  
or not required, or because the required information is included  
in the Consolidated Financial Statements or notes thereto.
3. Exhibits, Including Those Incorporated by Reference. The exhibits  
-----  
to this Report are listed on the accompanying index to exhibits  
and are incorporated herein by reference or are filed as part of  
this annual report on Form 10-K.
- (b) Reports on Form 8-K. No reports on Form 8-K were filed by the  
-----  
Company during the quarter ended December 31, 1998.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEI INVESTMENTS COMPANY

Date March 29, 1999  
-----  
By /s/ Henry H. Greer  
-----  
Henry H. Greer  
President, Chief Operating  
Officer, Chief Financial Officer  
and Director

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

Date March 29, 1999  
-----  
By /s/ Alfred P. West, Jr.  
-----  
Alfred P. West, Jr.  
Chairman of the Board,  
Chief Executive Officer,  
and Director

Date March 29, 1999  
-----  
By /s/Carmen V. Romeo  
-----  
Carmen V. Romeo  
Executive Vice President and  
Director

Date March 29, 1999  
-----  
By /s/ Richard B. Lieb  
-----  
Richard B. Lieb  
Executive Vice President and  
Director

Date March 29, 1999  
-----  
By /s/ William M. Doran  
-----



William M. Doran  
Director

Date March 29, 1999  
-----

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

Henry H. Porter, Jr.  
Director

Date March 29, 1999  
-----

By /s/ Kathryn M. McCarthy  
-----

Kathryn M. McCarthy  
Director

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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.)
- 3.2 By-Laws. (Incorporated by reference to exhibit 3.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1983.)
- 3.2.1 Amendment to By-Laws, dated December 19, 1988. (Incorporated by reference to exhibit 3.2.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.)
- 3.2.2 Amendment to By-Laws, dated July 12, 1990. (Incorporated by reference to exhibit 3.2.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1990.)
- 4.1 Form of Certificate for Shares of Common Stock. (Incorporated by reference to exhibit 4.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.)
- 4.2\* Rights Agreement dated December 10, 1998. (Page 68)

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

- 10.1 Stock Option Plan, Amended, Restated and Renewed as of February 11, 1997. (Incorporated by reference to exhibit 99(a) to the Registrant's Registration Statement on Form S-8 (No. 333-63709) filed September 18, 1998.)
- 10.1.1 1997 Stock Option Plan. (Incorporated by reference to exhibit 99(b) to the Registrant's Registration Statement on Form S-8 (No. 333-63709) filed September 18, 1998.)
- 10.1.2 1997 Option Share Deferral Plan. (Incorporated by reference to exhibit 99(c) to the Registrant's Registration Statement on Form S-8 (No. 333-63709) filed September 18, 1998.)
- 10.1.3 1998 Equity Compensation Plan. (Incorporated by reference to exhibit 99(f) to the Registrant's Registration Statement on Form S-8 (No. 333-63709) filed September 18, 1998.)
- 10.2 Employee Stock Ownership Plan. (Incorporated by reference to exhibit 10.3 (b) to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.)
- 10.3 Employee Stock Purchase Plan, Amended and Restated as of May 8, 1991. (Incorporated by reference to exhibit 10.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.)
- 10.3.1 Employee Stock Purchase Plan as Amended and Restated on October 15, 1997. (Incorporated by reference to exhibit 99(e) to the Registrant's Registration Statement on Form S-8 (No. 333-63709) filed September 18, 1998.)
- 10.4 SEI Capital Accumulation Plan. (Incorporated by reference to exhibit

99(e) to the Registrant's Registration Statement on Form S-8 (No. 333-41343) filed December 2, 1997.)

- 10.5 Stock Option Plan for Non-Employee Directors. (Incorporated by reference to exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.)
- 10.5.1 Amendment 1997-1 to the Stock Option Plan for Non-Employee Directors. (Incorporated by reference to exhibit 10.5.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.)
- 10.5.2 1997 Option Share Deferral Plan for Non-Employee Directors. (Incorporated by reference to exhibit 99(d) to the Registrant's Registration Statement on Form S-8 (No. 333-63709) filed September 18, 1998.)

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- 10.6 Employment Agreement, dated May 25, 1979, between Alfred P. West, Jr. and the Registrant. (Incorporated by reference to exhibit 10.7 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.)
- 10.7 Employment Agreement, dated January 21, 1987, between Gilbert L. Beebower and the Registrant. (Incorporated by reference to exhibit 10.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.)
- 10.8.1 Employment Agreement, dated July 1, 1987, between Richard B. Lieb and the Registrant. (Incorporated by reference to exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.)
- 10.8.2 Stock Option Agreement, dated February 23, 1989, between Richard B. Lieb and a subsidiary of the Registrant, as amended. (Incorporated by reference to exhibit 10.8.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.)
- 10.9 Summary of Company Bonus Plan for Senior Management. (Incorporated by reference to exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
- 10.11 Directors and Officers Liability Insurance Policy. (Incorporated by reference to exhibit 10.9 to the Registrant's Registration Statement on Form S-8 (No.2-78133) filed June 25, 1982.)
- 10.12 Lease Agreement, dated as of January 1, 1990, between The Canada Life Assurance Company and the Registrant. (Incorporated by reference to exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.)
- 10.13 Lease Agreement, dated as of May 1, 1991, between Two North Riverside Plaza Joint Venture and the Registrant. (Incorporated by reference to exhibit 10.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.)
- 10.14 Credit Agreement, dated May 31, 1992, between Provident National Bank and the Registrant, as amended. (Incorporated by reference to exhibit 10.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.)
- 10.14.1 Second Modification Agreement to the Credit Agreement, dated April 19, 1993, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
- 10.14.2 Third Modification Agreement to the Credit Agreement, dated May 31, 1993, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1993.)
- 10.14.3 Fourth Modification Agreement to the Credit Agreement, dated March 14, 1994, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- 10.14.4 Fifth Modification Agreement to the Credit Agreement, dated May 31, 1994, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
- 10.14.5 Sixth Modification Agreement to the Credit Agreement, dated May 5, 1995, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.5 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
- 10.14.6 Seventh Modification Agreement to the Credit Agreement, dated June 15, 1995, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.6 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)
- 10.14.7 Eighth Modification Agreement to the Credit Agreement, dated October 19, 1995, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.7 to the

Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.)

- 10.14.8 Ninth Modification Agreement to the Credit Agreement, dated March 31, 1996, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.8 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- 10.14.9 Tenth Modification Agreement to the Credit Agreement, dated May 31, 1996, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- 10.14.10 Eleventh Modification Agreement to the Credit Agreement, dated October 1, 1996, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.10 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- 10.14.11 Release and Modification Agreement to the Credit Agreement, dated February 20, 1997, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.11 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- 10.14.12 Thirteenth Modification Agreement to the Credit Agreement, dated May 30, 1997, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.12 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.)
- 10.14.13 Fourteenth Modification Agreement to the Credit Agreement, dated December 31, 1997, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Incorporated by reference to exhibit 10.14.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1997.)
- 10.14.14\* Fifteenth Modification Agreement to the Credit Agreement, dated March 31, 1998, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Page 111)
- 10.14.15\* Sixteenth Modification Agreement to the Credit Agreement, dated May 29, 1998, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Page 115)
- 10.14.16\* Seventeenth Modification Agreement to the Credit Agreement, dated September 29, 1998, between PNC Bank, National Association, successor by merger to Provident National Bank, and the Registrant. (Page 119)
- 10.15 Pledge Agreement, dated May 31, 1992, between Provident National Bank and the Registrant. (Incorporated by reference to exhibit 10.13 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.)
- 10.16 Master Lease Agreement, dated December 29, 1989, between Varilease Corporation and the Registrant, as amended. (Incorporated by reference to exhibit 10.14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.)
- 10.17 Note Purchase Agreement, dated as of February 24, 1997, with respect to the issuance by the Registrant of \$20,000,000 7.20% Senior Notes, Series A, due February 24, 2007, and \$15,000,000 7.27% Senior Notes, Series B, due February 24, 2012. (Incorporated by reference to exhibit 10.17 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
- 10.17.1\* First Amendment, dated December 15, 1998, to Note Purchase Agreement, dated February 24, 1997. (Page 123)
- 21\* Subsidiaries of the Registrant. (Page 131)
- 23\* Consent of Independent Public Accountants. (Page 133)
- 27\* Financial Data Schedule
- 99\* Miscellaneous exhibits. (Page 135)

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

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SEI INVESTMENTS COMPANY

and

AMERICAN STOCK TRANSFER & TRUST COMPANY

as Rights Agent

RIGHTS AGREEMENT

Dated as of December 10, 1998

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Exhibit A -- Resolution of the Board of Directors with respect to Series A Junior Participating Preferred Shares

Exhibit B -- Form of Rights Certificate

Exhibit C -- Form of Summary of Rights

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RIGHTS AGREEMENT

RIGHTS AGREEMENT, dated as of December 10, 1998 (the "Agreement"), between SEI INVESTMENTS COMPANY, a Pennsylvania corporation (the "Company"), and AMERICAN STOCK TRANSFER & TRUST COMPANY, a New York corporation (the "Rights Agent").

W I T N E S S E T H

WHEREAS, on December 10, 1998 (the "Rights Dividend Declaration Date"), the Board of Directors of the Company authorized and declared a dividend distribution of one Right for each Common Share (as hereinafter defined) of the Company outstanding at the close of business on December 19, 1998 (the "Record Date") (which for these purposes shall include all Common Shares presently entitled to receive dividends) and has authorized the issuance of one Right (as such number may hereafter be adjusted pursuant to the provisions of Section 11(p) hereof) for each Common Share of the Company issued between the Record Date (whether originally issued or delivered from the Company's treasury) and the Distribution Date (as hereinafter defined), each Right initially representing the right to purchase one two-thousandths of a Preferred Share (as hereinafter defined) of the Company having the rights, powers and preferences set forth in the form of the Resolution of the Board of Directors attached hereto as Exhibit A, upon the terms and subject to the conditions hereinafter set forth (the "Rights"); and

WHEREAS, the Rights will be held by the Rights Agent under this Agreement as trustee for the shareholders of the Company until the Distribution Date; and

WHEREAS, the Board of Directors of the Company has considered whether approval of this Agreement and the distribution of the Rights is in the best interests of the Company and all other pertinent factors; and

WHEREAS, the Board of Directors of the Company has concluded that approval of this Agreement and the distribution of the Rights is in the best interests of the Company because the existence of the Rights will help (i) reduce the risk of coercive two-tiered, front-end loaded or partial offers that may not offer fair value to all shareholders, (ii) mitigate against market accumulators who through open market and/or private purchases may achieve a position of substantial influence or control without paying to selling or remaining shareholders a fair control premium, (iii) deter market accumulators who are simply interested in putting the Company into "play," (iv) restrict self-dealing by a substantial shareholder, and (v) preserve the Board of Directors' bargaining power and flexibility to deal with third-party acquirers and to otherwise seek to maximize values for all shareholders.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein set forth, and intending to be legally bound hereby, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person, who or which,

together with all Affiliates and Associates of such Person, shall be the Beneficial Owner of 20% or more of the Common Shares then outstanding, but shall not include (i) Alfred P. West, Jr., (ii) the Company, (iii) any Subsidiary of the Company, (iv) any employee benefit plan of the Company or of any Subsidiary of the Company or (v) any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan. A transfer of Common Shares by Alfred P. West, Jr. or his spouse, directly or indirectly, to a member of his immediate family shall not alone cause such immediate family member to become an Acquiring Person, but any subsequent acquisitions which aggregate to 1% or more of the total outstanding Common Shares by such immediate family member, other than from Alfred P. West, Jr. or his spouse, will cause such immediate family member to become an Acquiring Person if after such acquisitions such immediate family member, together with all Affiliates and Associates, shall be the Beneficial Owner of 20% or more of the Common Shares then outstanding. Notwithstanding the foregoing, if a majority of the Continuing Directors then in office determines in good faith that a Person who would otherwise be an "Acquiring Person", as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests as promptly as practicable a sufficient number of Common Shares so that such Person would no longer be an Acquiring Person, as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be an "Acquiring Person" for purposes of this Agreement.

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(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended and in effect on the date hereof (the "Exchange Act").

(c) A Person shall be deemed the "Beneficial owner" of, and shall be deemed to "beneficially own," any securities:

(i) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights, warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," (A) securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for payment, purchase or exchange, or (B) securities issuable upon exercise of Rights at any time prior to the occurrence of a Triggering Event, or (C) securities issuable upon exercise of Rights from and after the occurrence of a Triggering Event which Rights were acquired by such Person or any of such Person's Affiliates or Associates prior to the Distribution Date or pursuant to Section 3(a) or Section 22 hereof (the "Original Rights") or pursuant to Section 11(i) hereof in connection with an adjustment made with respect to any original Rights;

(ii) that such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or has "beneficial ownership" of (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act), including without limitation pursuant to any agreement, arrangement or understanding, whether or not in writing; provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own," any security under this subparagraph (ii) as a result of an oral or written agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding: (A) arises solely from a revocable proxy given in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act, and (B) is not also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) that are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof) with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing), for the purpose of acquiring, holding, voting (except pursuant to a revocable proxy as described in the proviso to subparagraph (ii) of this paragraph (c)) or disposing of any voting securities of the Company,

provided, however, that nothing in this paragraph (c) shall cause a person

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engaged in business as an underwriter of securities to be the "Beneficial Owner" of, or to "beneficially own," any securities acquired through such Person's participation in good faith in a firm commitment underwriting until the expiration of forty days after the date of such acquisition.

(d) "Business Day" shall mean any day other than a Saturday, Sunday or a day on which banking institutions in the State of New Jersey or the

Commonwealth of Pennsylvania are authorized or obligated by law or executive order to close.

(e) "Close of business" on any given date shall mean 5:00 P.M., Philadelphia time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., Philadelphia time, on the next succeeding Business Day.

(f) "Common Share" shall mean, when used with references to the Company, a share of common stock, par value \$.01 per share, of the Company and, to the extent that there are not a sufficient number of Common Shares authorized to permit the full exercise of the Rights, shares of any other class or series of the Company designated for such purpose containing terms substantially similar to the terms of the Common Shares, except that "Common Share" when used with reference to any Person other than the Company shall mean the shares of common stock of such Person with the greatest voting power, or the equity securities or other equity interest having power to control or direct the management, of such Person.

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(g) "Continuing Director" shall mean (i) any member of the Board of Directors of the Company, while such Person is a member of such Board, who is not an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and was a member of such Board prior to the date of this Agreement, or (ii) any Person who subsequently becomes a member of the Board, while such Person is a member of such Board, who is not an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, if such Person's nomination for election or election to the Board is recommended or approved by a majority of the Continuing Directors.

(h) "Distribution Date" shall have the meaning set forth in Section 3 hereof.

(i) "Expiration Date" shall have the meaning set forth in Section 7(a) hereof.

(j) "Person" shall mean any individual, firm, corporation, partnership, limited liability company or other entity.

(k) "Preferred Share" shall mean a share of Series A Junior Participating Preferred Shares, par value \$.05 per share, of the Company and, to the extent that there are not a sufficient number of shares of Series A Junior Participating Preferred Shares authorized to permit the full exercise of the Rights, shares of any other series of Series Preferred Stock of the Company designated for such purpose containing terms substantially similar to the terms of the Series A Junior Participating Preferred Shares.

(l) "Preferred Share Fraction" shall mean one two-thousandths of a Preferred Share.

(m) "Section 11(a)(ii) Event" shall mean any event described in Section 11(a)(ii) (A), (B) or (C) hereof.

(n) "Section 13 Event" shall mean any event described in clauses (x), (y) or (z) of Section 13(a) hereof.

(o) "Stock Acquisition Date" shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) under the Exchange Act) by the Company or an Acquiring Person that an Acquiring Person has become such.

(p) "Subsidiary" shall have the meaning ascribed to such term in Rule 12b-2 of the General Rules and Regulations under the Exchange Act.

(q) "Trading Day" shall have the meaning set forth in Section 11(d)(i) hereof.

(r) "Triggering Event" shall mean any Section 11(a)(ii) Event or any Section 13 Event.

Unless otherwise specified, where reference is made in this Agreement to sections of, and the General Rules and Regulations under, the Exchange Act, such reference shall mean such sections and rules as amended from time to time and any successor provisions thereto.

Section 2. Appointment of Rights Agent.  
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The Company hereby appoints the Rights Agent to act as agent for the Company in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint

Section 3. Issue of Rights Certificates.  
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(a) Until the earlier of (i) the Close of Business on the tenth Business Day after a Stock Acquisition Date involving an Acquiring Person that has become such in a transaction as to which the Board of Directors has not made the determination referred to in Section 11(a)(ii)(B) hereof, or (ii) within ten (10) Business Days (or such later date as may be determined by action of the Board of Directors prior to such time any person becomes an Acquiring Person) after the date that a tender or exchange offer by any Person (other than Alfred P. West, Jr., the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company, or any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan) is first published or sent or given within the meaning of Rule 14d-2(a) of the General Rules and Regulations under, the Exchange Act, if upon consummation thereof, such Person would be the Beneficial Owner of 20% or more of the Common Shares then outstanding (the earlier of (i) and (ii) being herein referred to as the "Distribution Date"), (x) beneficial interests in the Rights will be evidenced (subject to the provisions of paragraph (b) of this Section 3) by the certificates for the Common Shares registered in the names of the holders of the Common Shares (which certificates for Common Shares shall be deemed also to be certificates for beneficial interests in the Rights) and not by separate certificates, and (y) the Rights and beneficial interests therein will be transferable only in connection with the transfer of the underlying Common Shares (including a transfer to the Company). The Company must promptly notify the Rights Agent of Such Distribution Date and request that its transfer agent provide the Rights Agent with a list of the record holders of the Company's Common Shares as of the close of business on the Distribution Date. As soon as practicable after the Rights Agent receives such notice and list, the Rights Agent will send by first-class, postage prepaid mail, to each record holder of the Common Shares as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, one or more rights certificates, in substantially the form of Exhibit B hereto (the "Rights Certificates"), evidencing one Right for each Common Share so held, subject to adjustment as provided herein. In the event that an adjustment in the number of Rights per Common Share has been made pursuant to Section 11(p) hereof, at the time of distribution of the Rights Certificates, the Company shall make the necessary and appropriate rounding adjustments (in accordance with Section 14(a) hereof) so that Rights Certificates representing only whole numbers of Rights are distributed and cash is paid in lieu of any fractional Rights. As of and after the Distribution Date, the Rights will be evidenced solely by such Rights Certificates.

(b) As promptly as practicable following the Record Date, the Company will send a copy of a Summary of Rights, in substantially the Form of Exhibit C hereto (the "Summary of Rights"), by first-class, postage prepaid mail, to each holder of the Common Shares as of the close of business on the Record Date, at the address of such holder shown on the records of the Company. With respect to certificates for the Common Shares outstanding as of the Record Date, until the Distribution Date, the registered holders of the Common Shares shall also be the registered holders of the beneficial interests in the associated Rights. Until the earlier of the Distribution Date or the Expiration Date (as such term is defined in Section 7 hereof), the transfer of any certificates representing Common Shares in respect of which Rights have been issued shall also constitute the transfer of the Rights associated with such Common Shares. Certificates issued after the Record Date upon the transfer of Common Shares outstanding on the Record Date shall bear the legend set forth in subsection (c).

(c) Except as provided in Section 22 hereof, Rights shall be issued in respect of all Common Shares that are issued (whether originally issued or delivered from the Company's treasury) after the Record Date but prior to the earlier of the Distribution Date or the Expiration Date. Certificates representing such Common Shares shall also be deemed to be certificates for beneficial interests in the associated Rights, and shall bear the following legend:

"This certificate also evidences a beneficial interest in and entitles the holder hereof to certain Rights as set forth in the Rights Agreement between SEI Investments Company (the "Company") and American Stock Transfer & Trust Company (the "Rights Agent") dated as of December 10, 1998 (the "Rights Agreement"), and as the same may be amended from time to time, the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights will, be evidenced by separate certificates and beneficial interests therein will no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement, as in effect on the date of mailing, without charge promptly after receipt of a written request therefor. Under certain circumstances set forth in the Rights Agreement, Rights issued to, or held by any Person who is, was or



becomes an Acquiring Person or any Affiliate or Associate thereof (as such terms are defined in the Rights Agreement), whether currently held by or on behalf of such Person or by any subsequent holder, may become null and void."

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With respect to such certificates containing the foregoing legend, until the earlier of (i) the Distribution Date or (ii) the Expiration Date, beneficial interests in the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone and registered holders of Common Shares shall also be the registered holders of beneficial interests in the associated Rights, and the transfer of any of such certificates shall also constitute the transfer of beneficial interests in the Rights associated with the Common Shares represented by such certificates.

#### Section 4. Form of Rights Certificates.

(a) The Rights Certificates (and the forms of election to purchase and of assignment to be printed on the reverse thereof) shall each be substantially in the form set forth in Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate (which do not affect the duties or responsibilities of the Rights Agent) and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange or the Nasdaq Stock Market on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 11 and Section 22 hereof, the Rights Certificates, whenever distributed, shall entitle the holders thereof to purchase such number of Preferred Share Fractions as shall be set forth therein at the price set forth therein (such exercise price per Preferred Share Fraction, the "Purchase Price"), but the amount and type of securities purchasable upon the exercise of each Right and the Purchase Price thereof shall be subject to adjustment as provided herein.

(b) Any Rights Certificate issued pursuant to Section 3(a) or Section 22 hereof that represents Rights that the Company knows are beneficially owned by: (i) an Acquiring Person or any Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom such Acquiring Person has any continuing oral or written plan, agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer that the Board of Directors of the Company has determined is part of an oral or written plan, agreement, arrangement or understanding that has as a primary purpose or effect avoidance of Section 7(e) hereof, and provided that the Company shall have notified the Rights Agent that this Section 4(b) applies, any Rights Certificate issued pursuant to Section 6 or Section 11 hereof upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain (to the extent feasible) the following legend:

"The Rights represented by this Rights Certificate are or were beneficially owned by a Person who was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Rights Agreement). Accordingly, this Rights Certificate and the Rights represented hereby may become null and void in the circumstances specified in Section 7(e) of such Agreement."

#### Section 5. Countersignature and Registration.

(a) The Rights Certificates shall be executed on behalf of the Company by its Chairman of the Board, its President or any Vice President, either manually or by facsimile signature, and shall have affixed thereto the Company's seal or a facsimile thereof which shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Rights Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Rights Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Rights Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the Person who signed such Rights Certificates had not ceased to be such officer of the Company, and any Rights Certificates may be signed on behalf of the Company by any Person who, at the actual date of the execution of such Rights Certificate, shall be a proper officer of the Company to sign such Rights Certificate, although at the date of the execution of this Agreement any such Person was not such an officer.

(b) Following the Distribution Date and upon receipt by the Rights Agent of the notice and list of recordholders of the Rights referred to in Section 3(a), the Rights Agent will keep or cause to be kept, at its office or offices designated pursuant to Section 25 hereof, books for registration and transfer of the Rights Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Rights Certificates, the number of Rights evidenced on its face by each of the Rights Certificates, the Certificate number and the date of each of the Rights Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Rights

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 Certificates; Mutilated, Destroyed, Lost or Stolen Rights Certificates.  
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(a) Subject to the provisions of Section 4(b), Section 7(e) and Section 14 hereof, at any time after the Close of Business on the Distribution Date, and at or prior to the Close of Business on the Expiration Date, any Rights Certificate or Certificates may be transferred, split up, combined or exchanged for another Rights Certificate or Certificates, entitling the registered holder to purchase a like number of Preferred Share Fractions (or, following a Triggering Event, Common Shares or other securities, cash or other assets, as the case may be, as the Rights Certificate or Certificates surrendered then entitled such holder or former holder in the case of a transfer) to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Rights Certificate or Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Rights Certificate or Certificates to be transferred, split up, combined or exchanged at the office of the Rights Agent designated for such purpose. Neither the Rights Agent nor the Company shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Rights Certificate or Certificates until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Rights Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company or the Rights Agent shall reasonably request. Thereupon the Rights Agent shall, subject to Section 4(b), Section 7(e) and Section 14 hereof, countersign and deliver to the Person entitled thereto a Rights Certificate or Rights Certificates, as the case may be, as so requested. The Rights Agent shall not be obligated to process the transaction until it has received evidence that all taxes and charges arising from the transaction have been paid. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Rights Certificates.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Rights Certificate, and, in case of loss, theft or destruction, of indemnity or security satisfactory to them, and reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Rights Certificate if mutilated, the Company will execute and deliver a new Rights Certificate of like tenor to the Rights Agent for countersignature and delivery to the registered owner in lieu of the Rights Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of

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 Rights.  
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(a) Subject to subsection (e), the registered holder of any Rights Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein including, without limitation, the restrictions on exercisability set forth in Section 9(c), Section 11(a)(iii) and Section 23(a) hereof) in whole or in part at any time after the Distribution Date upon surrender of the Rights Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly executed, to the Rights Agent at the office of the Rights Agent designated for such purpose, together with payment of the aggregate Purchase Price (except as provided in Section 11(g) hereof) with respect to the total number of Preferred Share Fractions (or Common Shares, other securities, cash or other assets, as the case may be) as to which such surrendered Rights are then exercisable (except as provided in Section 11(q) hereof), at or prior to the earliest of (i) the Close of Business on December 19, 2008 (the "Final Expiration Date"), (ii) the consummation of a transaction contemplated by Section 13(d) hereof, or (iii) the time at which the Rights are redeemed or terminated as provided in Section 23 hereof (the earliest of (i), (ii) and (iii) being herein referred to as the "Expiration Date").

(b) The Purchase Price for each Preferred Share Fraction pursuant to the exercise of a Right shall initially be \$500, and shall be subject to adjustment from time to time as provided in Sections 11 and 13(a) hereof and shall be payable in accordance with subsection (c).

(c) Upon receipt of a Rights Certificate representing exercisable Rights, with the form of election to purchase and the certificate duly executed, accompanied by payment, with respect to each Right so exercised, of the Purchase Price per Preferred Share Fraction (or Common Shares, other securities, cash or other assets, as the case may be) to be purchased as set forth below and an amount equal to any applicable tax or governmental charge, the Rights Agent shall, subject to Section 20(k) and Section 14(b) hereof, thereupon promptly (i) (A) requisition from any transfer agent of the Preferred Shares (or make available, if the Rights Agent is the transfer agent for the Common Shares) certificates for the total number of Preferred Shares to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) if the Company shall have elected to deposit some or all of the total number of Preferred Shares issuable upon exercise of the Rights hereunder with a depository agent, requisition from the depository agent depository receipts representing such number of Preferred Share Fractions as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depository agent) and the Company will direct the depository agent to comply with such request, (ii) requisition from the Company the amount of cash, if any, to be paid in lieu of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depository receipts, cause the same to be delivered to or upon the order of the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, and (iv) after receipt thereof, deliver such cash, if any, to or upon the order of the registered holder of such Rights Certificate. The payment of the Purchase Price (as such amount may be reduced pursuant to Section 11(a)(iii) hereof) may be made, at the election of the holder of the Rights Certificate, (x) in cash or by certified bank check or money order payable to the order of the Company, or (y) by delivery of Rights if and to the extent authorized by Section 11(q) hereof. In the event that the Company is obligated to issue other securities of the Company (including Common Shares) pay cash and/or distribute other property pursuant to Section 11(a) hereof, the Company will make all arrangements necessary so that such other securities, cash and/or other property are available for distribution by the Rights Agent, if and when necessary to comply with this Agreement.

(d) In case the registered holder of any Rights Certificate shall exercise less than all the Rights evidenced thereby, a new Rights Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to, or upon the order of, the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, subject to the provisions of Section 6 and Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of a Section 11(a)(ii) Event, any Rights beneficially owned by (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing oral or written plan, agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of an oral or written plan, agreement, arrangement or understanding which has as a primary purpose or effect the avoidance of this Section 7(e), shall become null and void without any further action and no holder of such Rights shall have any rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise; provided, however, that the Rights held by an Acquiring Person, an Affiliate or Associate of an Acquiring Person or the transferees of such persons referred to above shall not be voided unless the Acquiring Person in question or an Affiliate or Associate of such Acquiring Person shall be involved in the transaction giving rise to the Section 11(a)(ii) Event. The Company shall notify the Rights Agent when this Section 7(e) applies and shall use all reasonable efforts to insure that the provisions of this Section 7(e) and Section 4(b) hereof are complied with, but neither the Company nor the Rights Agent shall have any liability to any holder of Rights Certificates or other Person as a result of the Company's failure to make any determinations with respect to an Acquiring Person or its Affiliates, Associates or transferees hereunder.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) properly completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Rights Certificate surrendered for such exercise, and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company or the Rights Agent shall reasonably request.

Section 8. Cancellation and Destruction of Rights Certificates. All

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 Rights Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or any of its agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered to the Rights Agent, shall be canceled by it, and no Rights Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Rights Certificate purchased or acquired by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all canceled Rights Certificates to the Company, or shall, at the written request of the Company, destroy such canceled Rights Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Reservation and Availability of Capital Stock;

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 Registration of Securities.  
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(a) The Company covenants and agrees that it will cause to be reserved and kept available for issuance upon the exercise of outstanding Rights as many of its authorized and unissued Preferred Shares (and, following the occurrence of a Triggering Event, out of its authorized and unissued or treasury Common Shares and/or other securities) or out of its authorized and issued shares held in its treasury, which together, shall at all times after the Distribution Date be sufficient to permit the exercise in full of all outstanding Rights.

(b) So long as the Preferred Shares (and, following the occurrence of a Triggering Event, Common Shares or other securities) issuable and deliverable upon the exercise of the Rights may be listed on any stock exchange, or quoted on the Nasdaq Stock Market, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable, all shares and other securities reserved for such issuance to be listed on such exchange or market upon official notice of issuance upon such exercise.

(c) The Company shall use its best efforts to (i) file, as soon as practicable following the earliest date after the first occurrence of a Section 11(a)(ii) Event on which the consideration to be delivered by the Company upon exercise of the Rights has been determined in accordance with Section 11(a)(iii) hereof, or as soon as is required by law following the Distribution Date, as the case may be, a registration statement or statements under the Securities Act of 1933, as amended (the "Act"), with respect to the securities purchasable upon exercise of the Rights on an appropriate form or forms, (ii) cause such registration statement or statements to become effective as soon as practicable after such filing, and (iii) cause such registration statement or statements to remain effective (with a prospectus at all times meeting the requirements of the Act) until the earlier of (A) the date as of which the Rights are no longer exercisable for such securities, and (B) the Expiration Date. The Company will also take such action as may be appropriate under, or to ensure compliance with, the securities or "blue sky" laws of the various states in connection with the exercisability of the Rights. The Company may temporarily suspend, for a period of time not to exceed ninety (90) days after the date set forth in clause (i) of the first sentence of this subsection (c), the exercisability of the Rights in order to prepare and file such registration statement and permit it to become effective. Upon any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. In addition, if the Company shall determine that a registration statement is required following the Distribution Date, the Company may, by issuing a public announcement, temporarily suspend the exercisability of the Rights until such time as a registration statement has been declared effective. The Company shall notify the Rights Agent whenever it makes a public announcement pursuant to this subsection (c) and give the Rights Agent a copy of the announcement. Notwithstanding any provision of this Agreement to the contrary, the Rights shall not be exercisable in any jurisdiction unless the requisite qualification in such jurisdiction shall have been obtained, nor shall the Rights be exercisable if the exercise thereof shall not be permitted under applicable law or a registration statement shall not have been declared effective.

(d) The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares (and, following a Triggering Event, Common Shares or other securities) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such shares or other securities (subject to payment of the Purchase Price), be duly and validly authorized and issued and, with respect to Preferred Shares, Common Shares or other shares of capital stock, fully paid and nonassessable.

(e) The Company further covenants and agrees that it will pay when due and payable any and all taxes and governmental charges that may be payable in respect of the issuance or delivery of the Rights Certificates and of any certificates for a number of Preferred Share Fractions (or Common Shares or other securities, as the case may be) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax that may be payable in respect of any transfer or delivery of Rights Certificates to a Person other than, or the issuance or delivery of a number of Preferred Share Fractions (or Common Shares or other securities, as the case may be) in respect of a name other than that of the registered holder of the Rights Certificates evidencing Rights surrendered for exercise or to issue or deliver any certificates for a number of Preferred Share Fractions (or Common Shares or other securities, as the case may be) in a name other than that of the registered holder upon the exercise of any Rights until such tax shall have been paid (any such tax being payable by the holder of such Rights Certificate at the time of surrender or until it has been established to the Company's satisfaction that no such tax is due.

Section 10 Capital Stock Record Date. Each Person in whose name any

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certificate for a number of Preferred Share Fractions (or Common Shares or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of such Preferred Share Fractions (or Common Shares or other securities, as the case may be) represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and all applicable taxes and governmental charges) was made; provided, however, that if the date of such surrender and payment is a date upon which the applicable transfer books of the Company are closed, such Person shall be deemed to have become the record holder of such shares (fractional or otherwise) on, and such certificate shall be dated, the next succeeding Business Day on which the applicable transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Rights Certificate shall not be entitled to any rights of a shareholder of the Company with respect to shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11 Adjustment of Purchase Price, Number and Kind of Shares

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or Number of Rights. The Purchase Price, the number and kind of shares and  
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other securities covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on any security of the Company payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of shares, or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a) and Section 7(e) hereof, the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of Preferred Shares or capital stock, as the case may be, issuable on such date, shall be proportionately, adjusted so that the holder of any Right exercised after such time shall be entitled to receive, upon payment of the adjusted Purchase Price, the aggregate number and kind of Preferred Shares or capital stock, as the case may be, that, if such Right had been exercised immediately prior to such date and at a time when the Preferred Share transfer books were open, such holder would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. If an event occurs which would require an adjustment under both this Section 11(a) (i) and Section 11(a) (ii) hereof, the adjustment provided for in this Section 11(a) (i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a) (ii) hereof.

(ii) In the event:

(A) any Acquiring Person or any Associate or Affiliate of any Acquiring Person, at any time after the Stock Acquisition Date, directly or indirectly, (1) shall merge into the Company or otherwise combine with the Company and the Company shall be the continuing or surviving corporation of such merger or combination and the Common Shares of the Company or other equity securities of the Company shall remain outstanding, (2) shall, in one transaction or a series of transactions, transfer any assets to the Company or to any of its Subsidiaries in exchange (in whole or in part) for Common Shares, for shares of other equity securities of the Company, or for securities

exercisable for or convertible into shares of equity securities of the Company (Common Shares or otherwise) or otherwise obtain from the Company, with or without consideration, any additional shares of such equity securities or securities exercisable for or convertible into shares of such equity securities (other than pursuant to a pro rata distribution to all holders of Common Shares) (3) shall sell, purchase, lease, exchange, mortgage, pledge, transfer or otherwise acquire or dispose of assets in one transaction or a series of transactions, to, from or with (as the case may be) the Company or any of its Subsidiaries, on terms and conditions less favorable to the Company than the Company would be able to obtain in arm's-length negotiation with an unaffiliated third party, other than pursuant to a Section 13 Event, (4) shall sell, purchase, lease, exchange, mortgage, pledge, transfer or otherwise dispose of assets having an aggregate fair market value of more than \$5,000,000 in one transaction or a series of transactions, to, from or with (as the case may be) the Company or any of the Company's Subsidiaries (other than incidental to the lines of business, if any, engaged in as of the date hereof between the Company and such Acquiring Person or Associate or Affiliate), other than pursuant to a Section 13 Event, (5) shall receive any compensation from the Company or any of the Company's Subsidiaries other than compensation for full-time employment as a regular employee at rates in accordance with the Company's (or its Subsidiaries') past practices, or (6) shall receive the benefit, directly or indirectly (except proportionately as a shareholder and except if resulting from a requirement of law or governmental regulation), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantages provided by the Company or any of its Subsidiaries; or

(B) any Person (other than (i) Alfred P. West, Jr., (ii) any immediate family member of Alfred P. West Jr. who exceeds the 20% Company ownership threshold solely by reason of a transfer of Common Shares from Alfred P. West Jr. or his spouse to such immediate family member and who does not subsequently acquire at least 1% of the Common Shares outstanding from a source other than Alfred P. West Jr. or his spouse, (iii) the Company, (iv) any Subsidiary of the Company, (v) any employee benefit plan of the Company or of any Subsidiary of the Company, or (vi) any Person or entity organized, appointed or established by the Company for or pursuant to the terms of any such plan), alone or together with its Affiliates and Associates, shall, at any time after the Rights Dividend Declaration Date, become the Beneficial Owner of 20% or more of the Common Shares then outstanding, unless the event causing the 20% threshold, to be crossed is a Section 13 Event, or is an acquisition of Common Shares pursuant to a tender offer or an exchange offer for all outstanding Common Shares at a price and on terms determined by at least a majority of the Continuing Directors, after receiving advice from one or more nationally recognized investment banking firms, to be in the best interests of the Company and its shareholders (a "Qualifying Offer"), after taking into consideration all factors that such members of the Board of Directors deem relevant, including, without limitation, the long-term prospects and value of the Company and the prices and terms that such members of the Board of Directors believe in good faith, could reasonably be achieved if the Company or its assets were sold on an orderly basis designed to realize maximum value, or

(C) during such time as there is an Acquiring Person, there shall be any reclassification of securities (including any reverse stock split), or recapitalization of the Company, or any merger or consolidation of the Company with any of its Subsidiaries or any other transaction or series of transactions involving the Company or any of its Subsidiaries, other than a Section 13 Event or series of such Section 13 Events (whether or not with or into or otherwise involving an Acquiring Person) that has the effect, directly or indirectly, of increasing by more than 1% the proportionate share of the outstanding shares of any class of equity securities of the Company or any of its Subsidiaries that is directly or indirectly beneficially owned by any Acquiring Person or any Associate or Affiliate of any Acquiring Person,

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then, promptly following the first occurrence of a Section 11(a)(ii) Event, proper provision shall be made so that each holder of a Right (except as provided below and in section 7(e) hereof) shall thereafter have the right to receive, upon exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, in lieu of a number of Preferred Share Fractions, such number of Common Shares of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the then number of Preferred Share Fractions for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event, and (y) dividing that product (which, following such first occurrence, shall thereafter be referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by 50% of the

current market price (as defined in and determined pursuant to Section 11(d) hereof) per Common Share on the date of such first occurrence (such number, of shares, the "Adjustment Shares").

(iii) In the event that the number of Common Shares that are authorized by the Company's Articles of Incorporation but not outstanding or reserved for issuance for purposes other than upon exercise of the Rights are not sufficient to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii) of this Section 11(a), the Company shall: (A) determine the excess of the value of the Adjustment Shares issuable upon the exercise of a Right (the "Current Value") over the Purchase Price (such excess, the "Spread"), and (B) with respect to each Right, make adequate provision to substitute for the Adjustment Shares, upon payment of the applicable Purchase Price, (1) cash, (2) a reduction in the Purchase Price, (3) Common Shares of the same or a different class or other equity securities of the Company (including, without limitation, preferred shares or units of preferred shares that a majority of the Continuing Directors in office at the time has deemed (based, among other things, on the dividend and liquidation rights of such preferred shares) to have substantially the same economic value as Common Shares (such preferred shares, hereinafter referred to as "common share equivalents")), (4) debt securities of the Company, (5) other assets, or (6) any combination of the foregoing, having an aggregate value equal to the Current Value, where such aggregate value has been determined by a majority of the Continuing Directors in office at the time after considering the advice of a nationally recognized investment banking firm selected by the Board of Directors of the Company; provided, however, if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within thirty (30) days following the later of (x) the first occurrence of a Section 11 (a) (ii) Event and (y) the date on which the Company's right of redemption pursuant to Section 23(a) expires (the later of (x) and (y) being referred to herein as the "Section 11(a)(ii) Trigger Date"), then the Company shall be obligated to deliver, upon the surrender for exercise of a Right and without requiring payment of the Purchase Price, Common Shares (to the extent available) and then, if necessary, cash, which shares and/or cash have an aggregate value equal to the Spread. If the Board of Directors of the Company shall determine in good faith that it is likely that sufficient additional Common Shares could be authorized for issuance upon exercise in full of the Rights, the thirty (30) day period set forth above may be extended to the extent necessary, but not more than ninety (90) days after the Section 11(a)(ii) Trigger Date, in order that the Company may seek shareholder approval for the authorization of such additional shares (such period, as it may be extended, the "Substitution Period"). To the extent that the Company determines that some action need be taken pursuant to the first and/or second sentences of this Section 11(a)(iii), the Company shall provide, subject to Section 7(e) hereof, that such action shall apply uniformly to all outstanding Rights, and may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. The Company shall make a public announcement when the exercisability of the Rights has been temporarily suspended, and again when such suspension is no longer in effect. The Company shall notify the Rights Agent of the suspension of the exercisability of the Rights, and provide the Rights Agent with a copy of such public announcement. For purposes of this Section 11(a)(iii), the value of the Common Shares shall be the current market price (as determined pursuant to Section 11(d) hereof) per Common Share on the Section 11(a)(ii) Trigger Date and the value of any "common share equivalent" shall be deemed to have the same value as the Common Shares on such date.

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(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to holders of any security of the Company entitling them to subscribe for or purchase (for a period expiring within forty-five (45) calendar days after such record date) Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares ("equivalent preferred shares")) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or per equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the current market price (as determined pursuant to Section 11(d) hereof) per Preferred Share on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares outstanding on such record date, plus the number of Preferred Shares that the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so

to be offered) would purchase at such current market price, and the denominator of which shall be the number of Preferred Shares outstanding on such record date, plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). In case such subscription price may be paid by delivery of consideration part or all of which may be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be binding on the Company, the Rights Agent and the holders of the Rights. Preferred Shares owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, and in the event that such rights or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price that would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for a distribution to all holders of Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing corporation) of evidences of indebtedness, cash (other than a regular quarterly dividend out of the earnings or retained earnings of the Company), assets (other than a regular quarterly dividend referred to above or dividend payable in Preferred Shares, but including any dividend payable in stock other than Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the current market price (as determined pursuant to Section 11(d) hereof) per Preferred Share on such record date, less the then fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes) of the portion of the cash, assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to a Preferred Share and the denominator of which shall be such current market price (as determined pursuant to Section 11(d) hereof) per Preferred Share. Such adjustments shall be made successively whenever such a record date is fixed, and in the event that such distribution is not so made, the Purchase Price shall be adjusted to be the Purchase Price which would have been in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, other than computations made pursuant to Section 11(a)(iii) hereof, the "current market price" per Common Share on any date shall be deemed to be the average of the daily closing prices per Common Share for the thirty (30) consecutive Trading Days (as such term is hereinafter defined) immediately prior to and not including such date, and for purposes of computations made pursuant to Section 11(a)(iii) hereof, the "current market price" per Common Share on any date shall be deemed to be the average of the daily closing prices per Common Share for the ten (10) consecutive Trading Days immediately following and not including such date; provided, however, that in the event that the current market price per Common Share is determined during a period following the announcement by the issuer of such Common Share of (A) a dividend or distribution on such Common Share payable in Common Shares or securities convertible into Common Shares (other than the Rights), or (B) any subdivision, combination or reclassification of such Common Shares, and prior to the expiration of the requisite thirty (30) Trading Day or ten (10) Trading Day period, as set forth above, after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the "current market price" shall be properly adjusted to take into account ex-dividend trading. The closing price for each Trading Day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Common Shares are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Common Shares are listed or admitted to trading or, if the Common Shares are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter

market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("Nasdaq") or such other system then in use, or, if on any such date the Common Shares are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Shares selected by the Board of Directors of the Company. If on any such date no market maker is making a market in the Common Shares, the fair value of such shares on such date as determined in good faith by the Board of Directors of the Company shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Common Shares are listed or admitted to trading



is open for the transaction of business or, if the Common Shares are not listed or admitted to trading on any national securities exchange, a Business Day. If the Common Shares are not publicly held or not so listed or traded, "current market price" per share shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes.

(ii) For the purpose of any computation hereunder, the "current market price" per Preferred Share shall be determined in the same manner as set forth above for the Common Shares in clause (i) of this Section 11 (d) (other than the last sentence thereof). If the current market price per Preferred Share cannot be determined in the manner provided above or if the Preferred Shares are not publicly held or listed or traded in a manner described in clause (i) of this Section 11 (d), the "current market price" per Preferred Share shall be conclusively deemed to be an amount equal to 2,000 (as such number may be appropriately adjusted for such events as stock splits, stock dividends and recapitalizations with respect to the Common Shares occurring after the date of this Agreement) multiplied by the current market price per Common Share. If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, "current market price" per Preferred Share shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes. For all purposes of this Agreement, the "current market price" of a Preferred Share Fraction shall be equal to the "current market price" of one Preferred Share divided by 2,000.

(e) Anything herein to the contrary notwithstanding, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest ten-thousandth of a Common Share or one-millionth of a Preferred Share, as the case may be. Notwithstanding the first sentence of this subsection (e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three (3) years from the date of the transaction that mandates such adjustment or (ii) the Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a)(ii) or Section 13(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock other than Preferred Shares, thereafter the number of such other shares so receivable upon exercise of any Right and the Purchase Price thereof shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in Sections 11(a), (b), (c), (e), (g), (h), (i), (j), (k), (m) and (q), and the provisions of Sections 7, 9, 10, 13 and 14 hereof with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of Preferred Share Fractions purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in subsections (b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of Preferred Share Fractions (calculated to the nearest one-one-millionth of a Preferred Share) obtained by (i) multiplying (x) the number of Preferred Share Fractions covered by a Right immediately prior to this adjustment, by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price, and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

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(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in lieu of any adjustment in the number of Preferred Share Fractions purchasable upon the exercise of a Right. Each of the Rights outstanding after the adjustment in the number of Rights shall be exercisable for the number of Preferred Share Fractions for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment, of the number of Rights shall become that number of Rights (calculated to the nearest one-one-millionth of a Preferred Share) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company

shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. The Company shall forward a copy of such public announcement to the Rights Agent. The record date for the adjustment may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Rights Certificates have been issued, shall be at least ten (10) days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date Rights Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Rights Certificates on the record date specified, in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of Preferred Share Fractions issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Purchase Price per Preferred Share Fraction and the number of Preferred Share Fractions that were expressed in the initial Rights Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then stated or par value, if any, of the number of Preferred Share Fractions issuable upon exercise of the Rights, the Company shall take any corporate action that may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue such number of fully paid and nonassessable Preferred Share Fractions at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuance to the holder of any Right exercised after such record date the number of Preferred Share Fractions and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the number of Preferred Share Fractions and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares (fractional, or otherwise) or securities upon the occurrence of the event requiring such adjustment, and the Company shall also deliver a copy of such bill or instrument to the Rights Agent.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that in their good faith judgment the Board of Directors of the Company shall determine to be advisable in order that any (i) consolidation or subdivision of the Preferred Shares, (ii) issuance wholly for cash of any Preferred Shares at less than the current market price, (iii) issuance wholly, for cash for Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, (iv) stock dividends or (v) issuance of rights, options or warrants referred to in this Section 11, hereafter made by the Company to holders of its Preferred Shares shall not be taxable to such shareholders.

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(n) The Company covenants and agrees that it shall not, at any time after the Distribution Date, (i) consolidate with any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof), (ii) merge with or into any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof), or (iii) sell or transfer (or permit any Subsidiary to sell or transfer), in one transaction, or a series of related transactions, assets or earning power aggregating more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other person or persons (other than the Company and/or any of its Subsidiaries in one or more transactions each of which complies with Section 11(o) hereof), if (x) at the time of or immediately after such consolidation, merger or sale there are any rights, warrants or other instruments or securities outstanding or agreements in effect that would substantially diminish or otherwise eliminate the benefits intended to be afforded by the Rights or (y) prior to, simultaneously with or immediately after such consolidation, merger or sale, the shareholders of the Person who constitutes, or would constitute, the "Principal Party" for purposes of Section 13(a) hereof shall have received a distribution of Rights previously owned by such Person or any of its Affiliates and Associates.

(o) The Company covenants and agrees that, after the Distribution Date, it will not, except as permitted by Section 23 or Section 26 hereof, take (or permit any Subsidiary to take) any action if at the time such action is taken it is reasonably foreseeable that such action will diminish substantially or otherwise eliminate the benefits intended to be afforded by the Rights.

(p) Anything in this Agreement to the contrary notwithstanding, in the event that the Company shall at any time after the Rights Dividend Declaration Date and prior to the Distribution Date (i) declare a dividend on the outstanding Common Shares payable in Common Shares, (ii) subdivide the outstanding Common Shares, or (iii) combine the outstanding Common Shares into a smaller number of shares, the number of Rights associated with each Common Share then outstanding, or issued or delivered thereafter but prior to the Distribution Date, shall be proportionately adjusted so that the number of Rights thereafter associated with each Common Share following any such event shall equal the result obtained by multiplying the number of Rights associated with each Common Share immediately prior to such event by a fraction the numerator of which shall be the total number of Common Shares outstanding immediately prior to the occurrence of the event and the denominator of which shall be the total number of Common Shares outstanding immediately following the occurrence of such event.

(q) In the event that the Rights become exercisable following a Section 11(a) (ii) Event, the Company, by action of a majority of the Continuing Directors in office at the time, may authorize that the Rights, subject to Section 7(e) hereof, either (i) will only be, or (ii) may, at the option of the holder entitled to exercise the Rights be, exercisable for, in either case 50% of the Common Shares (or cash or other securities or assets to be substituted for the Adjustment Shares pursuant to subsection (a) (iii)) that would otherwise be purchasable under subsection (a), in consideration of the surrender to the Company of the Rights so exercised and without other payment of the Purchase Price. Rights exercised under this subsection (q) shall be deemed to have been exercised in full and shall be canceled.

Section 12 Certificate of Adjusted Purchase Price or Number of  
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Shares. Whenever an adjustment is made as provided in Section 11 or Section 13  
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hereof, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief, reasonably detailed statement of the facts and computations accounting for such adjustment, (b) promptly file with the Rights Agent, and with each transfer agent for the Preferred Shares and the Common Shares, a copy of such certificate, and (c) mail a brief summary thereof to each holder of a Rights Certificate (or, if prior to the Distribution Date, to each holder of a certificate representing Common Shares) in accordance with Section 25 hereof. The Rights Agent shall be fully protected in relying on any such certificate and on any adjustment therein contained and shall have no duty with respect to and shall not be deemed to have knowledge of any such adjustment unless and until it shall have received such a certificate.

Section 13 Consolidation, Merger or Sale or Transfer of Assets or  
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Transfer of Assets or Earning Power.  
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(a) In the event that, following the Stock Acquisition Date, directly or indirectly, (x) the Company shall consolidate with, or merge with and into, any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof), and the Company shall not be the continuing or surviving corporation of such consolidation or merger, (y) any person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof) shall consolidate with, or merge with or into, the Company, and the Company shall be the continuing or surviving corporation of such consolidation or merger and, in connection with such consolidation or merger, all or part of the outstanding Common Shares shall be changed into or exchanged for stock or other securities of any other Person or cash or any other property, or (z) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one transaction or a series of related transactions, assets or earning power aggregating more than 50% of the assets, operating income, cash flow or earning power of the Company and its Subsidiaries (taken as a whole) to any Person or Persons (other than the Company or any Subsidiary of the Company in one or more transactions each of which complies with Section 11(o) hereof), then, and in each such case and except as contemplated by subsection (d), proper provision shall be made so that:

(i) each holder of a Right, except as provided in Section 7(e) hereof or subsection (e), shall thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, such number of validly authorized and issued, fully paid, non assessable and freely tradeable

Common Shares of the Principal Party (as such term is hereinafter defined), not subject to any liens, encumbrances, rights of first refusal or other adverse claims, as shall be equal to the result obtained by (1) multiplying the then current Purchase Price by the number of Preferred Share Fractions for which a Right is exercisable immediately prior to the first occurrence of a Section 13 Event (or, if a Section 11(a)(ii) Event has occurred prior to the first occurrence of a Section 13 Event, multiplying the number of such shares for which a Right was exercisable immediately prior to the first occurrence of a Section 11(a)(ii) Event by the Purchase Price in effect immediately prior to such first occurrence), and (2) dividing that product (which, following the first occurrence of a Section 13 Event, shall be referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by 50% of the current market price (determined pursuant to Section 11(d)(i) hereof) per Common Share of such Principal Party on the date of consummation of such Section 13 Event,

(ii) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such Section 13 Event, all the obligations and duties of the Company pursuant to this Agreement;

(iii) the term "Company" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply only to such Principal Party following the first occurrence of a Section 13 Event;

(iv) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares) in connection with the consummation of any such transaction as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to its Common Shares thereafter deliverable upon the exercise of the Rights; and

(v) the provisions of Section 11(a)(ii) hereof shall be of no effect following the first occurrence of any Section 13 Event.

(b) "Principal Party" shall mean

(i) in the case of any transaction described in clause (x) or (y) of the first sentence of subsection (a), the Person that is the issuer of any securities into which Common Shares of the Company are converted in such merger or consolidation, and if no securities are so issued, the Person that is the other party to such merger or consolidation; and

(ii) in the case of any transaction described in clause (z) of the first sentence of subsection (a), the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions;

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provided, however, that in the case of either (i) or (ii) above, (1) if the Common Shares of such Person are not at such time and have not been continuously over the preceding twelve (12) month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect Subsidiary of another Person the Common Shares of which are and have been so registered, "Principal Party" shall refer to such other Person, and (2) in case such Person is a Subsidiary, directly or indirectly, of more than one Person, the Common Shares of two or more of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the Common Shares having the greatest aggregate market value.

(c) The Company shall not consummate any such consolidation, merger, sale or transfer unless the Principal Party shall have a sufficient number of authorized shares of its Common Shares that have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in paragraphs (a) and (b) of this Section 13 and further providing that, as soon as practicable after the date of any Section 13 event, the Principal Party will

(i) prepare and file a registration statement under the Act, with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, and will use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing and (B) remain effective (with a prospectus at all times meeting the requirements of the Act) until the Expiration Date;

(ii) use its best efforts to qualify or register Rights

and the securities purchasable upon exercise of the Rights under blue sky laws of such jurisdiction, as may be necessary or appropriate; and

(iii) deliver to holders of the Rights historical financial statements for the Principal Party and each of its Affiliates that comply in all respects with the requirements for registration on Form 10 under the Exchange Act.

The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers. In the event that a Section 13 Event shall occur at any time after the occurrence of a Section 11(a)(ii) Event, the Rights that have not theretofore been exercised shall thereafter become exercisable solely in the manner described in Section 13(a).

(d) Notwithstanding anything in this Agreement to the contrary, Section 13 (other than this subsection (d)) shall not be applicable to, and the term "Section 13 Event" shall not include, a transaction described in subparagraphs (x) and (y) of Section 13(a) if (i) such transaction is consummated with a Person, or Persons who acquired Common Shares pursuant to a Qualifying Offer (or a wholly owned Subsidiary of any such Person or Persons), (ii) the price per Common Share offered in such transaction is not less than the price per Common Share paid to all holders of Common Shares whose shares were purchased pursuant to such tender offer or exchange offer and (iii) the form of consideration being offered to the remaining holders of Common Shares pursuant to such transaction is the same as the form of consideration paid pursuant to such tender or exchange offer. Upon consummation of any such transaction contemplated by this subsection (d), all Rights hereunder shall expire.

(e) In the event that the Rights become exercisable under subsection (a) (except as provided in subsection (d)), the Company, by action of a majority of the Continuing Directors in office at the time, may authorize that the Rights either (i) will only be or (ii) may, at the option of the Principal Party be, exercisable for, 50% of the Common Shares of the Principal Party that would otherwise be purchasable under subsection (a), in consideration of the surrender to the Principal Party, as the successor to the Company under subsection (a)(ii), of the Rights so exercised and without other payment of the Purchase Price. Rights exercised under this subsection (e) shall be deemed to have been exercised in full and shall be canceled.

#### Section 14 Fractional Rights and Fractional Shares.

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(a) The Company shall not be required to issue fractions of Rights, except prior to the Distribution Date as provided in Section 11(p) hereof, or to distribute Rights Certificates that evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Rights Certificates with regard to which such fractional Rights would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For purposes of this subsection (a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price of the Rights for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading, or if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by Nasdaq or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of Preferred Shares upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares, except in each case for fractions which are integral multiples of Preferred Shares. In lieu of fractional Preferred Shares that are not integral multiples of Preferred Shares, the Company may pay to the registered, holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of a Preferred Share. For purposes of this subsection (b), the current market value of one Preferred Share shall be the closing price of a Preferred Share (as determined pursuant to Section 11(d)(ii) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) Following the occurrence of a Triggering Event, the Company shall not be required to issue fractions of Common Shares upon exercise of the Rights or to distribute certificates that evidence fractional Common Shares. In lieu of fractional Common Shares, the Company may pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Common Share. For purposes of this subsection (c), the current market value of one Common Share shall be the closing price of one Common Share (as determined pursuant to Section 11(d)(i) hereof) for, the Trading Day immediately prior to the date of such exercise.

(d) Whenever a payment for fractional Rights or fractional shares is to be made by the Rights Agent, the Company shall (i) promptly prepare and deliver to the Rights Agent a certificate setting forth in reasonable detail the facts related to such payment and the process and/or formulas utilized in calculating such payments, and (ii) provide sufficient monies to the Rights Agent in the form of fully collected funds to make such payments. The Rights Agent shall be fully protected in relying on such certificate and shall have no duty with respect to and shall not be deemed to have knowledge of any payment for fractional Rights or fractional shares under this Section 14 unless and until it shall have received such a certificate and sufficient monies.

(e) The holder of a Right or a beneficial interest in a Right by the acceptance thereof expressly waives his right to receive any fractional Rights or any fractional Common Shares upon exercise of a Right, except as permitted by this Section 14.

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Section 15 Rights of Action. All rights of action in respect of  
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this Agreement are vested in the respective registered holders of the Rights Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Rights Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Rights Certificate (or, prior to the Distribution Date, of the Common Shares), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Rights Certificate in the manner provided in such Rights Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights or beneficial interests therein, it is specifically acknowledged that the holders of Rights or beneficial interests therein would not have an adequate remedy at law for any breach of this Agreement and shall be entitled to specific performance of the obligations hereunder and injunctive relief against actual or threatened violations of the obligations hereunder of any Person subject to this Agreement.

Section 16 Agreement of Rights Holders. Every holder of a Right or  
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a beneficial interest in a Right by accepting the same consents and agrees with the Company and the Rights Agent and with every other such holder that:

(a) prior to the Distribution Date, beneficial interests in the Rights will be transferable only in connection with the transfer of Common Shares;

(b) after the Distribution Date, the Rights Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office or offices of the Rights Agent designated for such purposes, duly endorsed or accompanied by a proper instrument of transfer and with the appropriate forms and certificates fully executed;

(c) subject to Section 6(a) and Section 7(f) hereof, the Company and the Rights Agent may deem and treat the Person in whose name a Rights Certificate (or, prior to the Distribution Date, the associated Common Share certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Rights Certificates or the associated Common Share certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be required to be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or a beneficial interest in a Right or other Person as a result of its inability to perform any of its obligations under this Agreement by reason of any preliminary or permanent injunction or other order, decree, judgment or ruling (whether interlocutory or final) issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority, prohibiting or otherwise restraining performance of such obligation; provided, however, the Company must use its best efforts to have any such order, decree, judgment or ruling lifted or otherwise overturned as soon as possible.

Section 17. Rights Certificate Holder Not Deemed a Shareholder. No  
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holder, as such, of any Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the number of Preferred Share Fractions or any other securities of the Company (including the Common Shares) that may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed to confer, upon the holder of any Rights Certificate, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in Section 24 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Rights Certificate shall have been exercised in accordance with the provisions hereof.

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Section 18. Concerning the Rights Agent.  
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(a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and disbursements and other disbursements incurred in the preparation, execution, delivery, amendment, administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent and its directors, officers, employees and agents, for and to hold each of them harmless against, any loss, liability, damage, judgment, fine, penalty, claim, demand, settlement, cost or expense, incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent or any such indemnified party, for any action taken, suffered or omitted by the Rights Agent in connection with the acceptance or administration of this Agreement or the exercise of its duties hereunder, including without limitation the costs and expenses of defending against any claim of liability in the premises.

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with the acceptance and administration of this Agreement or in the exercise of its duties hereunder in reliance upon any Rights Certificate or certificate for Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper Person or Persons.

Section 19. Merger or Consolidation or Change of Name of Rights  
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Agent.

(a) Any Person into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any Person resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any Person succeeding to the shareholder services or stock transfer business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, however, that such Person would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Rights Certificates shall have been countersigned but not delivered the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its prior name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the  
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duties and obligations, and only the duties and obligations, expressly imposed by this Agreement (and no implied duties or obligations) upon the following terms and conditions, by all of which the Company and the holders of Rights Certificates or beneficial interests in the Rights, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the advice or written opinion of such counsel shall be full and complete authorization and protection to the Rights Agent, and the Rights Agent shall incur no liability for or in respect of, any

action taken, suffered or omitted by it in good faith and in accordance with such advice or opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter (including, without limitation, the identity of any Acquiring Person and the determination of "current market price") be proved or established by the Company prior to taking, suffering or omitting any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by the Chairman of the Board, the President, any Vice President, the Treasurer, any Assistant Treasurer, the Secretary or any Assistant Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization and protection to the Rights Agent and the Rights Agent shall incur no liability for or in respect of any action taken, suffered or omitted in good faith by it under the provisions of this Agreement in reliance upon such certificate.

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(c) The Rights Agent shall be liable hereunder only for its own gross negligence, bad faith or willful misconduct; provided, however, that the Rights Agent shall not be liable for special, indirect, incidental or consequential loss or damage of any kind whatsoever, even if the Rights Agent has been advised of the likelihood of such loss or damage.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Rights Certificates or be required to verify the same (except as to its countersignature on such Rights Certificates), but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any liability or responsibility in respect of the validity of any provision of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Rights Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor shall it be responsible for any adjustment required under the provisions of this Agreement or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Rights Certificates after actual notice of any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Common Shares to be issued pursuant to this Agreement or any Rights Certificate or as to whether any Common Shares or Preferred Shares will, when so issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the President, any Vice President, the Secretary, any Assistant Secretary, the Treasurer or any Assistant Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and such instructions shall be full authorization and protection for the Rights Agent and the Rights Agent shall incur no liability for or in respect of any action taken, suffered or omitted to be taken by it in good faith in accordance with instructions of any such officer. The Rights Agent may conclusively rely on the most recent instructions provided to it by any such officer.

(h) The Rights Agent and any shareholder, affiliate, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not the Rights Agent under this Agreement and none of such actions shall constitute a breach of trust. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other Person or legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company or any other Person resulting from any such act, default, neglect or misconduct, absent gross negligence, bad faith or willful misconduct in the selection and continued employment thereof.



(j) No provision of this Agreement shall require the Rights Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if it believes that repayment of such funds or adequate indemnification against such risk or liability is not reasonably, assured to it.

(k) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 and/or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting with the Company.

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Section 21. Change of Rights Agent. The Rights Agent or any

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successor Rights Agent may resign and be discharged from its duties under this Agreement upon thirty (30) days' prior written notice mailed to the Company and to each transfer agent of the Common Shares and Preferred Shares by registered or certified mail, and to the holders of the Rights Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon thirty (30) days' prior written notice mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares and Preferred Shares, by registered or certified mail, and to the holders of the Rights Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of thirty (30) days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Rights Certificate (who shall, with such notice, submit his Rights Certificate for inspection by the Company), then any registered holder of any Rights Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be (a) a Person organized, doing business and in good standing under the laws of the United States or of any state, having a principal office in the State of New York or the Commonwealth of Pennsylvania, that is authorized by law to exercise shareholder services and stock transfer powers and is subject to supervision or examination by federal or state authority and that has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50,000,000 or (b) an Affiliate of any such person. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment, the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares and Preferred Shares and mail a notice thereof in writing to the registered holders of the Rights Certificates or, prior to the Distribution Date, to the registered holders of the Common Shares. In case at the time such successor Rights Agent shall succeed to the agency and trust created by this Agreement, any of the Rights Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of a predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor or in the name of the successor Rights Agent; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Rights Certificates. Notwithstanding any

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of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Rights Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Rights Certificates made in accordance with the provisions of this Agreement. In addition, in connection with the issuance, sale or delivery of Common Shares following the Distribution Date and prior to the redemption or expiration of the Rights, the Company (a) shall, with respect to Common Shares so issued, sold or delivered pursuant to the exercise of stock options, stock appreciation rights, grants or awards outstanding on the Distribution Date under any benefit plan or arrangement for employees or directors, or upon the exercise, conversion or exchange of securities outstanding on the Record Date or hereinafter issued by the Company, and (b) may, in any other case, if deemed necessary or appropriate by the Board of Directors of the Company, issue Rights Certificates representing the appropriate number of Rights in connection with such issuance or sale; provided,

however, that (i) no such Rights Certificate shall be issued if, and to the extent that, the Company shall be advised by counsel that such issuance would create a significant risk of material adverse tax consequences to the Company or the Person to whom such Rights Certificate would be issued, and (ii) no such Rights Certificate shall be issued if, and to the extent that, appropriate adjustment shall otherwise have been made in lieu of the issuance thereof.

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Section 23. Redemption and Termination.  
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(a) The Board of Directors of the Company may, at its option, at any time prior to the earlier of (i) the Close of Business on the tenth day following a Stock Acquisition Date (or, if the Stock Acquisition Date shall have occurred prior to the Record Date, the Close of Business on the tenth day following the Record Date), or (ii) the Close of Business on the Final Expiration Date, redeem all but not less than all the then outstanding Rights at a redemption price of \$.01 per Right, as such amount may be appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price") and the Company may, at its option, pay the Redemption Price either in Common Shares (based on the "current market price", as defined in Section 11(d)(i) hereof, of the Common Shares at the time of redemption) or cash; provided, however, if the Board of Directors of the Company authorizes redemption of the Rights in either of the circumstances set forth in clauses (i) and (ii) of this proviso, then there must be Continuing Directors then in office and such authorization shall require the concurrence of a majority of such Continuing Directors; and provided further, however, that if, following the occurrence of a Stock Acquisition Date and following the expiration of the right of redemption hereunder but prior to any Triggering Event, (i) an Acquiring Person shall have transferred or otherwise disposed of a number of Common Shares in one transaction or series of transactions, not directly or indirectly involving the Company or any of its Subsidiaries, which did not result in the occurrence of a Triggering Event or the Company (with the approval of the majority of Continuing Directors) shall have issued additional equity securities, in either instance such that such Person is thereafter a Beneficial Owner of 20% or less of the outstanding Common Shares, and (ii) there is no other Acquiring Person immediately following the occurrence of the event described in clause (i), then the right of redemption shall be reinstated and thereafter be subject to the provisions of this Section 23. Notwithstanding anything contained in this Agreement to the contrary, the Rights shall not be exercisable after the first occurrence of a Section 11(a)(ii) Event until such time as the Company's right of redemption hereunder has expired.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights, without any notice, or further action, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price for each Right so held. Promptly after the action of the Board of Directors ordering the redemption of the Rights, the Company shall give notice of such redemption to the Rights Agent and the holders of the then outstanding Rights by, in the case of notice to holders, mailing such notice to all such holders at each holder's last address as it appears upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the Transfer Agent for the Common Shares. Any notice that is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.

Section 24. Exchange.  
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(a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become null and void pursuant to the provisions of Section 7(e) hereof) for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Company's Board of Directors shall not be empowered to effect such exchange at any time after any Person (other than (i) Alfred P. West, Jr., (ii) any immediate family member of Alfred P. West Jr. who exceeds the 50% Company ownership threshold solely by reason of a transfer of Common Shares from Alfred P. West Jr. or his spouse to such immediate family member and who does not subsequently acquire at least 1% of the Common Shares outstanding from a source other than Alfred P. West Jr. or his spouse, (iii) the Company, (iv) any Subsidiary of the Company, (v) any employee benefit plan of the Company or any such Subsidiary, or (vi) any Person organized, appointed or established by the Company for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of fifty percent (50%) or more of the Common Shares then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to subsection (a) of this Section 24 and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of the holders of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company shall promptly notify the Rights Agent of any such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 7(e) hereof) held by each holder of Rights.

(c) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but issued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional Common Shares for issuance upon exchange of the Rights.

(d) The Company shall not be required to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of such fractional Common Shares, there shall be paid to the registered holders of the Rights Certificates with regard to which such fractional Common Shares would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Common Share. For the purposes of this subsection (d), the current market value of a whole Common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 11(d) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

#### Section 25. Notice of Certain Events.

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(a) In case the Company shall propose, at any time after the Distribution Date, (i) to pay any dividend payable in stock of any class to the holders of Preferred Shares or to make any other distribution to the holders of Preferred Shares (other than a regular quarterly dividend out of earnings or retained earnings of the Company), or (ii) to offer to the holders of Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, or (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), or (iv) to effect any consolidation or merger into or with any other Person (other than a Subsidiary of the Company in a transaction which complies with Section 11(o) hereof), or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one transaction or a series of related transactions, of more than 50% of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person or Persons (other than the Company and/or any of its Subsidiaries in one or more transactions each of which complies with Section 11(o) hereof), or (v) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to the Rights Agent and to each holder of a Rights Certificate, to the extent feasible and in accordance with Section 26 hereof, a notice of such proposed action, which shall specify the record date for the purposes of such stock dividend distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of Preferred Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least twenty (20) days prior to the record date for determining holders of Preferred Shares for purposes of such action, and in the case of any such other action, at least twenty (20) days prior, to the date of the taking of such proposed action or the date of participation therein by the holders of Preferred Shares, whichever shall be the earlier.

(b) Upon the occurrence of a Section 11(a)(ii) Event, (i) the Company shall as soon as practicable thereafter give to each holder of a Rights Certificate, to the extent feasible and in accordance with Section 26 hereof, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Section 11(a)(ii) hereof, and (ii) all references in the preceding paragraph to Preferred Shares shall be deemed thereafter to refer to Common Shares and/or, if appropriate, other securities.

Section 26. Notices. Notices or demands authorized by this Agreement

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to be given or made by the Rights Agent or by the holder of any Rights Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

SEI Investments Company  
One Freedom Valley Drive  
Oaks, Pennsylvania 19456  
Attention: Corporate Secretary

Subject to the provisions of Section 21, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Rights Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

American Stock Transfer & Trust Company  
40 Wall Street  
New York, NY 10005  
Attention: Corporate Trust Department

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Rights Certificate (or, if prior to the Distribution Date to the holder of certificates representing Common Shares) shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments.

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(a) Prior to the Distribution Date and subject to the penultimate sentence of this Section 27, the Company may, and the Rights Agent shall, if the Company so directs, supplement or amend any provision of this Agreement without the approval of any holders of certificates representing Common Shares. From and after the Distribution Date and subject to the penultimate sentence of this Section 27, the Company may, and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Rights Certificates in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder, or (iv) to change or supplement the provisions hereunder in any manner that the Company may deem necessary or desirable and that shall not adversely affect the interests of the holders of Rights Certificates; provided, this Agreement may not be supplemented or amended to lengthen, pursuant to clause (iii) of this sentence, (A) a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable, or (B) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the benefits to, the holders of Rights. Upon the delivery of a certificate from an appropriate officer of the Company that states that the proposed supplement or amendment is in compliance with the terms of this Section 27, and if requested by the Rights Agent, an opinion of counsel, the Rights Agent shall execute such supplement or amendment. Notwithstanding anything contained in this Agreement, to the contrary, (i) no supplement or amendment shall be made that changes the Redemption Price, the Final Expiration Date, the Purchase Price or the number of Preferred Share Fractions for which a Right is exercisable, (ii) any supplement or amendment shall be effective only if there are Continuing Directors and shall require the concurrence of a majority of such Continuing Directors if: (x) such supplement or amendment occurs on or after the time a Person becomes an Acquiring Person, or (y) such supplement or amendment occurs on or after the date of a change (resulting from a proxy or consent solicitation) in a majority of the directors in office at the commencement of such solicitation if any Person who is a participant in such solicitation has stated (or, if upon the commencement of such solicitation, a majority of the Board of Directors of the Company has determined in good faith) that such Person (or any of its Affiliates or Associates) intends to take, or may consider taking, any action that would result in such Person becoming an Acquiring Person or that would cause the occurrence of a Triggering Event unless, concurrent with such solicitation, such Person (or one or more of its Affiliates or Associates) is making a cash tender offer pursuant to a Schedule 14D-1 (or any successor form) filed with the Securities and Exchange Commission for all outstanding Common Shares not beneficially owned by such Person (or by its Affiliates or Associates), and (iii) no supplement or amendment that changes or increases the obligations and duties of the Rights Agent under this Agreement shall be effective without the consent of the Rights Agent. Prior to the Distribution Date, the interests of the beneficial owners of Rights shall be deemed coincident with the interests of the holders of Common Shares.

Section 28. Successors. All the covenants and provisions of this

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Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Determinations and Actions by the Board of Directors,  
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etc. For all purposes of this Agreement, any calculation of the number of  
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Common Shares outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding Common Shares of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Exchange Act. The Board of Directors of the Company (with, where specifically provided for herein, the concurrence of the Continuing Directors) shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board (with, where specifically provided for herein, the concurrence of the Continuing Directors) or to the Company, or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement, and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or not redeem the Rights or to amend or supplement the Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing), that are done or made by the Board (with, where specifically provided for herein, the concurrence of the Continuing Directors) in good faith, shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights and all other Persons, and (y) not subject the Board or the Continuing Directors to any liability to the holders of the Rights. For purposes of this Agreement, the Rights Agent shall be allowed to assume that all such actions, calculations, interpretations and determinations have been done or made by the Board in good faith.

Section 30. Benefits of this Agreement. Nothing in this Agreement  
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shall be construed to give to any Person other than the Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, registered holders of the Common Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, registered holders of the Common Shares).

Section 31. Severability. If any term, provision, covenant or  
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restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable for any purpose or under any set of circumstances or as applied to any Person, such invalid, void or unenforceable term, provision, covenant or restriction shall continue in effect to the maximum extent possible for all other purposes, under all other circumstances and as applied to all other Persons; and the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated; provided, however, that notwithstanding anything in this Agreement to the contrary, if any such term, provision, covenant or restriction is held by such court or authority to be invalid, void or unenforceable and the Board of Directors of the Company determines in its good faith judgment that severing the invalid language from this Agreement would adversely affect the purpose or effect of this Agreement, the right of redemption set forth in Section 23 hereof shall be reinstated and shall not expire until the Close of Business on the tenth day following the date of such determination by the Board of Directors. Without limiting the foregoing, if any provisions requiring that a determination be made by less than the entire Board (or at a time or with the concurrence of a group of directors consisting of less than the entire Board) is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, such determination shall then be made by the Board in accordance with applicable law and the Company's Articles of Incorporation and by-laws.

Section 32. Governing Law. This Agreement, each Right and each  
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Rights Certificate issued hereunder shall be deemed to be a contract made under the laws of the Commonwealth of Pennsylvania and for all purposes shall be governed by and construed in accordance with the laws of such jurisdiction applicable to contracts made and to be performed entirely within such jurisdiction; except that all provisions regarding the rights, duties and obligations of the Rights Agent shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed entirely within such jurisdiction.

Section 33. Counterparts. This Agreement may be executed in any  
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number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 34. Descriptive Headings. Descriptive headings of the  
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several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

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

SEI INVESTMENTS COMPANY

By /s/ Henry H. Greer  
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Name: Henry H. Greer  
Title: President and Chief Operating Officer

AMERICAN STOCK TRANSFER & TRUST  
COMPANY

By /s/ Herbert J. Lemmer  
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Name: Herbert J. Lemmer  
Title: Vice President

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EXHIBIT A  
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RESOLUTION OF THE BOARD OF DIRECTORS OF  
SEI INVESTMENTS COMPANY  
ESTABLISHING AND DESIGNATING  
SERIES A JUNIOR PARTICIPATING PREFERRED SHARES  
AS A SERIES OF THE SERIES PREFERRED STOCK

RESOLVED, that pursuant to the authority expressly vested in the Board of Directors of SEI Investments Company (the "Corporation") by Article FIFTH of the Articles of Incorporation of the Corporation, the Board of Directors hereby fixes and determines the voting rights, designations, preferences, qualifications, privileges, limitations, restrictions, options, conversion rights and other special or relative rights of the first series of the Series Preferred Stock, par value \$.05 per share, which shall consist of 50,000 shares and shall be designated as Series A Junior Participating Preferred Shares (the "Series A Preferred Shares").

Special Terms of the Series A Preferred Shares  
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Section 1. Dividends and Distributions.  
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(a) The rate of dividends payable per share of Series A Preferred Shares on the first day of January, April, July and October in each year or such other quarterly payment date as shall be specified by the Board of Directors (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of the Series A Preferred Shares, shall be (rounded to the nearest cent) equal to the greater of (i) \$160 or (ii), subject to the provision for adjustment hereinafter set forth, 2,000 times the aggregate per share amount of all cash dividends, and 2,000 times the aggregate per share amount (payable in cash, based upon the fair market value at the time the non-cash dividend or other distribution is declared or paid as determined in good faith by the Board of Directors) of all non-cash dividends or other distributions other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, \$.01 par value per share, of the Corporation since the immediately preceding Quarterly Dividend Payment Date, or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of the Series A Preferred Shares. Dividends on the Series A Preferred Shares shall be paid out of funds legally available for such purpose. In the event the Corporation shall at any time after December 10, 1998 (the "Rights Declaration Date") (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the amounts to which holders of Series A Preferred Shares were entitled immediately prior to such event under clause (ii) of the preceding sentence shall be adjusted by multiplying each such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the

denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) Dividends shall begin to accrue and be cumulative on outstanding Series A Preferred Shares from the Quarterly Dividend Payment Date next preceding the date of issue of such Series A Preferred Shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of Series A Preferred Shares entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the Series A Preferred Shares in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding.

Section 2. Voting Rights. In addition to any other voting rights

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required by law, the holders of Series A Preferred Shares shall have the following voting rights:

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(a) Subject to the provision for adjustment hereinafter set forth, each Series A Preferred Share shall entitle the holder thereof to 2,000 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the number of votes per share to which holders of Series A Preferred Shares were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(b) In the event that dividends upon the Series A Preferred Shares shall be in arrears to an amount equal to six full quarterly dividends thereon, the holders of such Series A Preferred Shares shall become entitled to the extent hereinafter provided to vote noncumulatively at all elections of directors of the Corporation, and to receive notice of all shareholders', meetings to be held for such purpose. At such meetings, to the extent that directors are being elected, the holders of such Series A Preferred Shares voting as a class shall be entitled solely to elect two members of the Board of Directors of the Corporation; and all other directors of the Corporation shall be elected by the other shareholders of the Corporation entitled to vote in the election of directors. Such voting rights of the holders of such Series A Preferred Shares shall continue until all accumulated and unpaid dividends thereon shall have been paid or funds sufficient therefor set aside, whereupon all such voting rights of the holders of shares of such series shall cease, subject to being again revived from time to time upon the reoccurrence of the conditions above described as giving rise thereto.

At any time when such right to elect directors separately as a class shall have so vested, the Corporation may, and upon the written request of the holders of record of not less than 20% of the then outstanding total number of shares of all the Series A Preferred Shares having the right to elect directors in such circumstances shall, call a special meeting of holders of such Series A Preferred Shares for the election of directors. In the case of such a written request, such special meeting shall be held within 90 days after the delivery of such request, and, in either case, at the place and upon the notice provided by law and in the By-laws of the Corporation; provided, that the Corporation shall not be required to call such a special meeting if such request is received less than 120 days before the date fixed for the next ensuing annual or special meeting of shareholders of the Corporation. Upon the mailing of the notice of such special meeting to the holders of such Series A Preferred Shares, or, if no such meeting be held, then upon the mailing of the notice of the next annual or special meeting of shareholders for the election of directors, the number of directors of the Corporation shall, ipso facto, be increased to the extent, but only to the extent, necessary to provide sufficient vacancies to enable the holders of such Series A Preferred Shares to elect the two directors hereinabove provided for, and all such vacancies shall be filled only by vote of the holders of such Series A Preferred Shares as hereinabove provided. Whenever the number of directors of the Corporation shall have been increased, the number as so increased may thereafter be further increased or decreased in such manner as may be permitted by the By-laws and without the vote of the holders of Series A Preferred Shares, provided that no such action shall impair the right of the holders of Series A Preferred Shares to elect and to be represented by two directors as herein provided.

So long as the holders of Series A Preferred Shares are entitled

hereunder to voting rights, any vacancy in the Board of Directors caused by the death or resignation of any director elected by the holders of Series A Preferred Shares, shall, until the next meeting of shareholders for the election of directors, in each case be filled by the remaining director elected by the holders of Series A Preferred Shares having the right to elect directors in such circumstances.

Upon termination of the voting rights of the holders of any series of Series A Preferred Shares the terms of office of all persons who shall have been elected directors of the Corporation by vote of the holders of Series A Preferred Shares or by a director elected by such holders shall forthwith terminate.

(c) Except as otherwise provided herein, in the Articles of Incorporation of the Corporation or by law, the holders of Series A Preferred Shares and the holders of Common Stock (and the holders of shares of any other series or class entitled to vote thereon) shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

Section 3. Reacquired Shares. Any Series A Preferred Shares

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purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued Series Preferred Stock and may be reissued as part of a new series of Series Preferred Stock to be created by resolution or resolutions of the Board of Directors.

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Section 4. Liquidation, Dissolution or Winding Up. In the event of

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any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of Series A Preferred Shares shall be entitled to receive the greater of (a) \$100.00 per share, plus accrued dividends to the date of distribution, whether or not earned or declared, or (b) an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 2,000 times the aggregate amount to be distributed per share to holders of Common Stock. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the amount to which holders of Series A Preferred Shares were entitled immediately prior to such event pursuant to clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 5. Consolidation, Merger, etc. In case the Corporation shall

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enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the Series A Preferred Shares shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 2,000 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time after the Rights Declaration Date (i) declare any dividend on Common Stock payable in shares of Common Stock, (ii) subdivide the outstanding shares of Common Stock, or (iii) combine the outstanding shares of Common Stock into a smaller number of shares, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Shares shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately, after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately, prior to such event.

Section 6. No Redemption. The Series A Preferred Shares shall, not

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be redeemable.

Section 7. Ranking. The Series A Preferred Shares shall rank junior

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to all other series of the Corporation's Series Preferred Stock as to the payment of dividends and the distribution of assets, unless the terms of any such series shall provide otherwise.

Section 8. Fractional Shares. Series A Preferred Shares may be

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issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of Series A Preferred Shares.



[Form of Rights Certificate]

Certificate No. R-\_\_\_\_\_ Rights

NOT EXERCISABLE AFTER DECEMBER 19, 2008 OR AFTER EARLIER REDEMPTION BY THE COMPANY. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT \$.01 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES, RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT) AND ANY SUBSEQUENT HOLDER OF SUCH RIGHTS MAY BECOME NULL AND VOID. [THE RIGHTS REPRESENTED BY THIS RIGHTS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS OR BECAME AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT). ACCORDINGLY, THIS RIGHTS CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BECOME NULL AND VOID IN THE CIRCUMSTANCES SPECIFIED IN SECTION 7(e) OF SUCH AGREEMENT.]\*

. The bracketed portion of the legend shall be inserted only if applicable and shall replace the preceding sentence.

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. SEI INVESTMENTS COMPANY

RIGHTS CERTIFICATE

This certifies that \_\_\_\_\_, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of December 10, 1998 (the "Rights Agreement"), between SEI Investments Company, a Pennsylvania corporation (the "Company"), and American Stock Transfer & Trust Company, a New York corporation (the "Rights Agent"), to purchase from the Company at any time prior to 5:00 P.M. (Philadelphia time) on December 19, 2008 at the office or offices of the Rights Agent designated for such purpose, or its successors as Rights Agent, one four-hundredths of a fully paid, nonassessable Series A Junior Participating Preferred Share (the "Preferred Share") of the Company, at a purchase price (the "Purchase Price") of \$500 per one two-thousandths of a Preferred Share (such fraction, a "Preferred Share Fraction"), upon presentation and surrender of this Rights Certificate with the Form of Election to Purchase and related Certificate duly executed. Except as provided in Sections 11(q) and 13(e) of the Rights Agreement, the Purchase Price shall be paid at the option of the Company, in cash or Common Stock of the Company (the "Common Shares") having an equivalent value. The number of Rights evidenced by this Rights Certificate (and the number of Preferred Share Fractions that may be purchased upon exercise thereof) set forth above, and the Purchase Price per Preferred Share Fraction set forth above, are the number and Purchase Price as of December 10, 1998, based on the Preferred Shares as constituted at such date.

Except as otherwise provided in the Rights Agreement, upon the occurrence of any Section 11(a)(ii) Event (as such term is defined in the Rights Agreement), if the Rights evidenced by this Rights Certificate are beneficially owned by (i) an Acquiring Person or Affiliate or Associate of any Acquiring Person (as such terms are defined in the Rights Agreement), (ii) a transferee of any Acquiring Person (or any such Affiliate or Associate) who becomes a transferee after the Acquiring Person becomes such, or (iii) under certain circumstances specified in the Rights Agreement, a transferee of a person who, after such transfer, became an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, such Rights shall become null and void and no holder hereof shall have any right with respect to such Rights from and after the occurrence of any such Section 11(a)(ii) Event.

As provided in the Rights Agreement, the Purchase Price and the number and kind of Preferred Shares or other securities that may be purchased upon the exercise of the Rights evidenced by this Rights Certificate are subject to modification and adjustment upon the happening of certain events, including Triggering Events and a Section 11(a)(ii) Event.

This Rights Certificate is subject to all of the terms, covenants and restrictions of the Rights Agreement, which terms, covenants and restrictions are hereby incorporated herein by reference and made a part hereof and to which

Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Rights Certificates, which limitations of rights include the temporary suspension of the exercisability of such Rights under the specific circumstances set forth in the Rights Agreement. Copies of the Rights Agreement are on file at the above-mentioned office of the Rights Agent and are also available upon written request to the Company.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the office of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of Preferred Share Fractions as the Rights evidenced by the Rights Certificate or Rights Certificates surrendered shall have entitled such holder to purchase. If this Rights Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Company at its option at a redemption price of \$.01 per Right at any time prior to the earlier of the Close of Business (as such term is defined in the Rights Agreement) on (i) the tenth day following the Stock Acquisition Date (as such time period may be extended pursuant to the Rights Agreement), and (ii) the Final Expiration Date. Under certain circumstances set forth in the Rights Agreement, the decision to redeem shall require the concurrence of a majority of the Continuing Directors.

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No fractional Preferred Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of a Preferred Share, which may, as the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Rights Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of Preferred Shares or of any other securities of the Company (including Common Shares) that may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or, to receive notice of meetings or other actions affecting shareholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal.

Dated as of \_\_\_\_\_,

ATTEST SEI INVESTMENTS COMPANY

By

\_\_\_\_\_  
Secretary

Title:

Countersigned

AMERICAN STOCK TRANSFER & TRUST COMPANY

By  
Authorized Signature

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[Form of Reverse Side of Rights Certificate]

FORM OF ASSIGNMENT  
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(To be executed by the registered holder if such holder desires to transfer the Rights Certificate.)

FOR VALUE RECEIVED

hereby sells, assigns and transfers unto

(Please print name and address of transferee)

this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint Attorney, to transfer the within Rights Certificate on the books of the within-named Company, with full power of substitution.

Dated: \_\_\_\_\_, \_\_\_\_\_.

Signature

Signature Guaranteed:

Certificate  
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The undersigned hereby certifies by checking the appropriate boxes that:

(1) this Rights Certificate [ ] is [ ] is not being sold, assigned and transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person as such terms are defined pursuant to the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it [ ] did [ ] did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: \_\_\_\_\_, \_\_\_\_\_.

Signature

Signature Guaranteed:

NOTICE

The signatures to the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

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FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by the Rights Certificate.)

To: SEI INVESTMENTS COMPANY:

The undersigned hereby irrevocably elects to exercise \_\_\_\_\_ Rights represented by this Rights Certificate to purchase the Preferred Shares issuable upon the exercise of the Rights (or Common Shares or such other securities of the Company or of any other person that may be issuable upon the exercise of the Rights) and requests that certificates for such shares be issued in the name of and delivered to:

Please insert social security or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number

(Please print name and address)

Dated: \_\_\_\_\_,

Signature

Signature Guaranteed:

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The undersigned hereby certifies by checking the appropriate boxes that

(1) the Rights evidenced by this Rights Certificate [ ] are [ ] are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined pursuant to the Rights Agreement);

(2) after, due inquiry and to the best knowledge of the undersigned, it [ ] did [ ] did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: \_\_\_\_\_, \_\_\_\_\_

Signature

Signature Guaranteed:

NOTICE  
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The signatures to the foregoing Election to Purchase and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

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EXHIBIT C  
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SUMMARY OF RIGHTS TO PURCHASE  
PREFERRED SHARES

On December 10, 1998 the Board of Directors of SEI Investments Company (the "Company") declared a dividend distribution of one Right for each outstanding share of Common Stock, \$.01 par value (each, a "Common Share") of the Company to shareholders of record at the close of business on December 19, 1999. Each Right entitles the registered holder to purchase from the Company a unit consisting of one two-thousandths of a share (a "Unit") of the Series A Junior Participating Preferred Shares, par value \$.05 per share, of the Company (the "Preferred Shares"), or a combination of securities and assets of equivalent value, at a Purchase Price of \$500 per Unit, subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and American Stock Transfer & Trust Company, as Rights Agent.

Initially, ownership of the Rights will be evidenced by the Common Share certificates representing shares then outstanding, and no separate Rights Certificates will be distributed. The Rights will separate from the Common Shares and a Distribution Date will occur upon the earlier of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") is the beneficial owner of more than 20% of the outstanding Common Shares (the "Stock Acquisition Date"), or (ii) the close of business on such date as may be fixed by the Board of Directors, which date shall not be more than 65 days following the commencement of a tender offer or exchange offer that would result in a person or group beneficially owning 20% or more of the outstanding Common Shares. Until the Distribution Date, (i) the Rights will be evidenced by the Common Share certificates and will be transferred with and only with such Common Share certificates, (ii) new Common Share certificates issued after December 19, 1999 will contain a notation incorporating the Rights Agreement by reference and (iii) the surrender for transfer of any certificates for Common Shares outstanding will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate.

The Rights are not exercisable until the Distribution Date and will expire at the close of business on December 19, 2008, unless earlier redeemed by the Company as described below or unless a transaction under Section 13(d) of the Rights Agreement has occurred.

As soon as practicable after the Distribution Date, Rights Certificates will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and, thereafter, the separate Rights Certificates alone will represent the Rights. Except as otherwise determined by the Board of Directors, and except in connection with the exercise of employee stock options or stock appreciation rights or under any other benefit plan for employees or directors or in connection with the exercise of warrants or conversion of convertible securities, only Common Shares issued after December

19, 1999 and prior to the Distribution Date will be issued with Rights.

Except in the circumstances described below, after the Distribution Date each Right will be exercisable into one two-thousandths of a Preferred Share (a "Preferred Share Fraction"). Each Preferred Share Fraction carries voting and dividend rights that are intended to produce the equivalent of one Common Share. The voting and dividend rights of the Preferred Shares are subject to adjustment in the event of dividends, subdivisions and combinations with respect to the Common Shares of the Company. In lieu of issuing certificates for Preferred Share Fractions which are less than an integral multiple of one Preferred Share (i.e. 2,000 Preferred Share Fractions), the Company may pay cash representing the Current market value of the Preferred Share Fractions.

In the event that at any time following the Stock Acquisition Date, (i) the Company is the surviving corporation in a merger with an Acquiring Person and its Common Shares remain outstanding, (ii) a Person becomes the beneficial owner of more than 50% of the then outstanding Common Shares other than pursuant to a tender offer that provides fair value to all shareholders, (iii) a person has acquired since December 19, 1998 beneficial ownership of 20% or more of the Common Shares then outstanding, (iv) an Acquiring Person engages in one or more "self-dealing" transactions as set forth in the Rights Agreement, or (v) during such time as there is an Acquiring Person an event occurs that results in such Acquiring Person's ownership interest being increased by more than 1% (e.g., a reverse stock split), each holder of a Right will thereafter have the right to receive, upon exercise, Common Shares (or, in certain circumstances, cash, property or other securities of the Company) having a value equal to two times the exercise price of the Right. In lieu of requiring payment of the Purchase Price upon exercise of the Rights following any such event, 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

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case may be) with a value of 50% of what could be purchased by payment of the full Purchase Price. Notwithstanding any of the foregoing, following the occurrence of any of the events set forth in clauses (i), (ii), (iii) or (iv) of this paragraph, all Rights that are, or (under certain circumstances specified in the Rights Agreement) were, beneficially owned by any Acquiring Person who was involved in the transaction giving rise to any such event will be null and void. However, Rights are not exercisable following the occurrence of any of the events set forth above until such time as the Rights are no longer redeemable by the Company as set forth below.

For example, at an exercise price of \$500 per Right, each Right not otherwise voided following an event set forth in the preceding paragraph would entitle its holder to purchase \$1,000 worth of Common Shares (or other consideration, as noted above) for \$500. Assuming that the Common Shares had a per share value of \$250 at such time, the holder of each valid Right would be entitled to purchase four Common Shares for \$500. Alternatively, the Company could permit the holder to surrender each Right in exchange for stock or cash equivalent to two Common Shares (with a value of \$500) without the payment of any consideration other than the surrender of the Right.

In the event that, at any time following the Stock Acquisition Date, (i) the Company is acquired in a merger or other business combination transaction in which the Company is not the surviving corporation (other than a merger that is described in, or that follows a tender offer or exchange offer described in, the second preceding paragraph), or (ii) 50% or more of the Company's assets or earning power is sold or transferred, each holder of a Right (except Rights that previously have been voided as set forth above) shall thereafter have the right to receive, upon exercise, common shares of the Acquiring company having a value equal to two times the exercise price of the Right. Again, provision is made to permit surrender of the Rights in exchange for one-half of the value otherwise purchasable. The events set forth in this paragraph and in the second preceding paragraph are referred to as the "Triggering Events."

The Purchase Price payable, and the number of Units of Preferred Shares or other securities or property issuable upon exercise of the Rights are subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Preferred Shares, (ii) if holders of the Preferred Shares are granted certain rights or warrants to subscribe for Preferred Shares or convertible securities at less than the current market price of the Preferred Shares, or (iii) upon the distribution to holders of the Preferred Shares of evidences of indebtedness or assets (excluding regular quarterly dividends) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments amount to at least 1% of the Purchase Price. No fractional Units will be issued and, in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Shares on the last trading date prior to the date of exercise.

At any time until ten days following the Stock Acquisition Date, the Company may redeem the Rights in whole, but not in part, at a price of \$.01 per Right. That ten day redemption period may be extended by the Board of Directors so long as the Rights are still redeemable. Under certain circumstances set forth in the Rights Agreement, the decision to redeem will require the concurrence of a majority of the Continuing Directors. Immediately upon the action of the Board of Directors ordering redemption of the Rights, with, where required, the concurrence of the continuing Directors, the Rights will terminate and the only right of the holders of Rights will be to receive the \$.01 redemption price.

The term "Continuing Directors" means any member of the Board of Directors of the Company who was a member of the Board prior to the date of the Rights Agreement, and any person who is subsequently elected to the Board if such person is recommended or approved by a majority of the Continuing Directors, but shall not include an Acquiring Person, or an affiliate or associate of an Acquiring Person, or any representative of the foregoing entities.

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to shareholders or to the Company, shareholders may, depending upon the circumstances, recognize taxable income in the event that the Rights become exercisable for Preferred Shares (or other consideration) of the company or for common shares of the acquiring company as set forth above.

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Other than those provisions relating to the principal economic terms of the Rights, any of the provisions of the Rights Agreement may be amended by the Board of Directors of the Company prior to the Distribution Date. After the Distribution Date, the provisions of the Rights Agreement may be amended by the Board (in certain circumstances, with the concurrence of the Continuing Directors) in order to cure any ambiguity, to make changes that do not adversely affect the interests of holders of Rights (excluding the interests of any Acquiring Person), or to shorten or lengthen any time period under the Rights Agreement; provided, however, that no amendment to adjust the time period governing redemption shall be made at such time as the Rights are not redeemable.

A copy of the Rights Agreement is being filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A. A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is incorporated herein by reference.

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FIFTEENTH MODIFICATION AGREEMENT  
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THIS AGREEMENT is made as of the 31st day of March, 1998, by and among PNC BANK, NATIONAL ASSOCIATION, successor by merger to Provident National Bank, a national banking association with offices at 1600 Market Street, Philadelphia, Pennsylvania 19103 (the "Bank"), and SEI INVESTMENTS COMPANY (formerly SEI Corporation), a Pennsylvania corporation (the "Borrower").

BACKGROUND  
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Bank and Borrower have entered into a Credit Agreement effective as of May 31, 1992 as amended by a Waiver and First Modification Agreement between Bank and Borrower dated as of September 30, 1992, a Second Modification Agreement between Bank and Borrower dated as of April 19, 1993, a Third Modification Agreement between Bank and Borrower dated as of May 31, 1993, a Fourth Modification Agreement between Bank and Borrower dated as of March 14, 1994, a Fifth Modification Agreement dated as of May 31, 1994, a Sixth Modification Agreement dated as of May 5, 1995, a Seventh Modification Agreement effective as of May 31, 1995, an Eighth Modification Agreement dated October 19, 1995, a Ninth Modification Agreement dated March 31, 1996 a Tenth Modification Agreement dated as of May 31, 1996, an Eleventh Modification Agreement dated October 1, 1996, a Release and Modification Agreement dated February 20, 1997, a Thirteenth Modification Agreement dated May 30, 1997 and a Fourteenth Modification Agreement dated as of December 31, 1997 (as so amended, the "Credit Agreement") pursuant to which Bank agreed to make up to \$50,000,000 in loans (the "Loans") to Borrower. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement. The Loans are evidenced by Borrower's note originally dated May 31, 1992 and amended and restated September 30, 1992, May 31, 1996 and October 1, 1996 (the "Note") in the principal amount of \$50,000,000.

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

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

AGREEMENT  
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1. Terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement.

2. Amendment to Credit Agreement. The Credit Agreement is hereby amended by amending and restating Section 7.7 thereof to read in full as follows:

"(S)7.7. Leverage Ratio. It shall maintain as of each fiscal quarter a ratio of Funded Debt to Capitalization of not greater than .65 to 1."

3. Loan Documents. Except where the context clearly requires otherwise, all references to the Credit Agreement in the Note or any other document delivered to Bank in connection therewith shall be to the Credit Agreement as amended by this Agreement.

4. Borrower's Ratification. Borrower agrees that it has no defenses or set-offs against the Bank, its officers, directors, employees, agents or attorneys with respect to the Note or the Credit Agreement, all of which are in full force and effect and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms. Borrower hereby ratifies and confirms its obligations under the Note and the Credit Agreement and agrees that the execution and the delivery of this Agreement does not in any way diminish or invalidate any of its obligations thereunder.

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5. Representations and Warranties. Borrower hereby certifies that:

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

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

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

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

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

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

7. Miscellaneous.

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

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

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

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

BORROWER

-----

[SEAL]

SEI INVESTMENTS COMPANY  
(formerly SEI Corporation)

Attest: /s/ Todd Cipperman

By: /s/ Kathy Heilig

Title: Vice President

Title: Assistant Controller and Treasurer

BANK

----

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Warren C. Engle

Title: Vice President

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SIXTEENTH MODIFICATION AGREEMENT  
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THIS AGREEMENT is made as of the 29th day of May, 1998, by and among PNC BANK, NATIONAL ASSOCIATION, successor by merger to Provident National Bank, a national banking association with offices at 1600 Market Street, Philadelphia, Pennsylvania 19103 (the "Bank"), and SEI INVESTMENTS COMPANY (formerly SEI Corporation), a Pennsylvania corporation (the "Borrower").

BACKGROUND  
-----

Bank and Borrower have entered into a Credit Agreement effective as of May 31, 1992 as amended by a Waiver and First Modification Agreement between Bank and Borrower dated as of September 30, 1992, a Second Modification Agreement between Bank and Borrower dated as of April 19, 1993, a Third Modification Agreement between Bank and Borrower dated as of May 31, 1993, a Fourth Modification Agreement between Bank and Borrower dated as of March 14, 1994, a Fifth Modification Agreement dated as of May 31, 1994, a Sixth Modification Agreement dated as of May 5, 1995, a Seventh Modification Agreement effective as of May 31, 1995, an Eighth Modification Agreement dated October 19, 1995, a Ninth Modification Agreement dated March 31, 1996 a Tenth Modification Agreement dated as of May 31, 1996, an Eleventh Modification Agreement dated October 1, 1996, a Release and Modification Agreement dated February 20, 1997, a Thirteenth Modification Agreement dated May 30, 1997, a Fourteenth Modification Agreement dated as of December 31, 1997 and a Fifteenth Modification Agreement dated as of March 31, 1998 (as so amended, the "Credit Agreement") pursuant to which Bank agreed to make up to \$50,000,000 in loans (the "Loans") to Borrower. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement. The Loans are evidenced by Borrower's note originally dated May 31, 1992 and amended and restated September 30, 1992, May 31, 1996 and October 1, 1996 (the "Note") in the principal amount of \$50,000,000.

Borrower and Bank have agreed to extend the Termination Date, as contemplated by the Credit Agreement, upon the terms and conditions set forth herein.

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

AGREEMENT  
-----

1. Terms. Capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Credit Agreement.

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

(a) As contemplated by Section 9.15 of the Credit Agreement, the Termination Date and the date on which the Credit Commitment shall expire and the Credit Period shall end is hereby changed from May 31, 1998 to May 31, 1999, effective June 1, 1998.

3. Loan Documents. Except where the context clearly requires otherwise, all references to the Credit Agreement in the Note or any other document delivered to Bank in connection therewith shall be to the Credit Agreement as amended by this Agreement.

4. Borrower's Ratification. Borrower agrees that it has no defenses or set-offs against the Bank, its officers, directors, employees, agents or attorneys with respect to the Note or the Credit Agreement, all of which are in full force and effect and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms. Borrower hereby ratifies and confirms its obligations under the Note and the Credit Agreement and agrees that the execution and the delivery of this Agreement does not in any way diminish or invalidate any of its obligations thereunder.

5. Representations and Warranties. Borrower hereby certifies that:

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

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

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

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

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

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

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

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

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

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

BORROWER  
-----

[SEAL] SEI INVESTMENTS COMPANY  
(formerly SEI Corporation)

Attest: /s/ Todd Cipperman -----	By: /s/ Kathy Heilig -----
Title: Vice President -----	Title: Assistant Controller and Treasurer -----

BANK  
----

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Warren C. Engle  
-----  
Title Vice President  
-----

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SEVENTEENTH MODIFICATION AGREEMENT  
-----

THIS AGREEMENT is effective as of the 29th day of September, 1998, by and among PNC BANK, NATIONAL ASSOCIATION, successor by merger to Provident National Bank, a national banking association with offices at 1600 Market Street, Philadelphia, Pennsylvania 19103 (the "Bank"), and SEI INVESTMENTS COMPANY (formerly SEI Corporation), a Pennsylvania corporation (the "Borrower").

BACKGROUND  
-----

Bank and Borrower have entered into a Credit Agreement effective as of May 31, 1992 as amended by a Waiver and First Modification Agreement between Bank and Borrower dated as of September 30, 1992, a Second Modification Agreement between Bank and Borrower dated as of April 19, 1993, a Third Modification Agreement between Bank and Borrower dated as of May 31, 1993, a Fourth Modification Agreement between Bank and Borrower dated as of March 14, 1994, a Fifth Modification Agreement dated as of May 31, 1994, a Sixth Modification Agreement dated as of May 5, 1995, a Seventh Modification Agreement effective as of May 31, 1995, an Eighth Modification Agreement dated October 19, 1995, a Ninth Modification Agreement dated March 31, 1996 a Tenth Modification Agreement dated as of May 31, 1996, an Eleventh Modification Agreement dated October 1, 1996, a Release and Modification Agreement dated February 20, 1997, a Thirteenth Modification Agreement dated May 30, 1997, a Fourteenth Modification Agreement dated as of December 31, 1997, a Fifteenth Modification Agreement dated as of March 31, 1998 and a Sixteenth Modification Agreement dated as of May 29, 1998 (as so amended, the "Credit Agreement") pursuant to which Bank agreed to make up to \$50,000,000 in loans (the "Loans") to Borrower. Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Credit Agreement. The Loans are evidenced by Borrower's note originally dated May 31, 1992 and amended and restated September 30, 1992, May 31, 1996 and October 1, 1996 (the "Note") in the principal amount of \$50,000,000.

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

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

AGREEMENT  
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1. Terms. Capitalized terms used herein and not otherwise defined herein  
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shall have the meanings given to such terms in the Credit Agreement.
2. Amendment to Credit Agreement. The Credit Agreement is hereby amended  
-----  
by amending and restating Section 7.10(g) thereof to read in full as follows:  
" (g) Purchases by the Company of its common stock (to be Retired by the Company) of up to an aggregate consideration of \$300,000,000 (cumulatively since the institution of its stock repurchase program), less the consideration paid by the Company for the purchase of its common stock as of the date hereof;"
3. Loan Documents. Except where the context clearly requires otherwise,  
-----  
all references to the Credit Agreement in the Note or any other document delivered to Bank in connection therewith shall be to the Credit Agreement as amended by this Agreement.
4. Borrower's Ratification. Borrower agrees that it has no defenses or  
-----  
set-offs against the Bank, its officers, directors, employees, agents or attorneys with respect to the Note or the Credit Agreement, all of which are in full force and effect and shall remain in full force and effect unless and until modified or amended in writing in accordance with their terms. Borrower hereby ratifies and confirms its obligations under the Note and the Credit Agreement and agrees that the execution and the delivery of this Agreement does not in any way diminish or invalidate any of its obligations thereunder.
5. Representations and Warranties. Borrower hereby certifies that:  
-----

(a) except as otherwise previously disclosed to Bank in any manner whatsoever, the representations and warranties made in the Credit Agreement are

true and correct as of the date hereof.

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

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

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

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

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

7. Miscellaneous.

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

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

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

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

BORROWER  
-----

[SEAL] SEI INVESTMENTS COMPANY  
(formerly SEI Corporation)

Attest: /s/ Todd Cipperman  
-----

Title: Vice President  
-----

By: /s/ Kathy Heilig  
-----

Title: Assistant Controller and  
Treasurer  
-----

BANK  
----

PNC BANK, NATIONAL ASSOCIATION

By: /s/ Warren C. Engle  
-----

Title Vice President  
-----

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SEI Investments Company

\_\_\_\_\_  
First Amendment  
Dated as of December 15, 1998

to

Note Purchase Agreement  
Dated as of February 24, 1997

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

and

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

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SEI INVESTMENTS COMPANY

OAKS, PENNSYLVANIA 19456

FIRST AMENDMENT

Dated as of December 15, 1998

To

NOTE PURCHASE AGREEMENT

Dated as of February 24, 1997

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

and

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

To the Noteholders Which are Signatories  
to this Amendment

Reference is made to the Note Purchase Agreement, dated as of February 24, 1997 (the "Note Agreement"), among the undersigned, SEI Investments Company, a Pennsylvania corporation (the "Company"), and each of the Purchasers named on Schedule A thereto (the "Purchasers"). Unless otherwise herein defined or the context hereof shall otherwise require, capitalized terms used in this First Amendment (the or this "First Amendment"), shall have the respective meanings specified in the Note Agreement.

RECITALS:

A. The Company and each of the Purchasers have heretofore entered into the Note Agreement. The Company has heretofore issued \$20,000,000 aggregate principal amount of its 7.20% Senior Notes, Series A, due February 24, 2007 (the "Series A Notes") and \$15,000,000 aggregate principal amount of its 7.27% Senior Notes, Series B, due February 24, 2012 (the "Series B Notes", the Series A Notes and Series B Notes are hereinafter collectively referred to as the "Notes"). On the date hereof, \$19,000,000 aggregate principal amount of the Series A Notes and \$14,000,000 aggregate principal amount of the Series B Notes are outstanding.

B. The Company and the holders of the Notes (the "Noteholders") now desire to amend the Note Agreement in the respects, but only in the respects, hereinafter set forth.

C. All requirements of law have been fully complied with and all other acts and things necessary to make this First Amendment a valid, legal and binding instrument according to its terms for the purposes herein expressed have been done or performed.

Now, therefore, the Company requests the following amendments to the Note Agreement, and, based on the representations and warranties of the Company herein set forth and subject to the terms and conditions herein provided, the Noteholders are willing to enter into such amendments.

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#### Section 1. Amendments.

Section 10.3 of the Note Agreement shall be and is hereby amended in its entirety to read as follows:

##### "Section 10.3. Consolidated Net Worth

(a) The Company will not, at any time on or before September 30, 1998, permit Consolidated Net Worth to be less than the sum of (i) \$30,000,000, plus (ii) an aggregate amount equal to 30% of its Consolidated Net Income (but, in each case, only if a positive number) for each completed fiscal year beginning with the fiscal year ending on December 31, 1997, plus (iii) 30% of its Consolidated Net Income (but only if a positive number) for the period beginning on the first day of the then current fiscal year and ending at the end of the then most recently completed fiscal quarter.

(b) The Company will not, at any time after September 30, 1998 and on or before December 31, 1999, permit Consolidated Net Worth to be less than the sum of (i) \$43,000,000, plus (ii) 25% of its Consolidated Net Income (but only if a positive number) for the period beginning on the first day of the fiscal year ending on December 31, 1999 and ending at the end of the then most recently completed fiscal quarter.

(c) The Company will not, at any time after December 31, 1999, permit Consolidated Net Worth to be less than the sum of (i) \$43,000,000, plus (ii) an amount equal to 25% of its Consolidated Net Income (but only if a positive number) for the fiscal year ending on December 31, 1999, plus (iii) an aggregate amount equal to 50% of its Consolidated Net Income (but, in each case, only if a positive number) for each completed fiscal year beginning with the fiscal year ending on December 31, 2000, plus (iv) 50% of its Consolidated Net Income (but only if a positive number) for the period beginning on the first day of the then current fiscal year and ending at the end of the then most recently completed fiscal quarter."

#### Section 2. Representations and Warranties of the Company.

To induce the Noteholders to execute and deliver this First Amendment (which representations shall survive the execution and delivery of this First Amendment), the Company represents and warrants to the Noteholders that:

(a) this First Amendment has been duly authorized, executed and delivered by it and this First Amendment constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

(b) the Note Agreement, as amended by this First Amendment, constitutes the legal, valid and binding obligation, contract and agreement of the Company enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally;

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(c) the execution, delivery and performance by the Company of this First Amendment (i) has been duly authorized by all requisite corporate action, (ii) does not require the consent or approval of any governmental or regulatory body or agency, and (iii) will not (A) violate (1) any provision of law, statute, rule or regulation or its Articles of Incorporation or bylaws, (2) any order of any court or any rule, regulation or order of any other agency or government binding upon it, or (3) any provision of any material indenture, agreement or other instrument to which it is a party or by which its properties or assets are or may be bound, or (B) result in a breach or constitute (alone or with due notice or lapse of time or both) a default under any indenture, agreement or other instrument referred to in clause (iii)(A)(3) of this (S)2.1(C);

(d) as of the date hereof and after giving effect to this First Amendment, no Default or Event of Default has occurred which is continuing; and

(e) all the representations and warranties contained in Section 5 of the Note Agreement are true and correct in all material respects with the same force and effect as if made by the Company on and as of the date hereof.

Section 3. Conditions to Effectiveness of This First Amendment.

This First Amendment shall not become effective until, and shall become effective when, each and every one of the following conditions shall have been satisfied:

(a) executed counterparts of this First Amendment, duly executed by the Company and the holders of at least 51% of the outstanding principal amount of the Notes, shall have been delivered to the Noteholders;

(b) the representations and warranties of the Company set forth in (S)2 hereof are true and correct on and with respect to the date hereof;

(c) the Company shall have paid all costs and expenses incurred by the Noteholders in connection with the consummation of the transactions contemplated by this First Amendment, including, without limitation, the fees and expenses of Chapman and Cutler, special counsel to the Noteholders, which are reflected in statements of such counsel rendered on or prior to the effective date of this First Amendment; and

(d) in consideration of the agreement of the Noteholders to amend the Note Agreement as set forth in (S)1, each Noteholder shall have received a fee equal to 0.35% of the unpaid principal amount of the Notes held by such Noteholder, whether or not such Noteholder shall have executed and delivered a counterpart to this First Amendment.

Upon receipt of all of the foregoing, this First Amendment shall become effective.

Section 4. Miscellaneous.

Section 4.1. Construction. This First Amendment shall be construed in connection with and as part of the Note Agreement, and except as modified and expressly amended by this First Amendment, all terms, conditions and covenants contained in the Note Agreement and the Notes are hereby ratified and shall be and remain in full force and effect.

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Section 4.2. Notices. Any and all notices, requests, certificates and other instruments executed and delivered after the execution and delivery of this First Amendment may refer to the Note Agreement without making specific reference to this First Amendment but nevertheless all such references shall include this First Amendment unless the context otherwise requires.

Section 4.3. Captions. The descriptive headings of the various Sections or parts of this First Amendment are for convenience only and shall not affect the meaning or construction of any of the provisions hereof.

Section 4.4. Governing Law. This First Amendment shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

Section 4.5. Counterparts. The execution hereof by you shall constitute a contract between us for the uses and purposes hereinabove set forth, and this First Amendment may be executed in any number of counterparts, each executed counterpart constituting an original, but all together only one agreement.

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In Witness Whereof, the Company and the Noteholders have caused this First Amendment to be executed, all as of the day and the year first above-written.

SEI Investments Company

By: /s/ Todd Cipperman

Its: Vice President

Accepted and Agreed to:

Connecticut General Life Insurance Company  
By: CIGNA Investments, Inc.

By: /s/ James R. Kuzemchak  
-----

Its: Managing Director  
-----

Connecticut General Life Insurance Company, on  
behalf of one or more separate accounts  
By: CIGNA Investments, Inc.

By: /s/ James R. Kuzemchak  
-----

Its: Managing Director  
-----

Insurance Company of North America  
By: CIGNA Investments, Inc.

By: /s/ James R. Kuzemchak  
-----

Its: Managing Director  
-----

Pacific Employers Insurance Company  
By: CIGNA Investments, Inc.

By: /s/ James R. Kuzemchak  
-----

Its: Managing Director  
-----

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The Lincoln National Life Insurance Company

By: Lincoln Investment Management, Inc.,  
Its Attorney-In-Fact

By: /s/ Timothy J. Powell  
-----

Its: Vice President  
-----

Nationwide Life Insurance Company

By: /s/ Mark W. Poepelman  
-----

Its: Authorized Signatory  
-----

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## SUBSIDIARIES OF THE REGISTRANT

<TABLE> <CAPTION>	JURISDICTION OF ORGANIZATION OR INCORPORATION
NAME -----	-----
<S> SEI Investments Distribution Company	<C> Pennsylvania
SEI Investments Management Corporation	Delaware
SEI, Inc.	Canada (Federal)
SEI Capital Limited	Canada (Federal)
Rembrandt Financial Services Company	Pennsylvania
SEI Investments Developments, Inc.	Delaware
SEI Investments Mutual Funds Services	Delaware
SEI Investments Fund Management	Delaware
SEI Trust Company	Pennsylvania
SEI Funds, Inc.	Delaware
SEI Investments, Inc.	Delaware
SEI Global Investments Corporation	Delaware
SEI Capital AG	Switzerland
Primus Capital Advisors Company	Canada (Federal)
SEI Advanced Capital Management, Inc.	Delaware
SEI Global Capital Investments, Inc.	Delaware
SEI Global Management (Cayman) Inc.	Cayman Islands, B. W. I.
SEI Global Asset Management Limited	Ireland
Fund Resources International Limited	Ireland
SEI Investments Argentina, S. A.	Argentina
SEI Global Holdings (Cayman) Inc.	Cayman Islands, B. W. I.
Latinvest Sociedad de Bolsa, S. A.	Argentina
Quadrum, S. A.	Argentina
Fortum, S. A. DE C.V.	Mexico

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

To SEI Investments Company:

As independent public accountants, we hereby consent to the incorporation of our report, included in this Form 10-K, into the Company's previously filed Registration Statements File No. 2-73997, File No. 2-75629, File No. 2-78133, File No. 2-80841, File No. 2-89659, File No. 33-19952, File No. 33-24595, File No. 33-41602, File No. 333-41343, and File No. 333-63709.

ARTHUR ANDERSEN LLP

Philadelphia, Pa.,  
March 29, 1999

<TABLE> <S> <C>

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<LEGEND>

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

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The undertaking set forth below is filed for purposes of incorporation by reference into Part II of the registration statements on Form S-8, File No. 2-73997, File No. 2-75629, File No. 2-78133, File No. 2-80841, File No. 2-89659, File No. 33-19952, File No. 33-24595, File No. 33-41602, File No. 33-41343, and File No. 33-63709.

Item 9. Undertakings.

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(a) The undersigned registrant hereby undertakes:

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