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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)\*

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended June 30, 2008 or**

**Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**0-10200**  
(Commission File Number)

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**SEI INVESTMENTS COMPANY**

(Exact name of registrant as specified in its charter)

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**Pennsylvania**  
(State or other jurisdiction of  
incorporation or organization)

**23-1707341**  
(IRS Employer  
Identification Number)

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

**(610) 676-1000**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name, former address and former fiscal year, if changed since last report)

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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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

APPLICABLE ONLY TO ISSUERS 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 Sections 12, 13, or 15(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 ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of July 30, 2008: 191,546,295 shares of common stock, par value \$.01 per share.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Consolidated Financial Statements.**

**SEI Investments Company**  
**Consolidated Balance Sheets**

*(unaudited)*

*(In thousands)*

	<b>June 30, 2008</b>	<b>December 31, 2007</b>
<b>Assets</b>		
Current Assets:		
Cash and cash equivalents	\$ 320,385	\$ 360,921
Restricted cash	26,822	10,250
Receivables from regulated investment companies	38,129	38,198
Receivables, net of allowance for doubtful accounts of \$2,747 and \$3,032 (Note 4)	237,363	236,911
Deferred income taxes	40,016	17,310
Securities owned	11,987	16,777
Other current assets	14,547	14,567
Total Current Assets	<u>689,249</u>	<u>694,934</u>
Property and Equipment, net of accumulated depreciation and amortization of \$136,029 and \$126,591 (Note 4)	141,775	143,516
Capitalized Software, net of accumulated amortization of \$43,349 and \$34,915	248,939	231,684
Investments Available for Sale	75,069	77,169
Goodwill (Notes 2 and 3)	22,842	22,842
Intangible Assets, net of accumulated amortization of \$19,693 and \$15,864 (Notes 2 and 3)	56,348	60,177
Other Assets	18,260	22,043
Total Assets	<u>\$ 1,252,482</u>	<u>\$ 1,252,365</u>

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

**SEI Investments Company**  
**Consolidated Balance Sheets**  
*(unaudited)*  
*(In thousands, except par value)*

	June 30, 2008	December 31, 2007
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 7,600	\$ 8,000
Accounts payable	11,235	8,690
Payable to regulated investment companies	667	601
Accrued liabilities (Note 4)	132,584	186,902
Capital Support Agreements (Note 7)	78,218	25,122
Deferred revenue	411	1,052
<b>Total Current Liabilities</b>	<b>230,715</b>	<b>230,367</b>
Long-term Debt	33,819	43,971
Deferred Income Taxes	77,869	73,600
Minority Interest	133,901	136,149
Other Long-term Liabilities (Note 11)	12,623	11,895
Commitments and Contingencies		
Shareholders' Equity:		
Common stock, \$.01 par value, 750,000 shares authorized; 191,575 and 194,375 shares issued and outstanding	1,916	1,944
Capital in excess of par value	466,030	445,474
Retained earnings	290,282	298,975
Accumulated other comprehensive income, net	5,327	9,990
<b>Total Shareholders' Equity</b>	<b>763,555</b>	<b>756,383</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 1,252,482</b>	<b>\$ 1,252,365</b>

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

**SEI Investments Company**  
**Consolidated Statements of Operations**  
*(unaudited)*  
*(In thousands, except per share data)*

	Three Months Ended June 30,	
	2008	2007
<b>Revenues:</b>		
Asset management, administration and distribution fees	\$260,931	\$276,653
Information processing and software servicing fees	57,088	55,414
Transaction-based and trade execution fees	11,504	11,191
<b>Total revenues</b>	<b>329,523</b>	<b>343,258</b>
<b>Expenses:</b>		
Commissions and fees	43,045	43,036
Compensation, benefits and other personnel	83,529	88,552
Consulting, outsourcing and professional fees	26,611	22,617
Data processing and computer related	11,229	10,227
Facilities, supplies and other costs	18,417	17,700
Depreciation and amortization	11,498	7,451
<b>Total expenses</b>	<b>194,329</b>	<b>189,583</b>
Income from operations	135,194	153,675
Net loss from investments	(27,294)	(997)
Interest and dividend income	3,223	4,882
Interest expense	(808)	(1,168)
Minority interest	(36,930)	(47,242)
Other	—	2,952
Net income before income taxes	73,385	112,102
Income taxes	27,221	42,601
Net income	46,164	69,501
<b>Other comprehensive (loss) income, net of tax:</b>		
Foreign currency translation adjustments	(62)	2,491
<b>Unrealized holding loss on investments:</b>		
Unrealized holding losses during the period net of income tax benefit (expense) of \$454 and \$(4)	(766)	(35)
Less: reclassification adjustment for gains realized in net income, net of income tax expense of \$0 and \$2	—	(2)
Other comprehensive (loss) income	(828)	2,454
<b>Comprehensive income</b>	<b>\$ 45,336</b>	<b>\$ 71,955</b>
Basic earnings per common share	\$ .24	\$ .35
Diluted earnings per common share	\$ .24	\$ .34
Dividends declared per common share	\$ .08	\$ .07

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

**SEI Investments Company**  
**Consolidated Statements of Operations**  
(unaudited)  
*(In thousands, except per share data)*

	Six Months Ended June 30,	
	2008	2007
<b>Revenues:</b>		
Asset management, administration and distribution fees	\$520,990	\$533,051
Information processing and software servicing fees	117,227	109,646
Transaction-based and trade execution fees	25,214	23,286
<b>Total revenues</b>	<b>663,431</b>	<b>665,983</b>
<b>Expenses:</b>		
Commissions and fees	88,340	85,673
Compensation, benefits and other personnel	167,421	172,830
Consulting, outsourcing and professional fees	53,368	43,496
Data processing and computer related	21,777	20,994
Facilities, supplies and other costs	35,802	35,260
Depreciation and amortization	23,018	14,876
<b>Total expenses</b>	<b>389,726</b>	<b>373,129</b>
Income from operations	273,705	292,854
Net loss from investments	(51,340)	(1,313)
Interest and dividend income	7,361	8,933
Interest expense	(1,775)	(2,429)
Minority interest	(76,759)	(87,976)
Other	—	2,952
Net income before income taxes	151,192	213,021
Income taxes	56,082	80,143
Net income	95,110	132,878
<b>Other comprehensive (loss) income, net of tax:</b>		
Foreign currency translation adjustments	(2,984)	2,325
<b>Unrealized holding (loss) gain on investments:</b>		
Unrealized holding (losses) gains during the period net of income tax benefit (expense) of \$588 and \$(372)	(1,008)	426
Less: reclassification adjustment for gains realized in net income, net of income tax expense of \$395 and \$2	(671)	(2)
Other comprehensive (loss) income	(4,663)	2,749
<b>Comprehensive income</b>	<b>\$ 90,447</b>	<b>\$135,627</b>
Basic earnings per common share	\$ .49	\$ .67
Diluted earnings per common share	\$ .48	\$ .65
Dividends declared per common share	\$ .08	\$ .07

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

**SEI Investments Company**  
**Consolidated Statements of Cash Flows**  
*(unaudited)*  
*(In thousands)*

	Six Months Ended June 30,	
	2008	2007
<b>Cash flows from operating activities:</b>		
Net income	\$ 95,110	\$ 132,878
Adjustments to reconcile net income to net cash provided by operating activities	17,588	572
Net cash provided by operating activities	<u>112,698</u>	<u>133,450</u>
<b>Cash flows from investing activities:</b>		
Additions to restricted cash	(16,572)	—
Additions to property and equipment	(8,959)	(15,192)
Additions to capitalized software	(25,949)	(35,662)
Purchase of marketable securities	(16,935)	(17,788)
Sale of marketable securities	10,049	11,130
Maturities of marketable securities	17,000	—
Cash received from sale of joint venture	—	3,116
Other	—	(224)
Net cash used in investing activities	<u>(41,366)</u>	<u>(54,620)</u>
<b>Cash flows from financing activities:</b>		
Payments on long-term debt	(10,552)	(13,016)
Purchase and retirement of common stock	(91,601)	(124,694)
Proceeds from issuance of common stock	15,044	29,787
Tax benefit on stock options exercised	4,183	14,120
Payment of dividends	(28,942)	(25,683)
Net cash used in financing activities	<u>(111,868)</u>	<u>(119,486)</u>
Net decrease in cash and cash equivalents	(40,536)	(40,656)
Cash and cash equivalents, beginning of period	360,921	286,948
Cash and cash equivalents, end of period	<u>\$ 320,385</u>	<u>\$ 246,292</u>

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

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**Notes to Consolidated Financial Statements**  
(all figures are in thousands except per share data)

**Note 1. Summary of Significant Accounting Policies**

Nature of Operations

SEI Investments Company (the Company), a Pennsylvania corporation, provides investment processing, fund processing, and investment management business outsourcing solutions to corporations, financial institutions, financial advisors, and affluent families in the United States, Canada, the United Kingdom, continental Europe, and other various locations throughout the world. Investment processing solutions utilize the Company's proprietary software system to track investment activities in multiple types of investment accounts, including personal trust, corporate trust, institutional trust, and non-trust investment accounts, thereby allowing banks and trust companies to outsource trust and investment related activities. Revenues from investment processing solutions are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations, except for fees earned associated with trade execution services.

The fund processing solution offers a full range of administration and distribution support services to mutual funds, collective trust funds, hedge funds, fund of funds, private equity funds and other types of investment funds. Administrative services include fund accounting, trustee and custodial support, legal support, transfer agency and shareholder servicing. Distribution support services range from market and industry insight and analysis to identifying distribution opportunities. Revenues from fund processing solutions are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.

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

Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America, consistent in all material respects with those applied in the Company's Annual Report on Form 10-K for the year ended December 31, 2007. Certain financial information and accompanying note disclosure normally included in the Company's Annual Report on Form 10-K has been condensed or omitted. The interim financial information is unaudited but reflects all adjustments (consisting of only normal recurring adjustments) which are, in the opinion of management, necessary to present fairly the financial position of the Company as of June 30, 2008, the results of operations for the three and six months ended June 30, 2008 and 2007, and cash flows for the six month periods ended June 30, 2008 and 2007. These interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Except as disclosed herein, there have been no significant changes in significant accounting policies during the six months ended June 30, 2008 as compared to the significant accounting policies described in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Cash and Cash Equivalents

Cash and cash equivalents includes \$167,092 and \$185,536 at June 30, 2008 and December 31, 2007, respectively, primarily invested in SEI-sponsored open-ended money market mutual funds.

Restricted Cash

Restricted cash at June 30, 2008 and December 31, 2007 includes \$11,000 and \$10,000, respectively, segregated in special reserve accounts for the benefit of customers of the Company's broker-dealer subsidiary, SEI Investments Distribution Co. (SIDCO), in accordance with certain rules established by the Securities and Exchange Commission for broker-dealers and \$250 segregated for regulatory purposes related to trade-execution services conducted by our subsidiary located in the

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United Kingdom. Restricted cash at June 30, 2008 also includes \$15,572 segregated for the benefit of certain SEI-sponsored money market mutual funds according to the provisions of the Capital Support Agreements (See Note 7).

#### Capitalized Software

The Company capitalized \$25,949 and \$35,662 of software development costs during the six months ended June 30, 2008 and 2007, respectively. As of June 30, 2008, capitalized software placed into service included on the accompanying Consolidated Balance Sheet had a weighted average remaining life of approximately 13.8 years. Amortization expense related to capitalized software was \$8,434 and \$1,522 during the six months ended June 30, 2008 and 2007, respectively.

The Company placed the initial version of the Global Wealth Platform into service in July 2007. Enhancements to expand the functionality of the platform were implemented in October 2007 and April 2008. The total amount of capitalized software development costs related to the platform placed into service and being amortized as of June 30, 2008 was \$219,775. The Global Wealth Platform has an estimated useful life of 15 years. Amortization expense related to the platform during the six months ended June 30, 2008 was \$7,308.

#### Fair Value of Financial Instruments

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 159 (SFAS 159), "The Fair Value Option for Financial Assets and Financial Liabilities." SFAS 159 permits companies to choose to measure certain financial instruments and certain other items at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. SFAS 159 was effective for the Company on January 1, 2008. The Company elected not to apply the fair value option to any of its financial instruments and, therefore, SFAS 159 had no impact on its consolidated financial position, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157 (SFAS 157), "Fair Value Measurements," which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS 157 does not require any new fair value measurements but rather eliminates inconsistencies in guidance found in various prior accounting pronouncements. SFAS 157 was effective for the Company on January 1, 2008. However, in February 2008, the FASB issued FASB Staff Position (FSP) FAS 157-2 which delayed the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157 becomes effective for all nonfinancial assets and liabilities for periods beginning after November 15, 2008, which will be the Company's first quarter of fiscal 2009. The Company has adopted SFAS 157 for financial assets and liabilities recognized at fair value on a recurring basis. The partial adoption of SFAS 157 for financial assets and liabilities did not have a material impact on the Company's consolidated financial position, results of operations or cash flows. See Note 5 for information on related disclosures regarding fair value measurements.



## Earnings per Share

The calculations of basic and diluted earnings per share for the three months ended June 30, 2008 and 2007 are:

	For the Three Month Period Ended June 30, 2008		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	\$ 46,164	192,187	\$ .24
Dilutive effect of stock options	—	3,805	
Diluted earnings per common share	\$ 46,164	195,992	\$ .24

	For the Three Month Period Ended June 30, 2007		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	\$ 69,501	197,314	\$ .35
Dilutive effect of stock options	—	6,290	
Diluted earnings per common share	\$ 69,501	203,604	\$ .34

Employee stock options to purchase 9,256,000 and 3,513,000 shares of common stock, with an average exercise price of \$27.58 and \$29.64, were outstanding during the three month periods ended June 30, 2008 and 2007, respectively, but not included in the computation of diluted earnings per common share because the effect on diluted earnings per common share would have been anti-dilutive.

The calculations of basic and diluted earnings per share for the six months ended June 30, 2008 and 2007 are:

	For the Six Month Period Ended June 30, 2008		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	\$ 95,110	192,908	\$ .49
Dilutive effect of stock options	—	4,194	
Diluted earnings per common share	\$ 95,110	197,102	\$ .48

	For the Six Month Period Ended June 30, 2007		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	\$ 132,878	197,614	\$ .67
Dilutive effect of stock options	—	6,539	
Diluted earnings per common share	\$ 132,878	204,153	\$ .65

Employee stock options to purchase 5,911,000 and 3,563,000 shares of common stock, with an average exercise price of \$30.79 and \$29.58, were outstanding during the six month periods ended June 30, 2008 and 2007, respectively, but not included in the computation of diluted earnings per common share because the exercise price of the options was greater than the average market price of the Company's common stock, and the effect on diluted earnings per common share would have been anti-dilutive.

## Comprehensive Income

Accumulated other comprehensive income consist of:

	Foreign Currency Translation Adjustments	Unrealized Holding Gains (Losses) on Investments	Accumulated Other Comprehensive Income
Beginning balance (Dec. 31, 2007)	\$ 9,174	\$ 816	\$ 9,990
Current period change	(2,984)	(1,679)	(4,663)
Ending balance (June 30, 2008)	<u>\$ 6,190</u>	<u>\$ (863)</u>	<u>\$ 5,327</u>

## 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.

The following table provides the details of the adjustments to reconcile net income to net cash provided by operating activities for the six months ended June 30:

	2008	2007
Net income	\$ 95,110	\$ 132,878
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,018	14,876
Undistributed earnings of minority interests	76,759	87,976
Payments to partners of LSV	(75,719)	(68,982)
Stock-based compensation	9,210	13,458
Gain on sale of joint venture	—	(2,952)
Provision for losses on receivables	(285)	(120)
Deferred income tax expense	(17,454)	7,865
Net realized (gains) losses on investments	(1,756)	1,313
Change in other long-term liabilities	728	11,619
Other	(5,947)	(860)
Change in current asset and liabilities		
Decrease (increase) in		
Receivables from regulated investment companies	69	(530)
Receivables	(634)	(27,716)
Other current assets	20	(898)
Increase (decrease) in		
Accounts payable	2,545	(95)
Capital Support Agreements	53,096	—
Payable to regulated investment companies	66	(258)
Accrued liabilities	(45,487)	(33,879)
Deferred revenue	(641)	(245)
Total adjustments	17,588	572
Net cash provided by operating activities	\$ 112,698	\$ 133,450

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#### New Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007) (SFAS 141R), "Business Combinations" and SFAS No. 160 (SFAS 160), "Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51." SFAS 141R will change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS 160 will change the accounting and reporting for minority interests, which will be re-characterized as noncontrolling interests and classified as a component of equity. SFAS 141R and SFAS 160 will become effective for the Company beginning in the first quarter of fiscal 2009. Early adoption is not permitted. The Company is currently evaluating the impact that SFAS 141R and SFAS 160 will have on its consolidated financial statements.

In March 2008, the FASB issued FASB Statement No. 161 (SFAS 161), "Disclosures about Derivative Instruments and Hedging Activities." SFAS 161 requires companies with derivative instruments to disclose information that should enable financial-statement users to understand how and why a company uses derivative instruments, how derivative instruments and related hedged items are accounted for under FASB Statement No. 133 "Accounting for Derivative Instruments and Hedging Activities" and how derivative instruments and related hedged items affect a company's financial position, financial performance and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The Company is currently evaluating the impact, if any, that SFAS 161 will have on its consolidated financial statements.

In April 2008, the FASB issued FASB Staff Position 142-3 (FSP 142-3), "Determination of the Useful Life of Intangible Assets." FSP 142-3 amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of a recognized intangible asset under FASB Statement No. 142 (SFAS 142), "Goodwill and Other Intangible Assets." The intent of this new guidance is to improve the consistency between the useful life of a recognized intangible asset under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under other accounting pronouncements. FSP 142-3 is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. The Company is currently evaluating the impact, if any, that FSP 142-3 will have on its consolidated financial statements.

#### **Note 2. LSV and LSV Employee Group**

The Company has an investment in the general partnership LSV, a registered investment advisor that provides investment advisory services to institutions, including pension plans and investment companies. LSV is currently an investment sub-advisor for a number of SEI-sponsored mutual funds. The Company's total partnership interest in LSV was approximately 43 percent during 2007 and 2008. LSV Employee Group is owned by several current employees of LSV and was formed for the sole purpose of owning a partnership interest in LSV. The Company does not own any interest in LSV Employee Group.

Two partners of LSV, excluding the Company, sold in the aggregate an eight percent interest in LSV to LSV Employee Group. The Company entered into a Guaranty Agreement with LSV Employee Group, LaSalle Bank National Association as administrative agent (the Agent), and certain other lenders in order to facilitate the acquisition of certain partnership interests of LSV by LSV Employee Group. LSV Employee Group obtained financing from the Agent and certain other lenders in the form of a term loan pursuant to the terms of a Credit Agreement (See LSV Employee Group Term Loan below).

Pursuant to the terms and conditions of the Guaranty Agreement, the Company provided an unsecured guaranty to the lenders of all obligations of LSV Employee Group under the Credit Agreement. In the event of default by LSV Employee Group, the lenders have the right to seek payment from the Company of all obligations of LSV Employee Group under the Credit Agreement. As recourse for such payment, the Company will be subrogated to the rights of the lenders under the Credit Agreement and the Guaranty Agreement, including the security interest in the pledged interests transferred to LSV Employee Group.

As a result of this transaction, the Company has a controlling financial interest in LSV through its direct ownership of LSV and guaranty of LSV Employee Group's debt. The Company therefore consolidates the assets, liabilities and operations of LSV and LSV Employee Group in its Consolidated Financial Statements. The Company's percentage of direct ownership in LSV was unchanged (approximately 43 percent) as a result of this transaction. The amount of ownership of the other existing partners (approximately 57 percent) of LSV is included in Minority interest. Assuming no other changes in the Company's relationship with LSV and LSV Employee Group, the Company would no longer be required to consolidate the assets, liabilities and operations of LSV and LSV Employee Group after the LSV Employee Group Term Loan is paid in full. Additionally, the Company may not be required to consolidate LSV and LSV Employee Group if the Company's percentage of direct ownership in LSV decreases to certain levels.

The Company determined that \$72,220 of the \$92,000 purchase price related to identifiable intangible assets and the remaining \$19,780 was goodwill. The identifiable intangible assets have an estimated life of ten years and are amortized on a straight-line basis. The Company recognized \$3,611 in amortization expense during the six months ended June 30, 2008 and 2007, which is reflected in Depreciation and amortization expense on the accompanying Consolidated Statement of Operations. Amortization expense recognized in the Consolidated Statement of Operations associated with the assets of LSV Employee Group was eliminated through Minority interest and had no impact on net income.

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Intangible asset, at cost	\$ 72,220	\$ 72,220
Accumulated amortization	(18,055)	(14,444)
Net book value	<u>\$ 54,165</u>	<u>\$ 57,776</u>

#### LSV Employee Group Term Loan

In order to finance a portion of the purchase price, LSV Employee Group obtained financing from LaSalle Bank National Association and certain other lenders in the form of a term loan pursuant to the terms of a Credit Agreement. The principal amount of the term loan was \$82,800. The principal amount and interest of the term loan are paid in quarterly installments. The total outstanding principal balance of the term loan must be paid in full by January 2011. LSV Employee Group may prepay the term loan in whole or in part at any time without penalty. As of June 30, 2008, the remaining unpaid principal balance of the term loan was \$41,419, of which \$7,600 is classified as current and included in Current portion of long-term debt and the remaining \$33,819 is included in Long-term debt on the accompanying Consolidated Balance Sheets. LSV Employee Group made principal payments of \$10,552 and \$9,016 during the six months ended June 30, 2008 and 2007, respectively. Interest expense for the six months ended June 30, 2008 and 2007 on the Consolidated Statements of Operations includes \$1,264 and \$2,039, respectively, in interest costs associated with the borrowings of LSV Employee Group which was eliminated through Minority interest and had no impact on net income.

LSV Employee Group made a principal payment of \$4,643 in July 2008. The remaining unpaid principal balance of the term loan at July 31, 2008 was \$36,776. The Company, in its capacity as guarantor, currently has no obligation of payment relating to the term loan of LSV Employee Group.

The fair value of LSV Employee Group's long-term debt is approximately \$3,277 in excess of the carrying amount based upon an estimation using borrowing rates currently available for bank loans with similar terms and maturities.

LSV Employee Group entered into two interest rate swap agreements to convert its floating rate long-term debt to fixed rate debt. These swaps have a total notional value of \$36,293. Payments are made every 90 days and the termination dates of the swaps are March 2009 and January 2011. The net effect from the interest rate swaps on the Company's earnings was minimal.

**Note 3. Goodwill and Other Intangible Asset**

In June 2003, the Company purchased an additional percentage ownership in LSV. The total purchase price was allocated to LSV's net tangible and intangible assets based upon their estimated fair values at the date of purchase. The excess purchase price over the value of the net tangible and identifiable intangible assets was recorded as goodwill. The total amount of goodwill from this transaction amounted to \$3,062 and is included on the accompanying Consolidated Balance Sheets.

The Company identified an intangible asset related to customer contracts that met the contractual-legal criterion for recognition apart from goodwill. The fair value of the intangible asset was determined to be \$3,821 with a definite life of eight and a half years. The identified intangible asset is amortized on a straight-line basis. The Company recognized \$218 of amortization expense during the six months ended June 30, 2008 and 2007, which is reflected in Depreciation and amortization expense on the accompanying Consolidated Statements of Operations.

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Intangible asset, at cost	\$ 3,821	\$ 3,821
Accumulated amortization	(1,638)	(1,420)
Net book value	<u>\$ 2,183</u>	<u>\$ 2,401</u>

**Note 4. Composition of Certain Financial Statement Captions**Receivables

Receivables on the accompanying Consolidated Balance Sheets consist of:

<u>June 30, 2008</u>	<u>December 31, 2007</u>	
Trade receivables	\$ 58,357	\$ 49,852
Fees earned, not billed	178,944	186,157
Other receivables	2,809	3,934
	240,110	239,943
Less: Allowance for doubtful accounts	(2,747)	(3,032)
	<u>\$237,363</u>	<u>\$236,911</u>

Fees earned, not billed represents receivables earned but unbilled and results from timing differences between services provided and contractual billing schedules. These billing schedules generally provide for fees to be billed on a quarterly basis.

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

### Property and Equipment

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

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Buildings	\$ 128,481	\$ 128,296
Equipment	63,395	62,272
Land	9,690	9,548
Purchased software	49,021	43,580
Furniture and fixtures	19,305	19,603
Leasehold improvements	6,381	6,357
Construction in progress	1,531	451
	<u>277,804</u>	<u>270,107</u>
Less: Accumulated depreciation and amortization	(136,029)	(126,591)
Property and Equipment, net	<u>\$ 141,775</u>	<u>\$ 143,516</u>

The Company recognized \$10,653 and \$9,394 in depreciation and amortization expense related to property and equipment for the six months ended June 30, 2008 and 2007, respectively.

### Accrued Liabilities

Accrued liabilities on the accompanying Consolidated Balance Sheets consist of:

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Accrued compensation	\$ 37,060	\$ 74,509
Accrued distribution fees	15,160	16,040
Accrued consulting	11,941	11,065
Accrued sub-advisor and investment officer fees	12,952	16,026
Other accrued liabilities	55,471	69,262
Total accrued liabilities	<u>\$ 132,584</u>	<u>\$ 186,902</u>

Accrued sub-advisor and investment officer fees relates to services provided by fund advisors to SEI-sponsored mutual funds and other investment programs.

### **Note 5. Fair Value Measurements**

SFAS 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used by the Company to measure fair value:

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

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. The Company's Level 2 assets primarily include U.S. Treasury securities and U.S. government agency mortgage-backed debt securities with quoted prices that are traded less frequently than exchange-traded instruments. The value of these assets is determined using a pricing model with inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment by management. The Company's Level 3 financial liabilities include the Capital Support Agreements which are considered derivative financial instruments (See Note 7). The Company did not have any Level 3 financial assets at June 30, 2008.

The fair value of certain financial assets and liabilities of the Company was determined using the following inputs at June 30, 2008:

	Fair Value Measurements at Reporting Date Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Assets</b>				
Equity available-for-sale securities	\$40,338	\$ 40,338	\$ —	\$ —
Fixed income available-for-sale securities	34,731	—	34,731	—
Fixed income securities owned	11,987	—	11,987	—
	<u>\$87,056</u>	<u>\$ 40,338</u>	<u>\$ 46,718</u>	<u>\$ —</u>
<b>Liabilities</b>				
Capital Support Agreements	\$78,218	\$ —	\$ —	\$ 78,218
	<u>\$78,218</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 78,218</u>

The table below presents a reconciliation for all assets and liabilities of the Company measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from January 1, 2008 to June 30, 2008:

	Capital Support Agreements
Balance, January 1, 2008	\$ 25,122
Total gains or losses (realized/unrealized):	
Included in earnings	53,096
Included in other comprehensive income	—
Purchases, issuances and settlements	—
Transfers in and out of Level 3	—
Balance, June 30, 2008	<u>\$ 78,218</u>

The \$53,096 recognized in earnings relates to the change in fair value of the Capital Support Agreements during the six months ended June 30, 2008 (See Note 7).

**Note 6. Marketable Securities and Derivative Instruments**Investments Available for Sale

Investments available for sale of the Company's non-broker-dealer subsidiaries consist of:

	As of June 30, 2008			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SEI-sponsored mutual funds	\$37,486	\$ 403	\$ (1,583)	\$36,306
Other mutual funds	3,972	60	—	4,032
Debt securities	34,976	—	(245)	34,731
	<u>\$76,434</u>	<u>\$ 463</u>	<u>\$ (1,828)</u>	<u>\$75,069</u>

  

	As of December 31, 2007			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SEI-sponsored mutual funds	\$34,213	\$ 306	\$ (935)	\$33,584
LSV-sponsored mutual funds	6,781	1,608	—	8,389
Other mutual funds	4,055	62	—	4,117
Debt securities	30,823	256	—	31,079
	<u>\$75,872</u>	<u>\$ 2,232</u>	<u>\$ (935)</u>	<u>\$77,169</u>

The net unrealized holding losses at June 30, 2008 were \$863 (net of income tax benefit of \$502). The net unrealized holding gains at December 31, 2007 were \$816 (net of income tax expense of \$481). These net unrealized gains and losses are reported as a separate component of Accumulated other comprehensive gains on the accompanying Consolidated Balance Sheets.

There were no realized gains from available-for-sale securities recognized by the Company during the three months ended June 30, 2008. During the six months ended June 30, 2008, the Company recognized gross realized gains of \$1,066. Gross realized gains from available-for-sale securities during the three and six months ended June 30, 2007 were minimal. These gains are reflected in Net loss from investments on the accompanying Consolidated Statements of Operations. There were no realized losses recognized during the six months ended June 30, 2008 and 2007.

The Company has investments in two SEI-sponsored mutual funds that are in an unrealized loss position for a period of less than one year. These mutual funds primarily invest in taxable and municipal fixed-income securities. As of June 30, 2008, the cost basis of these investments was \$17,738 with a fair value of \$16,165 and a gross unrealized loss of \$1,573. The Company does not consider this unrealized loss as an other-than-temporary impairment because it is not a precipitous decline in market value.

Derivatives held by the Company were in the form of equity contracts for the purpose of hedging market risk of certain available for sale securities and held only for the purpose of hedging such risk and not for speculation. The Company entered into these hedging relationships such that the change in the fair value of the asset being hedged was expected to be offset by a counteracting change in the fair value of the derivative. Since the Company did not apply hedge accounting to these derivatives, the change in the fair value of the derivative was recognized immediately in current period earnings, while the change in the fair value of the hedged asset was recorded in other comprehensive income. The Company may continue to enter into economic hedges which may not qualify for hedge accounting to support certain business strategies.

On March 31, 2008, the Company's derivative equity contracts reached their contractual maturity date. The Company received gross proceeds of \$733 from the maturity of the derivative investments in April 2008. The Company no longer owns any derivative financial instruments to hedge market risk of available for sale securities.



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During the three months ended June 30, 2007, the Company recognized net losses of \$659 from changes in the fair value of derivative instruments. There were no gains or losses recognized by the Company from changes in the fair value of derivative instruments during the three months ended June 30, 2008. In the six months ended June 30, 2008 and 2007, the Company recognized net gains (losses) of \$676 and \$(1,104), respectively, from derivative instruments. These gains and losses are reflected in Net loss from investments on the accompanying Consolidated Statements of Operations.

The Company's debt securities are investments in U.S. government agency securities purchased to satisfy applicable regulatory requirements of SEI Private Trust Company (SPTC). The securities have maturity dates which range from 2033 to 2037.

#### Securities Owned

At December 31, 2007, the Company's broker-dealer subsidiary, SIDCO, had investments in U.S. Treasury securities reflected as Securities owned on the accompanying Consolidated Balance Sheet. During the three months ended June 30, 2008, the Company received proceeds of \$17,000 from the maturity of these investments and purchased \$11,965 of zero-coupon U.S. Treasury securities scheduled to mature in December 2008. These securities had a fair value of \$11,987 at June 30, 2008. Due to specialized accounting practices applicable to investments by broker-dealers, the securities held by SIDCO at December 31, 2007 and June 30, 2008 are reported at fair value and changes in fair value are recorded in current period earnings.

#### **Note 7. Capital Support Agreements**

In 2007, the Company entered into Capital Support Agreements with several mutual funds (each a Fund or, together, the Funds), the SEI Daily Income Trust Prime Obligation Fund (the SDIT PO Fund), the SEI Daily Income Trust Money Market Fund (the SDIT MM Fund), and the SEI Liquid Asset Trust Prime Obligation Fund (the SLAT PO Fund). The Company is the advisor to the Funds. The sub-advisor to the Funds is Columbia Management, which is the primary investment management division of Bank of America Corporation. Various clients of the Company are investors in the Funds. SDIT PO Fund is rated AAA and Aaa by Standards & Poor's Corporation (S&P) and Moody's Investor Services Inc. (Moody's), respectively, and the SDIT MM Fund is rated Aaa by Moody's.

The Funds, among other securities, hold senior notes issued by structured investment vehicles (SIV or SIVs). The senior notes are collateralized by residential mortgage-backed securities, commercial mortgage-backed securities, corporate collateralized debt obligations and collateralized debt obligations of asset-backed securities. Some of the SIVs have either ceased making payments or potentially may cease making payments on outstanding notes on the scheduled maturity dates.

In October 2007, S&P advised the Company that it would place any mutual fund that had an AAA rating and owned certain SIVs on credit watch with negative implications unless the fund was provided credit support having an A-1 short-term rating by S&P. Although the Company was not obligated to provide the credit support required by S&P, in order to avoid a credit watch by S&P on the SDIT PO Fund, and to address the needs of customers who require an S&P AAA rating of the SDIT PO Fund, the Company entered into the Capital Support Agreement to satisfy S&P's requirement. The Company entered into similar agreements with the SDIT MM and SLAT PO Funds.

As of December 31, 2007, the aggregate limit of the Company's capital support commitments to the Funds according to the Capital Support Agreements was \$130,500. During the six months ended June 30, 2008, certain SIVs within the Funds suffered either a technical default or substantial price devaluation, triggering ratings downgrades from the principal rating agencies. As a result, the carrying value of these securities in the Funds was reduced as well. In addition, S&P required an increase in the capital support commitment for the SDIT PO Fund to maintain the Fund's credit rating. As a result of these events, the Company amended the Capital Support Agreements with the SDIT PO Fund and the SLAT PO Fund to provide additional support.

As of June 30, 2008, the Company is committed to provide capital to the Funds, subject to the aggregate limit of \$150,000 in the case of the SDIT PO Fund, \$3,000 in the case of the SDIT MM Fund, and \$12,500 in the case of the SLAT PO Fund, if the Fund realizes payments or sales

proceeds from specified SIV securities held by the Fund which are less than the amortized cost of the SIV securities. Upon the ultimate sale or other disposition of a SIV security, the amount of capital that the Company is required to contribute to a Fund would be the least of the following amounts: (i) the amount, if any, by which the amortized cost of the SIV security exceeds the amount realized from the sale or other disposition of the SIV security; (ii) the amount, if any, necessary to restore the net asset value per share of the Fund to \$0.9950 (or in the case of the SDIT PO Fund, so long as the SDIT PO Fund is rated AAA by S&P, \$0.9975), or (iii) the remaining amount of the aggregate limit of the Capital Support Agreement applicable to the Fund, taking into account all prior contributions.

The Company secured \$150,000 of the obligations under the Capital Support Agreements through letters of credit of a third party bank rated A-1 by S&P. The letters of credit were issued under the Company's existing credit facility (See Note 8). The remaining \$15,500 of the obligations was secured through segregated bank accounts. The Capital Support Agreements and the letters of credit have a term of one year and are scheduled to expire in November and December 2008.

In the event that the Company is required under the Capital Support Agreements to commit capital to any Fund, the Company will be required to pay the required capital contribution to the Fund and will not receive any consideration from the Fund, in the form of shares of the Fund or any other form, for the contributed capital. If the mark-to-market value of a SIV security is less than its amortized cost and if the aggregate net asset value of the Fund is less than \$0.9950 (or in the case of the SDIT PO Fund, so long as the SDIT PO Fund is rated AAA by S&P, \$0.9975), then, even though the loss has not been realized through the sale or other disposition of the SIV security, the Company will be obligated to commit the required amount of capital so that the Funds net asset value is at least \$0.9950 (or in the case of the SDIT PO Fund, \$0.9975). However, in this case, the Company is not required to pay the capital contribution to the Funds.

In connection with the Capital Support Agreements, the Company recorded an expense for \$53,096 for the six months ended June 30, 2008, which is reflected in Net loss from investments on the accompanying Consolidated Statements of Operations. As of June 30, 2008, the aggregate obligation that the Company has recorded in connection with the Capital Support Agreements is \$78,218, but the Company has not been required to pay such amount because the Funds have not realized any material losses from the ultimate sale or disposition of the SIV securities. Cash payments made under the Capital Support Agreements as of June 30, 2008 were minimal. At June 30, 2008, the aggregate par value of the SIVs covered by the Capital Support Agreements on the books of the three Funds was \$484,057. At June 30, 2008, the aggregate market value of the SIVs covered by the Capital Support Agreements on the books of the three Funds was \$385,966.

On July 17, 2008, a significant SIV holding in SIV Portfolio PLC (formerly Cheyne Finance PLC) with an aggregate par value across the three Funds of \$230,053 and market value on the books of the Funds of \$151,835, or 66 percent of par value, was restructured. An opportunity was provided through the restructuring to liquidate the holdings for cash of approximately \$117,327, or 51 percent of par value, including distributable cash in SIV Portfolio PLC. The Funds decided not to liquidate the holdings due to an assessment that the liquidation value understated the ultimate value of the underlying collateral.

In July 2008, the Company amended the Capital Support Agreement with the SLAT PO Fund to increase the maximum capital support amount by an additional \$7,500. This additional capital support commitment is backed by a segregated bank account. As of July 30, 2008, the aggregate limit of the Company's required capital support commitments to the Funds was \$173,000.

As of July 30, 2008, the amount which would be accrued for the Company's contribution obligations under the Capital Support Agreements based on that day's market value of the portfolio assets of the Funds, including the SIVs covered by the Capital Support Agreements, was \$98,658. Based upon the valuation and assuming no other changes in the portfolio assets through September 30, 2008, an additional non-cash expense of \$20,441 would be recorded in the three months ended September 30, 2008.

The Company has determined that the Capital Support Agreements are derivative contracts. The fair value of the contracts was determined using a valuation model for credit default swaps. The fair value of the derivative contracts approximates the value of the Company's actual obligation at June 30, 2008. The Company will adjust the value of the Capital Support Agreements quarterly. In the event the Company is not required to make any payments to the Funds, or values increase, such expense may be reversed in a subsequent period.

The Company's future obligation under the Capital Support Agreements is affected by a number of factors including, but not limited to, prevailing conditions in the credit markets as they impact the value of money market instruments, including the liquidity of SIV securities, the creditworthiness of the SIV securities and the overall asset levels of the Funds. Changes in the net asset value of the Funds are dependent upon net investments or redemptions in the Fund and the net asset value of the portfolio assets of the Funds. Changes in these amounts, including changes in portfolio assets resulting from mark-to-market adjustments, will affect the per share net asset value of the Funds. The value of the SIV securities is derived from current market prices or, in the event no market price exists, is determined in accordance with the Funds' fair valuation procedures.

The Company believes changes in the value of the portfolio assets of the Funds and changes in the value of the SIV securities are the two most volatile factors affecting its obligation. These factors can cause the Company's obligation to fluctuate on a daily basis.

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**Note 8. Lines of Credit**

On July 25, 2007 (the Closing Date), the Company entered into a five-year \$200,000 Credit Agreement (the Credit Facility) with certain lenders. The Credit Facility became available on the Closing Date and terminates in July 2012. On March 19, 2008, the Company and the lenders amended the Credit Facility to increase the aggregate principal amount by \$100,000 to \$300,000. The aggregate amount of the Credit Facility may be increased by an additional \$100,000 under certain conditions set forth in the agreement. At termination, any aggregate principal amount of loans outstanding under the Credit Facility becomes payable in full. Any borrowings made under the Credit Facility will accrue interest at 0.45 percent above the London Interbank Offer Rate ("LIBOR"). There is also a commitment fee equal to 0.09 percent per annum on the daily unused portion of the facility. The Credit Facility contains various covenants, none of which negatively affect the Company's liquidity or capital resources. Both the interest rate and commitment fee prices may increase if the Company's leverage ratio reaches certain levels.

Letters of credit of a third party bank to secure \$150,000 of obligations of the Company under the Capital Support Agreements were issued under the Credit Facility in order to satisfy a major rating agency's requirement that the Funds have credit support having an A-1 short-term rating (See Note 7). The letters of credit have a term of one year and contain a fronting fee of 0.125 percent per annum on the face amount of each letter of credit which is payable quarterly in arrears. In addition, a participation fee of 0.45 percent is payable quarterly in arrears on the face amount of each letter of credit. The participation fee may increase if the Company's leverage ratio reaches certain levels. As the letters of credit remain outstanding, the amount available under the Credit Facility will be reduced by the face amount of the letters of credit. Therefore, \$150,000 of the Credit Facility is committed and only the remaining \$150,000 is unrestricted and may be used for other purposes as determined by the Company. Certain provisions and terms of the Credit Facility were amended that provide for a waiver of any breach to various covenants. The Company had no borrowings under the Credit Facility and was in compliance with all covenants at June 30, 2008.

The Company's Canadian subsidiary has a credit facility agreement (the Canadian Credit Facility) for the purpose of facilitating the settlement of mutual fund transactions. The Canadian Credit Facility has no stated expiration date. The amount of the facility is generally limited to \$2,000 Canadian dollars or the equivalent amount in U.S. dollars. The Canadian Credit Facility does not contain any covenants which restrict the liquidity or capital resources of the Company. The Company had no borrowings under the Canadian Credit Facility and was in compliance with all covenants during the six months ended June 30, 2008.

**Note 9. Shareholders' Equity****Stock-Based Compensation**

The Company currently has one active equity compensation plan, the 2007 Equity Compensation Plan (the 2007 Plan), which provides for the grant of incentive stock options, non-qualified stock options and stock appreciation rights with respect to up to 20 million shares of common stock of the Company, subject to adjustment for stock splits, reclassifications, mergers and other events. Permitted grantees under the 2007 Plan include employees, non-employee directors and consultants who perform services for the Company. The plan is administered by the Compensation Committee of the Board of Directors of the Company. There were no grants of incentive stock options or stock appreciation rights made under the plan in 2008 or 2007.

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

All outstanding stock options have performance vesting conditions based on the attainment of certain earnings per share targets established at the date of grant. Earnings per share targets are calculated exclusive of stock-based compensation expense, net of tax. The first performance condition determines vesting of 50 percent of the options, and a second performance condition determines the vesting of the remaining 50 percent of the options. The performance conditions are measured annually on December 31. Options granted prior to 2006 also could vest in their entirety seven years from the date of grant. All options outstanding have a ten year life. The Company believes that awarding stock options with performance-based vesting schedules better aligns the interests of stockholders and employees.

The Company recognized stock-based compensation expense in its Consolidated Financial Statements in the three month periods ended June 30, 2008 and 2007, respectively, as follows:

	Three Months Ended June 30,	
	2008	2007
Stock-based compensation expense	\$ 4,527	\$ 6,941
Less: Deferred tax benefit	(1,124)	(1,717)
Stock-based compensation expense, net of tax	<u>\$ 3,403</u>	<u>\$ 5,224</u>
Basic and diluted earnings per share	<u>\$ .02</u>	<u>\$ .03</u>

The Company recognized stock-based compensation expense in its Consolidated Financial Statements in the six month periods ended June 30, 2008 and 2007, respectively, as follows:

	Six Months Ended June 30,	
	2008	2007
Stock-based compensation expense	\$ 9,210	\$13,458
Less: Deferred tax benefit	(2,702)	(4,041)
Stock-based compensation expense, net of tax	<u>\$ 6,508</u>	<u>\$ 9,417</u>
Basic and diluted earnings per share	<u>\$ .03</u>	<u>\$ .05</u>

As of June 30, 2008, there was approximately \$56,210 of unrecognized compensation cost remaining, adjusted for estimated forfeitures, related to unvested employee stock options. The Company estimates that compensation cost will be recognized according to the following schedule:

Period	Stock-Based Compensation Expense
Remainder of 2008	\$ 9,010
2009	18,019
2010	10,689
2011	6,104
2012	6,062
2013	4,222
2014	2,104
	<u>\$ 56,210</u>

During the six months ended June 30, 2008, the Company revised its estimate of when certain vesting targets are expected to be achieved. This change in management's estimate resulted in a decrease of \$1,789 in stock-based compensation expense in the six months ended June 30, 2008.

During the three month period ended June 30, 2007, the Company accelerated the recognition of \$580 in stock-based compensation expense due to a change in management's estimate of when certain vesting targets are expected to be achieved.

The Company issues new common shares associated with the exercise of stock options. The total intrinsic value of options exercised during the six months ended June 30, 2008 and 2007 was \$12,319 and \$40,158, respectively. The total options outstanding as of June 30, 2008 and 2007 was 26,089,000 and 26,725,000, respectively.

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#### Common Stock Buyback

The Company's Board of Directors has authorized the repurchase of the Company's common stock on the open market or through private transactions of up to an aggregate of \$1,528,365. Through June 30, 2008, a total of 252,922,000 shares at an aggregate cost of \$1,412,572 have been purchased and retired. The Company purchased 3,898,000 shares at a total cost of \$96,377 during the six months ended June 30, 2008.

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.

#### Cash Dividend

On May 20, 2008, the Board of Directors declared a cash dividend of \$.08 per share on the Company's common stock, which was paid on June 20, 2008, to shareholders of record on June 17, 2008.

Cash dividends declared during the six month periods ended June 30, 2008 and 2007 were \$15,339 and \$13,806, respectively.

#### **Note 10. Business Segment Information**

The Company's reportable business segments are:

Private Banks - provides investment processing and investment management programs to banks and trust institutions worldwide;

Investment Advisors - provides investment management programs to affluent investors through a network of independent registered investment advisors, financial planners and other investment professionals in the United States;

Institutional Investors - provides investment management programs and administrative outsourcing solutions to retirement plan sponsors and not-for-profit organizations worldwide;

Investment Managers - provides investment processing and operational outsourcing solutions to investment managers, fund companies and banking institutions located in the United States and to investment managers worldwide of alternative asset classes such as hedge funds, fund of funds, and private equity funds;

Investments in New Businesses - provides investment management programs to affluent families residing in the United States and Europe through the SEI Wealth Network®; and

LSV Asset Management - is a registered investment advisor that provides investment advisory services to institutions, including pension plans and investment companies.

The information in the following tables is derived from the Company's internal financial reporting used for corporate management purposes. There are no inter-segment revenues for the three and six months ended June 30, 2008 and 2007. Management evaluates Company assets on a consolidated basis during interim periods.

The following tables highlight certain unaudited financial information about each of the Company's business segments for the three months ended June 30, 2008 and 2007.

	<u>Private Banks</u>	<u>Investment Advisors</u>	<u>Institutional Investors</u>	<u>Investment Managers</u>	<u>Investments In New Businesses</u>	<u>LSV</u>	<u>Total</u>
For the Three Month Period Ended June 30, 2008							
Revenues	\$103,602	\$ 61,848	\$ 51,300	\$ 37,307	\$ 1,864	\$73,602	\$329,523
Expenses (1)	85,367	31,551	29,328	25,012	4,147	45,840	221,245
Operating profit (loss)	\$ 18,235	\$ 30,297	\$ 21,972	\$ 12,295	\$ (2,283)	\$27,762	\$108,278
Profit margin	18%	49%	43%	33%	N/A	38%	33%

(1) LSV includes \$38,072 of minority interest of the other partners of LSV.

	<u>Private Banks</u>	<u>Investment Advisors</u>	<u>Institutional Investors</u>	<u>Investment Managers</u>	<u>Investments In New Businesses</u>	<u>LSV</u>	<u>Total</u>
For the Three Month Period Ended June 30, 2007							
Revenues	\$100,090	\$ 65,446	\$ 48,911	\$ 35,293	\$ 1,836	\$91,682	\$343,258
Expenses (2)	80,829	30,919	30,181	24,302	4,725	56,262	227,218
Operating profit (loss)	\$ 19,261	\$ 34,527	\$ 18,730	\$ 10,991	\$ (2,889)	\$35,420	\$116,040
Profit margin	19%	53%	38%	31%	N/A	39%	34%

(2) LSV includes \$48,861 of minority interest of the other partners of LSV.

A reconciliation of the total reported for the business segments to income from operations in the Consolidated Statements of Operations for the quarters ended June 30, 2008 and 2007 is as follows:

	<u>2008</u>	<u>2007</u>
Total operating profit from segments above	\$108,278	\$116,040
Corporate overhead expenses	(10,347)	(10,578)
Minority interest reflected in segments	39,082	50,033
LSV Employee Group (1)	(1,819)	(1,820)
Income from operations	<u>\$135,194</u>	<u>\$153,675</u>

(1) For the three months ended June 30, 2008 and 2007, includes \$1,806 in amortization expense of intangible assets related to LSV Employee Group.

The following tables provide additional information for the three months ended June 30, 2008 and 2007 as required by SFAS 131 pertaining to our business segments:

	Capital Expenditures		Depreciation and Amortization	
	2008	2007	2008	2007
Private Banks	\$11,325	\$15,435	\$ 6,514	\$3,619
Investment Advisors	3,904	5,504	1,641	770
Institutional Investors	727	1,153	442	366
Investment Managers	817	1,374	561	409
Investments in New Businesses	222	267	109	84
LSV	—	583	205	191
Total from business segments	\$16,995	\$24,316	\$ 9,472	\$5,439
LSV Employee Group	—	—	1,820	1,820
Corporate Overhead	211	348	206	192
	<u>\$17,206</u>	<u>\$24,664</u>	<u>\$11,498</u>	<u>\$7,451</u>

The following tables highlight certain unaudited financial information about each of the Company's business segments for the six months ended June 30, 2008 and 2007.

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	LSV	Total
	For the Six Month Period Ended June 30, 2008						
Revenues	\$210,656	\$122,367	\$ 101,989	\$ 73,800	\$ 3,698	\$150,921	\$663,431
Expenses (3)	171,534	62,927	59,468	50,976	8,799	93,196	446,900
Operating profit (loss)	\$ 39,122	\$ 59,440	\$ 42,521	\$ 22,824	\$ (5,101)	\$ 57,725	\$216,531
Profit margin	19%	49%	42%	31%	N/A	38%	33%

(3) LSV includes \$79,310 of minority interest of the other partners of LSV.

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	LSV	Total
	For the Six Month Period Ended June 30, 2007						
Revenues	\$197,828	\$127,009	\$ 95,540	\$ 69,287	\$ 3,466	\$172,853	\$665,983
Expenses (4)	158,822	60,293	58,354	49,204	9,577	106,159	442,409
Operating profit (loss)	\$ 39,006	\$ 66,716	\$ 37,186	\$ 20,083	\$ (6,111)	\$ 66,694	\$223,574
Profit margin	20%	53%	39%	29%	N/A	39%	34%

(4) LSV includes \$91,533 of minority interest of the other partners of LSV.

A reconciliation of the total reported for the business segments to income from operations in the Consolidated Statements of Operations for the six month periods ended June 30, 2008 and 2007 is as follows:

	2008	2007
Total operating profit from segments above	\$216,531	\$223,574
Corporate overhead expenses	(20,456)	(20,705)
Minority interest reflected in segments	81,270	93,625
LSV Employee Group (2)	(3,640)	(3,640)
Income from operations	<u>\$273,705</u>	<u>\$292,854</u>

(2) For the six months ended June 30, 2008 and 2007, includes \$3,611 in amortization expense of intangible assets related to LSV Employee Group.

The following tables provide additional information for the six months ended June 30, 2008 and 2007 as required by SFAS 131 pertaining to our business segments:

	Capital Expenditures		Depreciation and Amortization	
	2008	2007	2008	2007
Private Banks	\$22,388	\$31,634	\$13,087	\$ 7,191
Investment Advisors	7,745	11,409	3,262	1,540
Institutional Investors	1,797	2,408	873	723
Investment Managers	1,929	3,040	1,113	828
Investments in New Businesses	475	563	223	168
LSV	59	986	410	403
Total from business segments	<u>\$34,393</u>	<u>\$50,040</u>	<u>\$18,968</u>	<u>\$10,853</u>
LSV Employee Group	—	—	3,641	3,640
Corporate Overhead	536	814	409	383
	<u>\$34,929</u>	<u>\$50,854</u>	<u>\$23,018</u>	<u>\$14,876</u>

#### Note 11. Income Taxes

The gross liability for unrecognized tax benefits at June 30, 2008 and December 31, 2007 was \$13,957 and \$13,329, respectively, exclusive of interest and penalties, of which \$13,408 and \$12,719 would affect the effective tax rate if the Company were to recognize the tax benefit. The Company has not recognized any material changes in tax liability for unrecognized tax benefits during the six months ended June 30, 2008.

The Company classifies interest and penalties on unrecognized tax benefits as income tax expense. As of June 30, 2008 and December 31, 2007, the combined amount of accrued interest and penalties related to tax positions taken on tax returns was \$2,298 and \$1,865, respectively.

	June 30, 2008	December 31, 2007
Gross liability for unrecognized tax benefits, exclusive of interest and penalties	\$13,957	\$ 13,329
Interest and penalties on unrecognized benefits	2,298	1,865
Total gross uncertain tax positions	<u>\$16,255</u>	<u>\$ 15,194</u>
Amount included in Current liabilities	\$ 3,632	\$ 3,299
Amount included in Other long-term liabilities	<u>12,623</u>	<u>11,895</u>
	<u>\$16,255</u>	<u>\$ 15,194</u>



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The Company files income tax returns in the United States on a consolidated basis and in many U.S. state and foreign jurisdictions. The Company is subject to examination of income tax returns by the Internal Revenue Service (IRS) and other domestic and foreign tax authorities. An examination of the Company's 2005 and 2006 tax return is currently being conducted by the IRS. The 2005 and 2006 tax income tax returns of one of the Company's subsidiaries are under examination by a foreign tax authority. In addition, some of the prior year tax returns of the Company's subsidiaries are being examined by certain state tax authorities.

The Company estimates it will recognize \$1,515 of unrecognized tax benefits within the next twelve months due to the expiration of the statute of limitations. These unrecognized tax benefits are related to tax positions taken on certain federal and state tax returns. However, the timing of the resolution of income tax examinations is highly uncertain, and the amounts ultimately paid, if any, upon resolution of the issues raised by the taxing authorities may differ materially from the amounts accrued for each year. While it is reasonably possible that some issues in the IRS and other examinations could be resolved in the next twelve months, based upon the current facts and circumstances, the Company cannot reasonably estimate the timing of such resolution or total range of potential changes as it relates to the current unrecognized tax benefits that are recorded as part of the Company's financial statements.

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**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

(In thousands, except asset balances and per share data)

This discussion reviews and analyzes the consolidated financial condition at June 30, 2008 and 2007, the consolidated results of operations for the three and six months ended June 30, 2008 and 2007 and other key factors that may affect future performance. This discussion should be read in conjunction with the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements.

**Overview**

*Our Business and Business Segments*

We are a leading global provider of investment processing, fund processing, and investment management business outsourcing solutions that help corporations, financial institutions, financial advisors, and affluent families create and manage wealth. Investment processing fees are earned as monthly fees for contracted services including computer processing services, software licenses, and trust operations services, as well as transaction-based fees for providing securities valuation and trade-execution. Fund processing and investment management fees are earned as a percentage of average assets under management or administration. As of June 30, 2008, through our subsidiaries and partnerships in which we have a significant interest, we administer \$420.2 billion in mutual fund and pooled assets, manage \$178.2 billion in assets, and operate from more than 20 offices in over a dozen countries.

The Company's reportable business segments are:

Private Banks - provides investment processing and investment management programs to banks and trust institutions worldwide;

Investment Advisors - provides investment management programs to affluent investors through a network of independent registered investment advisors, financial planners and other investment professionals in the United States;

Institutional Investors - provides investment management programs and administrative outsourcing solutions to retirement plan sponsors and not-for-profit organizations worldwide;

Investment Managers - provides investment processing, fund processing and operational outsourcing solutions to investment managers, fund companies and banking institutions located in the United States and to investment managers worldwide of alternative asset classes such as hedge funds, fund of funds, and private equity funds;

Investments in New Businesses - provides investment management programs to affluent families residing in the United States and Europe through the SEI Wealth Network<sup>®</sup>; and

LSV Asset Management - is a registered investment advisor that provides investment advisory services to institutions, including pension plans and investment companies.

## Financial Results

Revenues, Expenses and Income from Operations by business segment for the three and six months ended June 30, 2008 compared to the three and six months ended June 30, 2007 were as follows:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	2007	Percent Change	2008	2007	Percent Change
<b>Revenues:</b>						
Private Banks	\$103,602	\$100,090	4%	\$210,656	\$197,828	6%
Investment Advisors	61,848	65,446	(5)%	122,367	127,009	(4)%
Institutional Investors	51,300	48,911	5%	101,989	95,540	7%
Investment Managers	37,307	35,293	6%	73,800	69,287	7%
Investments in New Businesses	1,864	1,836	2%	3,698	3,466	7%
LSV	73,602	91,682	(20)%	150,921	172,853	(13)%
<b>Total revenues</b>	<b>\$329,523</b>	<b>\$343,258</b>	<b>(4)%</b>	<b>\$663,431</b>	<b>\$665,983</b>	<b>—</b>
<b>Expenses:</b>						
Private Banks	85,367	80,829	6%	171,534	158,822	8%
Investment Advisors	31,551	30,919	2%	62,927	60,293	4%
Institutional Investors	29,328	30,181	(3)%	59,468	58,354	2%
Investment Managers	25,012	24,302	3%	50,976	49,204	4%
Investments in New Businesses	4,147	4,725	(12)%	8,799	9,577	(8)%
LSV	45,840	56,262	(19)%	93,196	106,159	(12)%
<b>Total expenses</b>	<b>\$221,245</b>	<b>\$227,218</b>	<b>(3)%</b>	<b>\$446,900</b>	<b>\$442,409</b>	<b>1%</b>
<b>Income from business segments:</b>						
Private Banks	18,235	19,261	(5)%	39,122	39,006	—
Investment Advisors	30,297	34,527	(12)%	59,440	66,716	(11)%
Institutional Investors	21,972	18,730	17%	42,521	37,186	14%
Investment Managers	12,295	10,991	12%	22,824	20,083	14%
Investments in New Businesses	(2,283)	(2,889)	21%	(5,101)	(6,111)	17%
LSV	27,762	35,420	(22)%	57,725	66,694	(13)%
<b>Total income from business segments</b>	<b>\$108,278</b>	<b>\$116,040</b>	<b>(7)%</b>	<b>\$216,531</b>	<b>\$223,574</b>	<b>(3)%</b>
Corporate overhead	(10,347)	(10,578)	(2)%	(20,456)	(20,705)	(1)%
LSV Employee Group (1)	(1,819)	(1,820)	—	(3,640)	(3,640)	—
Minority interest reflected in segments (2)	39,082	50,033	(22)%	81,270	93,625	(13)%
<b>Income from operations</b>	<b>\$135,194</b>	<b>\$153,675</b>	<b>(12)%</b>	<b>\$273,705</b>	<b>\$292,854</b>	<b>(7)%</b>

(1) Primarily relates to amortization costs of identifiable intangible assets.

(2) Includes \$38,072 and \$48,861 for the three months ended June 30, 2008 and 2007, respectively, and \$79,310 and \$91,533 for the six months ended June 30, 2008 and 2007, respectively, of minority interest of the other partners of LSV.

## Asset Balances

This table presents assets of our clients, or of our clients' customers, for which we provide management or administrative services. These assets are not included in our balance sheets because we do not own them.

Asset Balances (In millions)	As of June 30,		Percent Change
	2008	2007	
Assets invested in equity and fixed-income programs	\$152,258	\$172,379	(12)%
Assets invested in collective trust fund programs	10,733	12,297	(13)%
Assets invested in liquidity funds	15,241	14,066	8%
Assets under management	178,232	198,742	(10)%
Client proprietary assets under administration	241,964	207,950	16%
Assets under management and administration	\$420,196	\$406,692	3%

Assets under management are total assets of our clients or their customers invested in our equity and fixed-income investment programs, collective trust fund programs, and liquidity funds for which we provide asset management services. Assets under management and administration are total assets of our clients or their customers for which we provide administrative services, including client proprietary fund balances for which we provide administration and/or distribution services.

### Consolidated Summary

Consolidated revenues decreased \$13.7 million, or four percent, to \$329.5 million for the three months ended June 30, 2008 compared to the three months ended June 30, 2007. For the six month period ended, revenues declined slightly to \$663.4 million compared to the prior year period. Net income decreased \$23.3 million, or 34 percent, to \$46.2 million for the three month period and \$37.8 million, or 28 percent, to \$95.1 million for the six month period. Consolidated operating margins of the business segments declined to 33 percent from 34 percent in the three and six month periods. Diluted earnings per share for the three month period were \$.24 per share as compared to \$.34 per share a year ago, a decrease of 29 percent. In the six month period, diluted earnings per share decreased to \$.48 per share as compared to \$.65 per share a year ago, a decrease of 26 percent.

In our opinion, the following items had a significant impact on our financial results for the three and six month periods ended June 30, 2008 and 2007:

- Revenues from asset-based fees across all our business segments were negatively affected by the continued weakness in the capital markets, particularly in the LSV and Investment Advisors segments. The capital market conditions decreased the value of assets we manage or administer for our existing clients, resulting in decreased base revenues in the segments.
- The declining capital markets had a significant negative impact on the revenue and profits of LSV. Revenues earned by LSV were \$150.9 million in the six months ended June 30, 2008 compared to \$172.8 million in the prior year comparable period, a decrease of \$21.9 million or 13 percent. Our proportionate share in the earnings of LSV in the six month period of 2008 was \$57.7 million compared to \$66.7 million for the same period in 2007, a decrease of \$9.0 million or 13 percent.
- Revenue growth in the Private Banks business segment was primarily driven by increased investment processing fees from our Global Wealth Technology Services (GWTS) and Global Wealth Services (GWS) solutions and cross sales of other services to existing clients.
- Our Institutional Investors and Investment Managers business segments recorded increased revenues and profits from sales of new business.
- We recorded a non-cash charge of \$27.3 million (or \$.09 diluted earnings per share) and \$53.1 million (or \$.17 diluted earnings per share) in the three and six months ended June 30, 2008, respectively, related to agreements that provide capital support to money market funds holding investments that are exposed to liquidity and credit risk (See Note 7 to the Consolidated Financial Statements). These support agreements are described in greater detail under the caption "Money Market Fund Support" later in this discussion.

- We recognized an additional \$7.1 million in amortization expense during the six months ended June 30, 2008 due to the initial release of the Global Wealth Platform, which was placed into service in July 2007. The amortization expense was primarily recognized in the Private Banks and Investment Advisors business segments. We capitalized \$25.9 million in the six months ended June 30, 2008 as compared to \$35.7 million in the comparable period of 2007 as a larger portion of our costs were incurred from consulting, maintenance and support for the operation of the platform. Capitalized costs in 2008 were for enhancements and upgrades to expand the functionality of the Global Wealth Platform. We will continue to incur significant development costs for these enhancements and upgrades. Our intention is to implement enhancements and upgrades into the platform through a series of releases. The capitalized costs associated with these releases will be amortized over the remaining useful life of the platform.
- We continued our stock repurchase program during 2008 and purchased approximately 3,898,000 shares at an average price of approximately \$25 per share in the six month period.

#### *Money Market Fund Support*

In 2007, we entered into Capital Support Agreements with the SEI Daily Income Trust Prime Obligation Fund (the SDIT PO Fund), the SEI Daily Income Trust Money Market Fund (the SDIT MM Fund), and the SEI Liquid Asset Trust Prime Obligation Fund (the SLAT PO Fund) (each a Fund or, together, the Funds). The terms and conditions of the Capital Support Agreements are described in our latest Annual Report on Form 10-K in Part I, Item 2.

As of December 31, 2007, the aggregate limit of our required capital contributions to the Funds according to the Capital Support Agreements was \$130.5 million. During the six months ended June 30, 2008, certain structured investment vehicles (SIV or SIVs) within the Funds suffered either a technical default or substantial price devaluation, triggering ratings downgrades from the principal rating agencies. As a result, the carrying value of these securities in the Funds was reduced as well. In addition, Standard & Poor's required the posting of additional capital support for the SDIT PO Fund to maintain the Fund's credit rating. As a result of these events, we amended the Capital Support Agreements with two of the Funds to provide additional capital support so that the new aggregate limit as of June 30, 2008 was \$165.5 million. Of the new aggregate limit, we secured \$150.0 million by our credit facility through letters of credit of a third party bank and secured the remaining \$15.5 million through segregated bank accounts. We also amended our credit facility to increase the aggregate amount available for borrowings by \$100.0 million to \$300.0 million (See Note 8 to the Consolidated Financial Statements for more information related to the letters of credit and credit facility). As of June 30, 2008, the amount of our credit facility that is unrestricted and may be used for general purposes was \$150.0 million.

In connection with the Capital Support Agreements, we recorded an expense for \$53.1 million for the six months ended June 30, 2008, which is reflected in Net loss from investments on the Consolidated Statements of Operations of the accompanying Consolidated Financial Statements. As of June 30, 2008, the aggregate amount of our obligation recorded in connection with the Capital Support Agreements was \$78.2 million, but this amount was not required to be paid since the Funds have not realized any material losses from the ultimate sale or disposition of the SIV securities. Cash payments made under the Capital Support Agreements as of June 30, 2008 were minimal. At June 30, 2008, the aggregate par value and market value of the SIVs covered by the Capital Support Agreements on the books of the three Funds was \$484.1 million and \$386.0 million, respectively. Included in these amounts is a significant SIV holding in SIV Portfolio PLC (formerly Cheyne Finance PLC) with an aggregate par value across the three Funds of \$230.1 million and a market value on the books of the Funds of \$161.0 million, or 70 percent of par value.

On July 17, 2008, the SIV holding in SIV Portfolio PLC had an aggregate par value across the three Funds of \$230.1 million and market value on the books of the Funds of \$151.8 million, or 66 percent of par value. On this date, the SIV holding in SIV Portfolio PLC was restructured and an opportunity was provided to liquidate the holdings for cash of approximately \$117.3 million, or 51 percent of par value, including distributable cash in SIV Portfolio PLC. The Funds decided not to liquidate the holdings due to an assessment that the liquidation value understated the ultimate value of the underlying collateral.

In July 2008, we amended the Capital Support Agreement with the SLAT PO Fund to increase the maximum capital support amount by an additional \$7.5 million. This additional capital support commitment is backed by a segregated bank account. As of July 30, 2008, the aggregate limit of our required capital support commitments to the Funds was \$173.0 million.

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All SIVs that remain on the books of the three Funds covered by the Capital Support Agreements at July 30, 2008 are in default. We believe that all of the defaulted SIV securities will be restructured, although we cannot predict the timing or net impact the restructuring will ultimately have on the realized value of these SIV securities. As of July 30, 2008, the amount which would be accrued for our contribution obligations under the Capital Support Agreements based on that day's market value of the portfolio assets of the Funds, including the SIVs covered by the Capital Support Agreements, was \$98.7 million. At the close of business on July 30, 2008, the aggregate par value and market value of the SIVs covered by the Capital Support Agreements on the books of the three Funds was \$377.3 million and \$256.6 million, respectively. This amount includes the SIV holding in SIV Portfolio PLC with an aggregate par value across the three Funds of \$230.1 million and a market value on the books of the Funds of \$147.2 million, or 64 percent of par value. Based upon this valuation and assuming no other changes in the portfolio assets through September 30, 2008, an additional non-cash expense of \$20.4 million would be recorded in the third quarter 2008. However, if the liquidation value of 51 percent of par value as of July 17, 2008 was used to value the SIV holding in SIV Portfolio PLC on July 30, 2008, our contribution obligations under the Capital Support Agreements would increase by an additional \$29.9 million for a total non-cash expense in the third quarter of \$50.3 million. This additional non-cash expense in the third quarter would increase our total contribution obligation to \$128.6 million. For further information regarding the portfolio assets of the Funds, the month-end holdings of each of the Funds can be viewed after the 15<sup>th</sup> day of the following month at [http://www.seic.com/holdings\\_home.asp](http://www.seic.com/holdings_home.asp).

The Capital Support Agreements are considered derivative contracts in accordance with applicable accounting guidance and are categorized as Level 3 liabilities as specified by SFAS 157 (See Notes 1 and 5 to the Consolidated Financial Statements for more information related to SFAS 157). These Level 3 liabilities comprise approximately 34 percent of our total current liabilities. The fair value of the contracts was determined using a valuation model for credit default swaps. The fair value of the derivative contracts approximates the value of our actual obligation at June 30, 2008.

We believe changes in the value of the portfolio assets of the Funds and changes in the value of the SIV securities are the two most volatile factors affecting our obligation. These factors can cause our obligation to fluctuate on a daily basis. The following discussion, based on actual values as of July 30, 2008, is included to give an indication of the impact of movements in the value of the portfolio assets of the Funds and changes in the price of the SIV securities on our obligation.

In the following example, we assume the value of the SIV securities remains unchanged, but the value of the portfolio assets of the Funds increases by ten percent or decreases by ten percent. A ten percent increase in the value of the portfolio assets of the Funds would cause our obligation to decrease by approximately \$2.3 million. Conversely, a ten percent decrease in the value of the portfolio assets of the Funds would cause our obligation to increase by approximately \$2.3 million.

In this example, we assume the value of the portfolio assets of the funds remains unchanged but the value of the SIV securities increases by one percent or decreases by one percent. A one percent increase in the value of the SIV securities would cause our obligation to decrease by approximately \$2.5 million. Conversely, a one percent decrease in the value of the SIV securities would cause our obligation to increase by approximately \$2.5 million.

#### *Stock-Based Compensation*

Our stock options have performance vesting conditions based on the attainment of certain earnings per share targets established at the date of grant. The first performance condition determines vesting of 50 percent of the options, and a second performance condition determines the vesting of the remaining 50 percent of the options. The performance conditions are measured annually on December 31. Options granted prior to 2006 also could vest in their entirety seven years from the date of grant. The amount of stock-based compensation expense is based upon our estimates of when we believe the earnings per share targets may be achieved. If our estimate of the attainment of the earnings per share targets proves to be inaccurate, the remaining amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed. This may cause volatility in the recognition of stock-based compensation expense in future periods and could materially affect our net income and net income per share. During the six months ended June 30, 2008, we revised our estimate of when certain vesting targets are expected to be achieved. This change in management's estimate resulted in a decrease of \$1,789 in stock-based compensation expense in the six months ended June 30, 2008. During the six months ended June 30, 2008 and 2007, we recognized approximately \$9.2 million and \$13.5 million, respectively, in stock-based compensation expense.

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

<u>Period</u>	<u>Stock-Based Compensation Expense</u>
Remainder of 2008	\$ 9,010
2009	18,019
2010	10,689
2011	6,104
2012	6,062
2013	4,222
2014	2,104
	<u>\$ 56,210</u>

#### *Business Segments*

##### Private Banks

	<u>Three Months Ended</u>			<u>Six Months Ended</u>		
	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Percent Change</u>	<u>June 30, 2008</u>	<u>June 30, 2007</u>	<u>Percent Change</u>
<b>Revenues:</b>						
Investment processing and software servicing fees	\$ 56,612	\$ 53,446	6%	\$114,313	\$104,835	9%
Asset management, administration & distribution fees	37,024	36,887	—	74,137	72,911	2%
Transaction-based and trade execution fees	9,966	9,757	2%	22,206	20,082	11%
<b>Total revenues</b>	<u>\$103,602</u>	<u>\$100,090</u>	4%	<u>\$210,656</u>	<u>\$197,828</u>	6%

Revenues increased \$3.5 million, or four percent, in the three month period and \$12.8 million, or six percent, in the six month period ended June 30, 2008 compared to the prior year corresponding period and were primarily affected by:

- An increase in revenues from our GWS solution from cross sales of other services to existing clients; and
- An increase in revenue from our GWTS solution relating to client acquisitions and mergers with existing clients and cross sales of other services to existing clients.

Operating margins declined to 18 percent, as compared to 19 percent in the three month period and to 19 percent, as compared to 20 percent in the six month period. Operating income decreased \$1.0 million, or five percent, in the three month period and increased slightly in the six month period and was primarily affected by:

- An increase in revenues; offset by
- Increased non-capitalized spending for technology, infrastructure buildout, and personnel associated with the Global Wealth Platform;
- Amortization expense related to the Global Wealth Platform; and
- Increased direct expenses associated with higher levels of assets from existing global investment management clients.

##### Investment Advisors

Revenues decreased \$3.6 million, or five percent, in the three month period and \$4.6 million, or four percent, in the six month period ended June 30, 2008 and were primarily affected by:

- A decrease in investment management fees from existing clients due to lower assets under management caused by declining capital markets.

Operating margins decreased to 49 percent, as compared to 53 percent in the three and six month periods. Operating income decreased by \$4.2 million, or 12 percent, in the three month period, and \$7.3 million, or 11 percent, in the six month period and was primarily affected by:

- A decrease in revenues;
- Increased non-capitalized technology spending related to the Global Wealth Platform;

- 
- Amortization expense related to the Global Wealth Platform; partially offset by
  - Decreased personnel costs for our investment management operations.

#### Institutional Investors

Revenues increased \$2.4 million, or five percent, in the three month period and \$6.4 million, or seven percent, in the six month period ended June 30, 2008 and were primarily affected by:

- Asset funding from new sales of our retirement and not-for-profit solutions; partially offset by
- Decreased assets under management caused by declining capital market conditions.

Operating margins increased to 43 percent, as compared to 38 percent in the three month period and increased to 42 percent, as compared to 39 percent in the six month period. Operating income increased \$3.2 million, or 17 percent, in the three month period and \$5.3 million, or 14 percent, in the six month period and was primarily affected by:

- An increase in revenues;
- Decreased personnel costs for our investment management operations; partially offset by
- Increased direct expenses associated with the increase in revenues; and
- Increased promotion and personnel costs, mainly sales compensation expenses, related to sales of new business.

#### Investment Managers

Revenues increased \$2.0 million, or six percent, in the three month period and \$4.5 million, or seven percent, in the six month period ended June 30, 2008 and were primarily affected by:

- Asset funding from existing clients of hedge fund and separately managed accounts solutions;
- Cash flows from new clients; partially offset by
- Client losses.

Operating margins increased to 33 percent, as compared to 31 percent in the three month period and to 31 percent, as compared to 29 percent in the six month period. Operating income increased \$1.3 million, or 12 percent, in the three month period, and \$2.7 million, or 14 percent in the six month period, and was primarily affected by:

- An increase in revenues; partially offset by
- Increased personnel and technology costs related to our hedge fund and separately managed accounts solutions; and
- Increased sales compensation expenses related to the sales of new business.

#### LSV

Revenues decreased \$18.1 million, or 20 percent, in the three month period and \$21.9 million, or 13 percent, in the six month period ended June 30, 2008 and were primarily affected by:

- Decreased assets under management from capital market depreciation.

Our total partnership interest in LSV remained at approximately 43 percent during the six month periods ended June 30, 2008 and 2007. Operating margins decreased to 38 percent, as compared to 39 percent in the three month and six month periods. Operating income decreased \$7.7 million, or 22 percent, in the three month period, and \$9.0 million, or 13 percent in the six month period, and was primarily affected by:

- The decrease in revenues as previously described; and
- Increased personnel costs.



Other

Other Income and Expense Items

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net loss from investments	\$(27,294)	\$ (997)	\$ (51,340)	\$ (1,313)
Interest and dividend income	3,223	4,882	7,361	8,933
Interest expense	(808)	(1,168)	(1,775)	(2,429)
Minority interest	(36,930)	(47,242)	(76,759)	(87,976)
Other	—	2,952	—	2,952
Total other income and expense items, net	<u>\$(61,809)</u>	<u>\$(41,573)</u>	<u>\$(122,513)</u>	<u>\$(79,833)</u>

Minority interest includes the amount owned by other shareholders in which we have a significant or controlling interest.

Net loss from investments consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net realized gain from sales of marketable securities	\$ —	\$ 4	\$ 1,066	\$ 4
(Decrease) increase in fair value of derivative financial instruments	—	(659)	676	(1,104)
Losses from Capital Support Agreements	(27,301)	—	(53,096)	—
Other realized gains (losses)	7	(342)	14	(213)
Net loss from investments	<u>\$(27,294)</u>	<u>\$(997)</u>	<u>\$(51,340)</u>	<u>\$(1,313)</u>

Net realized gain from sales of marketable securities in 2008 includes gains recognized from the sale of investments in mutual funds sponsored by LSV.

Derivative financial instruments are used to minimize the price risk associated with changes in the fair value of our seed investments in new investment management programs. These derivative financial investments did not qualify for hedge accounting under current accounting rules. As a result, changes in the fair value of these derivative financial instruments were recorded in current period earnings, whereas the change in the fair value of the hedged asset is recorded in other comprehensive income. Management's decision to enter into derivative financial instruments that do not qualify for hedge accounting may cause volatility in earnings. On March 31, 2008, the derivative financial investments reached their contractual maturity date. Gross proceeds of \$733 from the maturity of the derivative investments were received in April 2008. We no longer own any derivative financial instruments to minimize the price risk associated with changes in the fair value of our seed investments.

Losses from Capital Support Agreements include a non-cash charge of \$27.3 million and \$53.1 million in the three and six months ended June 30, 2008, respectively, related to agreements that provide capital support to money market funds (See Note 7 to the Consolidated Financial Statements).

Interest income is earned based upon the amount of cash that is invested daily. The decrease in interest income in the six month period of 2008 compared to 2007 was due to a decline in interest rates and lower cash balances.

Income Taxes

Our effective tax rates were 37.1 percent and 38.0 percent for the three months ended June 30, 2008 and 2007, respectively. For the six months ended June 30, 2008 and 2007, our effective tax rates were 37.1 percent and 37.6 percent, respectively. The decrease in our effective tax rates was primarily due to tax planning strategies associated with capital loss carryovers and foreign tax credits; however, this reduction was partially offset by the expiration of tax credits for research and development.

## Liquidity and Capital Resources

	For the Six Months Ended	
	June 30,	
	2008	2007
Net cash provided by operating activities	\$ 112,698	\$ 133,450
Net cash used in investing activities	(41,366)	(54,620)
Net cash used in financing activities	(111,868)	(119,486)
Net decrease in cash and cash equivalents	(40,536)	(40,656)
Cash and cash equivalents, beginning of period	360,921	286,948
Cash and cash equivalents, end of period	<u>\$ 320,385</u>	<u>\$ 246,292</u>

Cash requirements and liquidity needs are primarily funded through our cash flow from operations and our capacity for additional borrowing. At June 30, 2008, our unused sources of liquidity consisted of unrestricted cash and cash equivalents of \$320.4 million and the amount available under our credit facility. The credit facility agreement became effective in July, 2007 and initially provided for borrowings of up to \$200.0 million. The agreement was amended in March 2008 to provide an additional \$100.0 million in borrowings, raising the total aggregate limit to \$300.0 million. The aggregate amount of the credit facility may be increased by an additional \$100.0 million under certain conditions set forth in the agreement. Due to the outstanding letters of credit associated with the Capital Support Agreements (See "Money Market Fund Support" earlier in this discussion), the unrestricted amount available for working capital needs is limited to \$150.0 million. The availability of the credit facility is subject to the compliance with certain covenants set forth in the agreement.

We have arrangements with three mutual funds sponsored by SEI as previously described under the section "Money Market Fund Support." We may be required to provide capital to these mutual funds under certain conditions up to an aggregate amount of \$173.0 million. In the event that capital must be provided to these mutual funds, we may, at our discretion, utilize the credit facility or contribute the required capital from unrestricted cash. However, so long as the letters of credit remain outstanding, the amount available under the credit facility will be reduced by the amount of the letters of credit. Therefore, only the remaining \$150.0 million is unrestricted and may be used for other purposes as determined by management. Some of the covenants contained within the credit facility were amended as a result of the Capital Support Agreements that provide certain allowances and exemptions for transactions arising solely from the Capital Support Agreements. As of July 30, 2008, capital contributions made to the mutual funds by the Company were minimal.

Cash flows from operations decreased \$20.8 million in 2008 compared to 2007 primarily due to the decline in net income and the net change in working capital accounts. Our working capital accounts were primarily affected by increased payments for incentive compensation in 2008 compared to 2007 and the change in deferred taxes in 2008 due to the non-cash charge related to the Capital Support Agreements.

Net cash used in investing activities includes the capitalization of costs incurred in developing computer software, purchases, sales and maturities of marketable securities, and capital expenditures. In 2007, the Global Wealth Platform was placed into service. We will continue the development of the Global Wealth Platform through a series of releases to expand the functionality of the platform. The costs associated with these enhancements will be capitalized. We capitalized \$25.9 million of software development costs in 2008 as compared to \$35.7 million in 2007. The decrease in capitalized costs was primarily due to a higher proportion of spending related to the operation of the platform in 2008, which is not eligible for capitalization (See Note 1 to the Consolidated Financial Statements).

We had net cash inflows of \$10.1 million from sales and maturities of marketable securities in 2008 as compared to net cash outflows of \$6.7 million from purchases of marketable securities in 2007. Cash inflows from marketable securities in 2008 were mainly comprised of proceeds from the maturity of U.S. Treasury securities held by SIDCO. Purchases of marketable securities in 2007 mainly comprised investments for the start-up of new investment products. Capital expenditures in 2008 primarily include new computer-related equipment associated with the Global Wealth Platform. In 2007, capital expenditures also included costs related to the expansion of our corporate headquarters, which was completed in 2007. During the second quarter 2008, we initiated a new expansion project at our corporate headquarters. Total costs for this project are expected to be at least \$13.4 million. The project is expected to be completed in early 2009.

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Net cash used in investing activities in 2008 was also impacted by the requirement to reserve \$15.5 million in cash to secure our obligations as of June 30, 2008 related to the Capital Support Agreements.

Net cash used in financing activities primarily includes principal payments of our debt, the repurchase of our common stock and dividend payments. We made the final payments for the outstanding balance of our Senior Notes in 2007, which includes a principal payment of \$4.0 million in the first quarter for the remaining balance of our Series A Senior Notes. Principal payments in 2008 are comprised solely of payments made by LSV Employee Group for amounts included in our debt. LSV Employee Group made principal payments of \$10.6 million in 2008 and \$9.0 million in 2007.

Our Board of Directors has authorized the repurchase of up to \$1.5 billion worth of our common stock. Through July 30, 2008, we repurchased approximately 253.0 million shares of our common stock at a cost of \$1.4 billion and had \$113.6 million of authorization remaining for the purchase of our common stock under this program. We spent approximately \$96.4 million during the first six months of 2008 and \$124.7 million during the first six months of 2007 for the repurchase of our common stock. Currently, there is no expiration date for our common stock repurchase program.

Cash dividends paid were \$28.9 million or \$.15 per share in the first six months of 2008 and \$25.7 million or \$.13 per share in the first six months of 2007. Our Board of Directors intends to declare future dividends on a semi-annual basis.

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

#### **Forward-Looking Information and Risk Factors**

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. Forward-looking statements are based upon estimates and assumptions that involve certain risks and uncertainties, many of which are beyond our control or are subject to change. Although we believe our assumptions are reasonable, they could be inaccurate. Our actual future revenues and income could differ materially from our expected results. We have no obligation to publicly update or revise any forward-looking statements.

Among the risks and uncertainties which may affect our future operations, strategies, financial results or other developments are those risks described in our latest Annual Report on Form 10-K in Part I, Item 1A. These risks include the following:

- changes in capital markets that may affect our revenues and earnings;
- product development risk;
- liquidity issues in the subprime credit markets;
- the performance of the funds we manage;
- consolidation within our target markets, including consolidations between banks and other financial institutions;
- the affect of extensive governmental regulation;
- systems and technology risks;
- data security risks;
- third party approval of our investment products with advisors affiliated with independent broker-dealers or other networks;
- operational risks associated with the processing of investment transactions;
- risk of failure by a third-party service provider;
- changes in, or interpretation of, accounting principles or tax rules and regulations;
- fluctuations in foreign currency exchange rates; and
- retention of senior management personnel.

The Company and our clients are subject to extensive governmental regulation. Our various business activities are conducted through entities which may be registered with the Securities and Exchange Commission (SEC) as an investment advisor, a broker-dealer, a transfer agent, an investment company or with the United States Office of Thrift Supervision or state banking authorities as a trust company. Our broker-dealer is also a member of the Financial Industry Regulatory Authority and is subject to its rules and oversight. In addition, various subsidiaries of

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the Company are registered with, and subject to the oversight of, regulatory authorities primarily in the United Kingdom and the Republic of Ireland. Many of our clients are subject to substantial regulation by federal and state banking, securities or insurance authorities or the Department of Labor. Compliance with existing and future regulations and responding to and complying with recent regulatory activity affecting broker-dealers, investment companies and their service providers could have a significant impact on us. We have responded and are currently responding to various regulatory examinations, inquiries and requests. As a result of these examinations, inquiries and requests, we review our compliance procedures and business operations and make changes as we deem necessary. One of these regulatory requests and inquiries relate to the payment by certain of our subsidiaries of expenses related to the marketing and distribution of shares of certain mutual fund clients of our fund administration and distribution business. A similar inquiry resulted in an SEC order sanctioning one of our mutual fund administrator competitors in 2006.

We offer investment and banking products that also are subject to regulation by the federal and state securities and banking authorities, as well as non-United States regulatory authorities, where applicable. Existing or future regulations that affect these products could lead to a reduction in sales of these products. Directed brokerage payment arrangements offered by us are also subject to the SEC and other federal regulatory authorities. Changes in the regulation of directed brokerage or soft dollar payment arrangements or strategic decisions of our clients regarding these arrangements could affect sales of some services, primarily our brokerage services.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

Interest Rate Risk - LSV Employee Group entered into two interest rate swap agreements to convert its floating rate long-term debt to fixed rate debt. These swaps have a total notional value of \$36.3 million. Payments are made every 90 days and the termination dates of the swaps are March 2009 and January 2011. The net effect from the interest rate swaps on the Company's earnings was minimal.

Price Risk – We are exposed to price risk associated with changes in the fair value of investments in marketable securities relating to the startup of new pooled investment offerings. The length of time that our funds remain invested in these new pooled investment offerings is dependent on client subscriptions. We will redeem our investments as clients subscribe to these new investment offerings. We did not enter into or hold any derivatives for trading purposes during 2008 or 2007.

Income before income taxes include gains of \$676 thousand and losses of \$1.1 million in the six month periods of 2008 and 2007, respectively, relating to changes in the fair value of derivative financial instruments. The aggregate effect of a hypothetical ten percent change in the fair value of our investments would be:

<u>Investment</u>	<u>Hypothetical Change In Value</u>
Mutual Funds	\$ 4,034
Debt securities	3,473
	<u>\$ 7,507</u>

We are also exposed to price risk associated with certain agreements that provide capital support to money market funds holding senior notes issued by structured investment vehicles (See Note 7 to the Consolidated Financial Statements and "Money Market Fund Support" earlier in this discussion).

**Item 4. Controls and Procedures.**

(a) Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this report are effective in ensuring that information required to be disclosed by us in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Act is accumulated and communicated to the issuer's management including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. A controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls systems are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

(b) Change in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the quarter ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

On September 30, 2004, SIDCO was named as a defendant in a putative consolidated amended class action complaint (the "PBHG Complaint") filed in the United States District Court for the District of Maryland titled "Stephen Carey v. Pilgrim Baxter & Associates, LTD, et. al." The PBHG Complaint was purportedly made on behalf of all persons that purchased or held PBHG mutual funds during the period from November 1, 1998 to November 13, 2003 and related generally to various market timing practices allegedly permitted by the PBHG Funds. The suit named as defendants some 36 persons and entities, including various persons and entities affiliated with Pilgrim Baxter & Associates, Ltd., various PBHG Funds, various alleged market timers, various alleged facilitating brokers, various clearing brokers, various banks that allegedly financed the market timing activities, various distributors/underwriters and others. The PBHG Complaint alleged that SIDCO was the named distributor/underwriter from November 1998 until July 2001 for various PBHG funds in which market timing allegedly occurred during that period. The PBHG Complaint generally alleged that the prospectus for certain PBHG funds made misstatements and omissions concerning market timing practices in PBHG funds. The PBHG Complaint alleged that SIDCO violated Sections 11 and 12(a)(2) of the Securities Act of 1933, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, and Sections 34(b) and 36(a) of the Investment Company Act of 1940, and that SIDCO breached its fiduciary duties, engaged in constructive fraud and aided and abetted the breach by others of their fiduciary duties. The PBHG Complaint did not name SIDCO or any of its affiliates as a market timer, facilitating or clearing broker or financier of market timers. The PBHG Complaint sought unspecified compensatory and punitive damages, disgorgement and restitution. In 2006, the plaintiffs submitted a proposed form of order dismissing SIDCO from the action, but the Court has not yet acted on the proposed order.

### **Item 1A. Risk Factors**

Information regarding risk factors appears in Part I—Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007. The description of the risk factor regarding our exposure to liquidity issues in the subprime credit markets in our Annual Report on Form 10-K for the year ended December 31, 2007 has been modified to the following:

*Liquidity issues in the subprime credit markets may affect our earnings and liquidity resources.* Certain of our money market funds hold senior notes issued by structured investment vehicles which have either ceased making payments or potentially may cease making payments on its outstanding notes on the scheduled maturity dates. Because of the market conditions, we entered into support agreements to protect the shareholders of our money market funds from the liquidity risk associated with these securities. The amount of our obligation under these agreements and the corresponding charge against our earnings is dependent upon prevailing conditions in the credit markets that affect the value of money market instruments, including structured investment vehicles, on the creditworthiness of the structured investment vehicle securities and the overall asset levels of our money market funds. Additionally, in the event the fund realizes a loss from the sale or disposition of a structured investment vehicle, we would be required to pay an amount to the funds of our obligation that could negatively impact our liquidity resources.

There have been no other material changes in our risk factors from those disclosed in our Annual Report on Form 10-K for 2007.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

(c) Our Board of Directors has authorized the repurchase of up to \$1.5 billion worth of our common stock. Currently, there is no expiration date for our common stock repurchase program.

Information regarding the repurchase of common stock during the three months ended June 30, 2008 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
April 1 – 30, 2008	200,000	\$ 24.12	200,000	\$ 156,429,000
May 1 – 31, 2008	1,454,000	23.27	1,454,000	122,608,000
June 1 – 30, 2008	281,000	24.24	281,000	115,793,000
Total	<u>1,935,000</u>	23.50	<u>1,935,000</u>	

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

On May 20, 2008, we held our annual meeting of shareholders (the “2008 Annual Meeting”) at our corporate headquarters in Oaks, Pennsylvania. At our 2008 Annual Meeting, the shareholders voted on the matters listed below.

1. The election of three directors with a term expiring at our 2011 Annual Meeting of Shareholders:

Name of Director	Number of Votes For	Number of Votes Withheld
Sarah W. Blumenstein	139,388,808	2,312,534
Kathryn M. McCarthy	139,404,859	2,296,483
Henry H. Porter, Jr.	138,660,194	3,041,148

The terms of office of each of the following directors continued after the meeting:

William M. Doran  
 Richard B. Lieb  
 Carmen V. Romeo  
 Thomas W. Smith  
 Alfred P. West, Jr.

The Board of Directors accepted the resignation of Howard D. Ross, a director and member of the Audit Committee and the Legal and Regulatory Oversight Committee of the Board, on May 20, 2008.

2. Ratification of the appointment of PricewaterhouseCoopers LLP as independent registered public accountants to examine SEI’s consolidated financial statements for 2008:

Number of Votes For	Number of Votes Against	Number of Votes Withheld
139,660,831	881,647	220,196

**Item 5. Other Information.**

(a) On July 22, 2008, the Board of Directors of the Company amended Section 2.03 of the Bylaws of the Company to eliminate the ability of the holders of 20 percent or more of the Company’s outstanding Common Stock to call a special meeting of shareholders and to include as Section 2.12 a provision requiring advance notice of matters to be raised at a meeting of shareholders. The full text of the amended and restated By-laws of the Company is attached as Exhibit 3.2.3 to this Quarterly Report on Form 10-Q. The effective date of these amendments is July 28, 2008.

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**Item 6. Exhibits.**

The following is a list of exhibits filed as part of the Form 10-Q.

- 3.2.3 Amended and Restated By-Laws.
- 10.5.1 Employee Stock Purchase Plan as Amended and Restated on May 20, 2008.
- 10.29.8 Eight Amendment, dated June 18, 2008, to Capital Support Agreement, dated December 3, 2007 between SEI Investments Company and SEI Liquid Asset Trust Prime Obligation Fund.
- 10.29.9 Ninth Amendment, dated July 22, 2008, to Capital Support Agreement, dated December 3, 2007 between SEI Investments Company and SEI Liquid Asset Trust Prime Obligation Fund.
- 10.29.10 Tenth Amendment, dated July 28, 2008, to Capital Support Agreement, dated December 3, 2007 between SEI Investments Company and SEI Liquid Asset Trust Prime Obligation Fund.
- 10.29.11 Eleventh Amendment, dated July 30, 2008, to Capital Support Agreement, dated December 3, 2007 between SEI Investments Company and SEI Liquid Asset Trust Prime Obligation Fund.
- 31.1 Rule 13a-15(e)/15d-15(e) Certification of Chief Executive Officer.
- 31.2 Rule 13a-15(e)/15d-15(e) Certification of Chief Financial Officer.
- 32 Section 1350 Certifications.



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**SIGNATURES**

Pursuant to the requirements 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: July 31, 2008

By: /s/ Dennis J. McGonigle  
Dennis J. McGonigle  
Chief Financial Officer

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AMENDED AND RESTATED  
BY- LAWS  
OF  
SEI INVESTMENTS COMPANY  
(a Pennsylvania Corporation)

ARTICLE I

Offices and Fiscal Year

Section 1.01. Registered Office. The registered office of the corporation in the Commonwealth of Pennsylvania shall be at 1 Freedom Valley Drive, Oaks, Pa 19456 until otherwise established by a vote of a majority of the board of directors in office, and a statement of such change is filed with the Department of State.

Section 1.02. Other Offices. The corporation may also have offices at such other places within or without the Commonwealth of Pennsylvania as the board of directors may from time to time appoint or the business of the corporation require.

Section 1.03. Fiscal Year. The fiscal year of the corporation shall begin on the first day of January in each year.

ARTICLE II

Meetings of Shareholders

Section 2.01. Place of Meeting. All meetings of the shareholders of the corporation shall be held at the registered office of the corporation unless another place is designated by the board of directors in the notice of such meeting.

Section 2.02. Annual Meeting. The board of directors may fix the date and time of the annual meeting of the shareholders, but if no such date and time is fixed by the board the meeting for any calendar year shall be held on the 10th day of May in such year, if not a legal holiday under the laws of Pennsylvania, and, if a legal holiday, then on the next succeeding business day, not a Saturday, at 10:00 o'clock A.M., and at said meeting the shareholders then entitled to vote shall elect directors and shall transact such other business as may properly be brought before the meeting. If the annual meeting shall not have been called and held during such calendar year, any shareholder may call such meeting at any time thereafter.

Section 2.03. Special Meetings. Special meetings of the shareholders of the corporation for any purpose or purposes may be called at any time by the chairman of the board, president or by the Secretary upon a request in writing therefor signed by a majority of the board of directors,

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At any time, upon written request of any person or persons who have duly called a special meeting, which written request shall state the object of the meeting, it shall be the duty of the secretary to fix the date of the meeting to be held at such date and time as the secretary may fix, not less than five nor more than 60 days after the receipt of the request, and to give due notice thereof. If the secretary shall neglect or refuse to fix the date and time of such meeting and give notice thereof, the person or persons calling the meeting may do so.

Section 2.04. Notice of Meetings. Written notice of every meeting of the shareholders, whether annual or special, shall be given to each shareholder of record entitled to vote at the meeting, at least five days (ten days in the case of any annual or special meeting at which there is to be considered any amendment to the articles of the corporation, the sale of all or substantially all of its assets, or its merger with or consolidation into any other corporation) prior to the day named for the meeting. Every notice of a special meeting shall state briefly the purpose or purposes thereof, and no business, other than that specified in such notice and matters germane thereto, shall be transacted at any special meeting without further notice to shareholders not present in person or by proxy.

Whenever the language of a proposed resolution is included in a written notice of a meeting of shareholders the resolution may be adopted at such meeting with such clarifying or other amendments as do not enlarge its original purpose without further notice to shareholders not present in person or by proxy.

Section 2.05. Quorum, Manner of Acting and Adjournment. The presence in person or by proxy of shareholders entitled to cast a majority of the votes which all shareholders are entitled to cast on the particular matter shall constitute a quorum for the purpose of considering such matter. Treasury shares shall not be counted in determining the total number of outstanding shares for voting purposes at any give time. The shareholders present in person or by proxy at a duly organized meeting can continue to do business until adjournment, notwithstanding withdrawal of enough shareholders to leave less than quorum.

If a meeting cannot be organized because a quorum has not attended, the shareholders entitled to vote and present in person or represented by proxy may adjourn the meeting to such time and place as they may determine. At any such adjourned meeting at which a quorum may be present such business may be transacted as might have been transacted at the meeting as originally called. No notice of any adjourned meeting of the shareholders of the corporation shall be required to be given, except by announcement at the meeting. In case of any meeting called for the election of directors, those who attend the second of such adjourned meetings, although less than a quorum, shall nevertheless constitute a quorum for the purpose of electing directors. Any meeting at which directors are to be elected shall be adjourned only from day to day, or for such longer periods not exceeding 15 days each, as may be directed by shareholders who are present in person or by proxy and who are entitled to cast at least a majority of the vote which all such shareholders would be entitled to cast at an election of directors, until such directors are,

Except as otherwise specified in the articles or these by-laws or provided by statute, the acts, at a duly organized meeting, of the shareholders present, in person or by proxy, entitled to cast at least a majority of the votes which all shareholders present in person or by proxy are entitled to cast shall be the acts of the shareholders.

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Section 2.06. Organization. At every meeting of the shareholders, the chairman of the board, if there be one, or in the case of vacancy in office or absence of the chairman of the board, one of the following officers present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a chairman chosen by the shareholders entitled to cast a majority of the votes which all shareholders present in person or by proxy are entitled to cast, shall act as chairman, and the secretary, or, in the absence of the secretary, an assistant secretary, or in the absence of both the secretary and assistant secretaries, a person appointed by the chairman, shall act as secretary.

Section 2.07. Voting.

(a) Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for the shareholder by proxy.

(b) Every proxy shall be executed or authenticated by the shareholder or by the duly authorized attorney-in-fact of the shareholder and filed with or transmitted to the secretary of the corporation or its designated agent. A shareholder or his or her duly authorized attorney-in fact may execute or authenticate a writing or transmit an electronic message authorizing another person to act for such shareholder by proxy. A telegram, telex, cablegram, datagram, email, Internet communication or other means of electronic transmission from a shareholder or attorney-in-fact, or a photographic, facsimile or similar reproduction of a writing executed by a shareholder or attorney-in-fact:

(1) may be treated as properly executed or authenticated for purposes of this subsection; and

(2) shall be so treated if it sets forth or utilizes a confidential and unique identification number or other mark furnished by the corporation to the shareholder for the purposes of a particular meeting or transaction.

(c) A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until notice thereof has been given to the secretary of the corporation. No unrevoked proxy shall be valid after 11 months from the date of its execution, unless a longer time is expressly provided therein, but in no event shall any proxy, unless coupled with an interest, be voted on after three years from the date of its execution. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of such death or incapacity is given to the secretary of the corporation. A shareholder shall not sell a vote or execute a proxy to any person for any sum of money or anything of value. A proxy coupled with an interest shall include an unrevoked proxy in favor of a creditor of a shareholder and such proxy shall be valid as long as the debt owed by the shareholder to the creditor remains unpaid.

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(d) Every shareholder of record except the holder of shares which have been called for redemption and with respect to which an irrevocable deposit of funds has been made, shall have the right, at every shareholders' meeting, to such a vote for every share, and to such a fraction of a vote with respect to every fractional share of stock in the corporation standing in such shareholder's name on the books of the corporation as may be provided in the articles, and to one vote for every share, and to a fraction of a vote equal to every fractional share, if no express provision for voting rights is made in the articles. Treasury shares shall not be voted, directly or indirectly, at any meeting of shareholders or be counted in connection with the expression of consent or dissent to corporate action in writing without a meeting.

Section 2.08. Voting Lists. The officer or agent of the corporation having charge of the transfer books for shares of the corporation shall make, at least five days before each meeting of shareholders, a complete list of the shareholders entitled to vote at the meeting, arranged in alphabetical order, with the address of and the number of shares held by each, which list shall be kept on file at the registered office of the corporation, and shall be subject to inspection by any shareholder at any time during usual business hours. If the corporation has less than 5000 shareholders, such list shall also be produced and kept open at the time and place of the meeting, and shall be subject to the inspection of any shareholder during the whole time of the meeting. The original share ledger or transfer book, or a duplicate thereof, kept in Pennsylvania, shall be prima facie evidence as to who are the shareholders entitled to examine such list or share ledger or transfer book, or to vote, in person or by proxy, at any meeting of shareholders.

Section 2.09. Judges of Election. The vote upon any matter, including the election of directors, need not be by ballot. In advance of any meeting of shareholders the board of directors may appoint judges of election, who need not be shareholders, to act at such meeting or any adjournment thereof. If judges of election are not so appointed, the chairman of any such meeting may, and upon the demand of any shareholder or the shareholder's proxy at the meeting and before voting begins shall, appoint judges of election. The number of judges shall be either one or three, as determined in the case of judges appointed upon demand of a shareholder, by shareholders present entitled to cast a majority of the votes which all shareholders present are entitled to cast thereon. No person who is a candidate for office shall act as a judge. In case any person appointed as judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the board of directors, in advance of the convening of the meeting, or at the meeting by the chairman of the meeting.

If judges of election are appointed as aforesaid, they shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes, determine the result, and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. If there be three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

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On request of the Chairman of the meeting or of any shareholder or the shareholder's proxy, the judges shall make a report in writing of any challenge or question or matter determined by them and execute a certificate of any fact found by them.

Section 2.10. **Determination of Shareholders of Record.** The board of directors may fix a date, not more than 90 days preceding the date of any meeting of shareholders, or the date fixed for the payment of any dividend or distribution, or the date for the allotment of rights, or the date when any change or conversion or exchange of shares will be made or go into effect, as a record date for the determination of the shareholders entitled to notice of, or to vote at, any such meeting, or entitled to receive payment of any such dividend or distribution, or to receive any such allotment of rights or to exercise the rights in respect to any such change, conversion or exchange of shares; and in such case, if otherwise entitled, all shareholders of record on the date so fixes, and no others, shall be entitled to notice of, or to vote at, such meeting, or to receive payment of such dividend or distribution or to receive such allotment of rights, or exercise such rights as the case may be, notwithstanding any transfer of any shares on the books of the corporation after any such record date fixes as aforesaid.

Unless a record date is fixed by the board of directors for such purpose, transferees of shares which are transferred on the books within ten days next preceding the date of such meeting shall not be entitled to notice of, or to vote at, such meeting.

Section 2.11. **Consent of Shareholders in Lieu of Meeting.** Any action which may be taken at a meeting of the shareholders or of a class of shareholders of the corporation may be taken without a meeting if a consent or consents in writing, setting forth the action so taken, shall be signed by all the shareholders who would be entitled to vote at a meeting of the shareholders or of a class of shareholders for such purpose and shall be filed with the secretary of the corporation.

If the articles so provide any action (except any action with respect to an amendment of articles or plan under which a class or classes of shareholders are by statute entitled to claim the right to valuation of and payment for their shares) which may be taken at a meeting of shareholders or of a class of shareholders may be taken without a meeting, if a consent or consent in writing to such action, setting forth the action so taken, shall be signed by shareholders entitled to cast two-thirds of the total number of votes which all shareholders of the corporation or of a class of shareholders are entitled by the articles to cast upon such action and shall be filed within the secretary of the corporation. Such action shall not become effective until after at least ten days' written notice of such action shall have been given to each shareholder of record entitled to vote thereon.

**Section 2.12. Business to be Transacted at Shareholder Meetings.** No business may be transacted at an annual meeting of shareholders, other than business that is either (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the board of directors (or any duly authorized committee thereof), (b) otherwise properly brought before the annual meeting by or at the direction of the board of directors (or any duly authorized committee thereof) or (c) otherwise properly brought before the annual meeting by any shareholder of the corporation (i) who is a shareholder of record on the date of the giving of notice provided for in

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Section 2.12 and on the record date for the determination of shareholders entitled to vote at such annual meeting and (ii) who complies with the notice procedures set forth in this Section 2.12. In addition to any other applicable requirements, for business to be properly brought before an annual meeting by a shareholder, such shareholder must have given timely notice thereof in proper written form to the secretary of the corporation.

To be timely, a shareholder's notice must be delivered to or mailed and received at the principal executive offices of the corporation not less than 90 days nor more than 120 days prior to the anniversary date of the immediately preceding annual meeting of shareholders; provided, however, that in the event that the annual meeting is called for a date that is not within 30 days before or after such anniversary date, notice by the shareholder, in order to be timely, must be so received not later than the close of business on the tenth day following the day on which such notice of the date of the annual meeting was first mailed.

To be in proper written form, a shareholder's notice to the secretary must set forth as to each matter such shareholder proposes to bring before the annual meeting (i) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting, (ii) the name and record address of such shareholder, (iii) the class or series and number of shares of capital stock of the corporation which are owned beneficially or of record by such shareholder, (iv) a description of all arrangements or understandings between such shareholder and any other person or persons (including their names) in connection with the proposal of such business by such shareholder and any material interest of such shareholder in such business and (v) a representation that such shareholder intends to appear in person or by proxy at the annual meeting to bring such business before the meeting.

No business shall be conducted at the annual meeting of shareholders except business brought before the annual meeting in accordance with the procedures set forth in this Section 2.12; provided, however, that once business has been properly brought before the annual meeting in accordance with such procedures, nothing in this Section 2.12 shall be deemed to preclude discussion by any shareholder of any such business. If the chairman of an annual meeting determines that business was not properly brought before the annual meeting in accordance with the foregoing procedures, the chairman shall declare to the meeting that the business was not properly brought before the meeting and such business shall not be transacted.

At a special meeting of shareholders, only such business shall be conducted as shall have been set forth in the notice relating to the meeting. At any meeting, matters incident to the conduct of this meeting may be voted upon or otherwise disposed of as the presiding officer of the meeting shall determine to be appropriate.

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ARTICLE III

Board of Directors

Section 3.01. Powers; Personal Liability.

(a) The board of directors shall have full power to conduct, manage, and direct the business and affairs of the corporation; and all powers of the corporation, except those specifically reserved or granted to the shareholders by statute or by the articles or these by-laws, are hereby granted to and vested in the board of directors.

(b) A director of the corporation shall not be personally liable, as such, for monetary damages for any action taken, or any failure to take any action, unless the director has breached or failed to perform the duties of his or her office under 42 Pa.C.S. § 8363 and the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness. The provisions of this subsection shall not apply to the responsibility or liability of a director pursuant to any criminal statute or the liability of a director for the payment of taxes pursuant to local, state or federal law. The provisions of this subsection shall be effective January 27, 1987, but shall not apply to any action filed prior to that date nor to any breach of performance of duty or any failure of performance of duty by a director occurring prior to that date.

Section 3.02. Qualification and Election. All directors of the corporation shall be natural persons of full age, but need not be residents of Pennsylvania or shareholders in the corporation. Except in the case of vacancies, directors shall be elected by the shareholders. Upon the demand of any shareholder or the shareholder's proxy at any meeting of shareholders for the election of directors the chairman of the meeting shall call for and shall afford a reasonable opportunity for the making of nominations for the office of director. If the board of directors is classified with respect to the power to elect directors or with respect to the terms of directors and if, due to a vacancy or vacancies, or otherwise, directors of more than one class are to be elected, each class of directors to be elected at the meeting shall be nominated and elected separately. Any shareholder or the shareholder's proxy may nominate as many persons for the office of director as there are positions to be filled. If nominations for the office of director have been called for as herein provided only candidates who have been nominated in accordance therewith shall be eligible for election. The provisions of this Article III regarding the election and qualification of directors shall be subject to the provisions of a Purchase and Shareholder Agreement among SEI Corporation, the Sprout Investors and Alfred P. West, Jr. dated May 12, 1979 and the provisions of these By-laws shall apply only to the extent they are not inconsistent with said Purchase and Shareholders Agreement.

Unless the articles provided for straight voting, in all elections for directors every shareholder entitled to vote shall have the right to multiply the number of votes to which such shareholder may be entitled by the total number of directors to be elected in the same election by the holders of the class of shares of which his or her shares are a part, and may cast the whole number of such votes for one candidate or may distribute them among any two or more candidates. The candidates receiving the highest number of votes from each class or group of classes entitled to elect directors separately up to the number of directors to be elected in the same election by such class or group of classes shall be elected.



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Section 3.03. Number and Term of Office. The board of directors shall consist of such number of directors, not less than three nor more than nine, as may be determined from time to time by resolution adopted by a vote of three-quarters of the entire board of directors. The board of directors shall be divided into three classes, which shall be as nearly equal in number as possible. Each director shall serve for a term of three years and until a successor shall have been elected and qualified, except in the event of death, resignation or removal. The three initial classes shall serve as provided in the Articles of Incorporation. The number of directors shall never be less than three, except that if all the shares of the corporation are owned beneficially and of record by either one or two shareholders, the number of directors may be less than three but not less than the number of shareholders.

Section 3.04. Organization. At every meeting of the board of directors, the chairman of the board, if there be one, or, in the case of a vacancy in the office or absence of the chairman of the board, one of the following officers present in the order stated: the vice chairman of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a chairman chosen by a majority of the directors present, shall preside, and the secretary, or, in the absence of the secretary, an assistant secretary, or in the absence of the secretary and the assistant secretaries, any person appointed by the chairman of the meeting, shall act as secretary.

Section 3.05. Resignations. Any director of the corporation may resign at any time by giving written notice to the president or the secretary of the corporation. Such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.06. Vacancies. The board of directors may declare vacant the office of a director if such director be declared of unsound mind by an order of court, or convicted of felony, or for any other proper cause, or if within 60 days after notice of election, the director does not accept such office either in writing or by attending a meeting of the board of directors.

Any vacancy or vacancies in the board of directors because of death, resignation, removal, in any manner, other than under the provisions of Section 3.07 of this Article, disqualification, an increase in the number of directors, of any other cause, may be filled by a vote of the majority of the remaining members of the board of directors though less than a quorum, at any regular or special meeting; and the director or directors so elected shall hold office until the next election of the class for which such director shall have been elected and until a successor shall have been elected and qualified, or until death, resignation or removal.

Section 3.07. Removal. At any special meeting called for the purpose of removing or electing directors, the entire board of directors, or a class of the board where the board is classified with respect to the power to elect directors, or any individual director may be removed from office without assigning any cause as provided in the Articles of Incorporation. In case the board or such class of the board or any one or more directors be so removed, new directors may

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be elected at the same meeting. If shareholders are entitled to vote cumulatively for the board or a class of the board, no individual director shall be removed, unless the entire board or class of the board be removed, in case the votes of a sufficient number of shares are cast against the resolution for a removal, which, if cumulatively voted at an annual election of directors, would be sufficient to elect one more directors to the board or to the class.

Section 3.08. Place of Meeting. The board of directors may hold its meetings at such place or places within Pennsylvania, or elsewhere as the board of directors may from time to time appoint, or as may be designated in the notice calling the meeting.

Section 3.09. Organization Meeting. Immediately after each annual election of directors or other meeting at which the entire board of directors is elected, the newly elected board of directors shall meet for the purpose of organization, election of officers, and the transaction of other business, at the place where said election of directors was held. Notice of such meeting need not be given. Such organization meeting may be held at any other time or place which shall be specified in a notice given as thereafter provided for special meetings of the board of directors.

Section 3.10. Regular Meetings. Regular meetings of the board of directors shall be held at such time and place as shall be designated from time to time by resolution of the board of directors. If the date fixed for any such regular meeting be a legal holiday under the laws of the State where such meeting is to be held, then the same shall be held on the next succeeding business day, not a Saturday, or at such other time as may be determined by resolution of the board of directors. At such meetings, the directors shall transact such business as may properly be brought before the meeting. Notice of regular meetings need not be given.

Section 3.11. Special Meetings. Special meetings of the board of directors shall be held whenever called by the chairman of the board, president or by two or more of the directors. Notice of each such meeting shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone) or 48 hours (in the case of notice by telegram) or five days (in the case of notice by mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting.

Notice of any special meeting of the board of directors during any emergency resulting from warlike damage or an attack on the United States or any nuclear or atomic disaster shall be given only to such of the directors as it may be feasible to reach at the time and by such means as may be feasible at the time, including publication or radio.

Section 3.12. Quorum, Manner of Acting, and Adjournment. A majority of the directors in office shall be present at each meeting in order to constitute a quorum for the transaction of business. Except as otherwise specified in the articles or these by-laws or provided by statute, the acts of a majority of the directors present at a meeting at which a quorum is present shall be the acts of the board of directors. In the absence of quorum, a majority of the directors present may adjourn the meeting from time to time until a quorum be present, and no notice of any adjourned meeting need be given, other than by announcement at the meeting. The directors shall act only as a board and the individual directors shall have no power as such, provided, however, that any action which may be taken at a meeting of the board may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all of the directors and shall be filed with the secretary of the corporation.

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To the extent required to constitute a quorum at any meeting of the board of directors during any emergency resulting from warlike damage or an attack on the United States or any nuclear or atomic disaster the officers of the corporation who are present shall be deemed in order of rank and within the same rank in order of seniority, directors for such meeting.

Section 3.13. Executive and Other Committees. The board of directors, by resolution adopted by a majority of the whole board, may designate an Executive Committee, a Compensation Committee, an Audit Committee and one or more other committees, each committee to consist of two or more directors. The board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member of any meeting of the committee. In the absence or disqualification of a member, and the alternate or alternates, if any, designated for such member, of any committee the member or members thereof present at any meeting and not disqualified from voting, whether or not the member or members present constitute a quorum, may unanimously appoint another director to act at the meeting in the place of any such absent or disqualified member.

Except as otherwise provided in this section, the Executive Committee shall have and exercise all of the authority of the board in the management of the business and affairs of the corporation and any other committee shall have and exercise the authority of the board to the extent provided in the resolution designating the committee.

No such committee of the board shall have the authority of the board in reference to:

- (1) Amending the by-laws of the corporation;
- (2) Declaring any dividend;
- (3) Issuing any authorized but unissued share;
- (4) Establishing and designating any class or series of shares and fixing and determining the relative rights and preferences thereof, changing the registered office of the corporation, or otherwise effecting any amendment of articles of the corporation; or
- (5) Recommending to the shareholders any plan for the sale, lease or exchange of all or substantially all of the property and assets of the corporation, any amendment of articles, any plan of merger or consolidation, any voluntary dissolution of the corporation or any revocation of any election of the corporation to dissolve voluntarily.

In the case of the Executive Committee, all members of the directors in office designated to such committee, or directors designated to replace them as provided in this section shall be present at each meeting to constitute a quorum for the transaction of business and the acts of all, but not less than all of the directors in office designated to the Executive Committee or their replacements shall be the acts of such committee. In the case of all committees other than the

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Executive Committee, a majority of the directors in office designated to such committee, or directors designated to replace them as provided in this section, shall be present at each meeting to constitute a quorum for the transaction of business and the acts of a majority of the directors in office designated to such committee or their replacements shall be the acts of the committee.

Each committee shall keep regular minutes of its proceedings and report such proceedings periodically to the board of directors.

Unless otherwise provided in a resolution or charter approved by the board, Sections 3.10, 3.11 and 3.12 shall be applicable to each committee of the board of directors.

Subject to the foregoing limitations and provisions, the Executive Committee shall have and exercise the authority of the board set forth in this Section 3.14, and any other committee shall have and exercise the authority of the board to the extent provided in the resolution designating the committee or in the charter of such committee which has been approved by the board.

Section 3.14. Executive Committee. Except as otherwise provided in Section 3.13, the Executive Committee shall be composed of not less than three members of the board and shall have and exercise all of the authority of the board in the management of the business and affairs of the corporation.

Section 3.15. [Section Reserved]

Section 3.16. [Section Reserved]

Section 3.17. Interested Directors or Officers; Quorum. No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of its directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for such reason, or solely because the director or officer is present at or participates in the meeting of the board which authorizes the contract or transaction, or solely because his, her or their votes are counted for such purpose, if:

(a) The material facts as to such interest and as to the contract or transaction are disclosed or are known to the board of directors and the board in good faith authorizes the contract or transaction by a vote sufficient for such purpose without counting the vote of the interested director or directors; or

(b) The material facts as to such interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon, and the contract or transactions is specifically approved in good faith by vote of the shareholders; or

(c) The contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified, by the board of directors or the shareholders.

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Interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors which authorizes a contract or transaction specified in this section.

Section 3.18. Fees. Each director shall be paid such reasonable fee, if any, as shall be fixed by the board of directors for each meeting of the board of directors or committee of directors which such director shall attend and may be paid such other compensation for services as a director as may be fixed by the board of directors.

#### ARTICLE IV

##### Notice - Waivers - Meetings

Section 4.01. Notice, Manner of Giving and What Constitutes. Any notice required to be given to any person under the provisions of the Pennsylvania Business Corporation Law or by the articles or these bylaws, shall be given to the person either personally or by sending a copy thereof:

(1) By first class or express mail, postage prepaid, or courier service, charges prepaid, to his or her postal address appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. Notice pursuant to this clause (1) shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a courier service for delivery to that person.

(2) By facsimile transmission, e-mail or other electronic communication to his or her facsimile number or address for e-mail or other electronic communications supplied by him or her to the corporation for the purpose of notice. Notice pursuant to this clause (2) shall be deemed to have been given to the person entitled thereto when sent.

A notice of meeting shall specify the day, hour and geographic location, if any, of the meeting and any other information required by any other provision of the Pennsylvania Business Corporation Law, the articles or these bylaws.

Section 4.02. Waivers of Notice. Whenever any written notice is required to be given under the provisions of the articles, these by-laws, or the Business Corporation Law, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except in the case of a special meeting of shareholders, neither the business to be transacted at, nor the purpose of, the meeting need be specified in the waiver of notice of such meeting.

Attendance of a person, either in person or by proxy, at any meeting, shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called or convened.

Section 4.03. Conference Telephone Meetings. One or more directors or shareholders may participate in a meeting of the board, of a committee of the board or of the shareholders by

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means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

## ARTICLE V

### Officers

Section 5.01. Number, Qualifications and Designation. The officers of the corporation shall be a president, one or more vice presidents, a secretary, a treasurer, and such other officers as may be elected in accordance with the provisions of Section 5.03 of this Article. One person may hold more than one office. Officers may but need not be directors or shareholders of the corporation. The president and secretary shall be natural persons of full age; the treasurer, however may be a corporation, but if a natural person shall be of full age. The board of directors may elect from among the members of the board a chairman of the board and a vice chairman of the board who shall be officers of the corporation.

Section 5.02. Election and Term of Office. The officers of the corporation, except those elected by delegated authority pursuant to Section 5.03 of this Article, shall be elected annually by the board of directors, and each such officer shall hold office until the next annual organization meeting of directors and until a successor shall have been duly chosen and qualified, or until death, resignation, or removal.

Section 5.03. Subordinate Officers, Committees and Agents. The board of directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the corporation may require, including one or more assistant secretaries, and one or more assistant treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these by-laws, or as the board of directors may from time to time determine. The board of directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof, and to prescribe the authority and duties of such subordinate offices, committees, employees or other agents.

Section 5.04. Resignations. Any officer or agent may resign at any time by giving written notice to the chairman of the board, if any, the board of directors, or to the president or the secretary of the corporation. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5.05. Removal. Any officer, committee, employee or other agent of the corporation may be removed, either for or without cause, by the board of directors or other authority which elected or appointed such officer, committee or other agent whenever in the judgment of such authority the best interests of the corporation will be served thereby.

Section 5.06. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, shall be filled by the board of directors or by the officer of

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committee to which the power to fill such office has been delegated pursuant to Section 5.03 of this Article, as the case may be, and if the office is one for which these by-laws prescribe a term, shall be filled for the unexpired portion of the term.

Section 5.07. General Powers. All officers of the corporation as between themselves and the corporation, shall, respectively, have such authority and perform such duties in the management of the property and affairs of the corporation as may be determined by resolution of the board of directors, or in the absence of controlling provisions in a resolution of the board of directors, as may be provided in these by-laws.

Section 5.08. The Chairman and Vice Chairman of the Board. The chairman of the board or in the absence of the chairman, the vice chairman of the board, shall preside at all meetings of the shareholders and of the board of directors. The chairman of the board, if any, shall be the chief executive officer of the corporation and shall have general supervision over the business and operations of the corporation, subject, however, to the control of the board of directors, and shall have power to sign, execute and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the board of directors, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors or by these by-laws to some other officer or agent of the corporation; and, in general, shall perform all duties incident to the office of the chief executive officer, and such other duties as from time to time may be assigned to him by the board of directors.

Section 5.09. The President. The president shall be the chief administrative officer of the corporation and shall have general supervision over the operations of the corporation, subject, however, to the control of the chairman of the board and the board of directors, and, in the absence of the chairman of the board or in the event of the inability of the chairman of the board to act or in the event of a vacancy in the office of chairman of the board, shall perform the duties and shall have all the powers delegated to the chairman of the board pursuant to Section 5.08, except those delegated to the vice chairman of the board as to meetings of the board and shareholders. The president shall be empowered to sign, execute and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments, authorized by the board of directors, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors or by these by-laws to some other officer or agent of the corporation; and, in general, shall perform all duties incident to the office of chief administrative officer, and such other duties as from time to time may be assigned to him by the chairman of the board or by the board of directors.

Section 5.10. The Vice Presidents. The vice presidents shall perform the duties of the president in his absence and such other duties as may from time to time be assigned to them by the board of directors, the chairman of the board or by the president; provided, that if in electing any vice president the board of directors specifically describes his duties and authority then the powers of such vice president shall be limited to those duties and authority conferred upon him by the resolution electing him a vice president.

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Section 5.11. The Secretary. The secretary or an assistant secretary shall attend all meetings of the shareholders and of the board of directors and shall record all the votes of the shareholders and of the directors and the minutes of the meetings of the shareholders and of the board of directors and of committees of the board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the corporation as required by law; shall be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under its seal; and, in general, shall perform all duties incident to the office of secretary, and such other duties as may from time to time be assigned by the board of directors, the chairman of the board or the president.

Section 5.12. The Treasurer. The treasurer or an assistant treasurer shall have or provide for the custody of the funds or other property of the corporation and shall keep a separate book account of the same to his or her credit as treasurer; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the corporation; shall deposit all funds in his or her custody as treasurer in such banks or other places of deposit as the board of directors may from time to time designate; shall, whenever so required by the board of directors, render an account showing all transactions as treasurer, and the financial condition of the corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the board of directors, the chairman of the board or the president.

Section 5.13. Officers' Bonds. Any officer shall give a bond for the faithful discharge of the duties of the officer in such sum, if any, and with such surety or sureties as the board of directors shall require.

Section 5.14. [Section Reserved]

## ARTICLE VI

### Certificates of Stock, Transfer, Etc.

Section 6.01. Issuance. The share certificates of the corporation shall be numbered and registered in the share ledger and transfer books of the corporation as they are issued. They shall be signed by the president or a vice president and by the secretary or an assistant secretary or the treasurer or an assistant treasurer, and shall bear the corporate seal, which may be a facsimile, engraved or printed but where such certificate is signed by a transfer agent or a registrar the signature of any corporate officer upon such certificate may be a facsimile, engraved or printed. In case any officer who has signed, or whose facsimile signature has been placed upon any share certificate shall have ceased to be such officer because of death, resignation or otherwise, before the certificate is issued, it may be issued with the same effect as if the officer had not ceased to be such at the date of its issue. Share certificates also may bear a notice or restriction of transferability pursuant to any agreements between shareholders and the corporation.

Section 6.02. Transfer. Transfers of shares shall be made on the books of the corporation upon surrender of the certificates therefor, endorsed by the person named in the certificate or by attorney lawfully constituted in writing. No transfer shall be made inconsistent with the



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provisions of the Uniform Commercial Code, 12A P.S. §§8-101 et seq., and its amendments and supplements. No transfer shall be made in violation of any agreement between shareholders and the corporation, providing a reference to such agreement is made on the share certificate and the corporation is a party to the agreement in which case the terms and conditions contained in such agreement regarding the sale or other transfer of the shares be and are hereby incorporated herein.

Section 6.03. Share Certificates. Certificates for shares of the corporation shall be in such form as provided by statute and approved by the board of directors. The share record books and the blank share certificate books shall be kept by the secretary or by any agency designated by the board of directors for that purpose. Every certificate exchanged or returned to the corporation shall be marked "Cancelled", with the date of cancellation.

Section 6.04. Record Holder of Shares. The corporation shall be entitled to treat the person in whose name any share or shares of the corporation stand on the books of the corporation as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person.

Section 6.05. Lost, Destroyed or Mutilated Certificates. The holder of any shares of the corporation shall immediately notify the corporation of any loss, destruction or mutilation of the certificate therefor, and the board of directors may, in its discretion, cause a new certificate or certificates to be issued to such holder, in case of mutilation of the certificate, upon the surrender of the mutilated certificate, or, in case of loss or destruction of the certificate, upon satisfactory proof of such loss or destruction, and, if the board of directors shall so determine, the deposit of a bond in such form and in such sum, and with such surety or sureties, as it may direct.

Section 6.06. Rights Agreement; Transferability. Rights issued pursuant to the Rights Agreement, dated December 19, 1988, between the corporation and American Stock Transfer & Trust Company (the "Rights Agreement") may be transferred by an Acquiring Person or an Associate or Affiliate of an Acquiring Person (as such terms are defined in the Rights Agreement) only in accordance with the terms of, and subject to the restrictions contained in, the Rights Agreement.

## ARTICLE VII

### Indemnification of Directors, Officers, Etc.

#### Section 7.01. Scope of Indemnification.

(a) The corporation shall indemnify an indemnified representative against any liability incurred in connection with any proceeding in which the indemnified representative may be involved as a party or otherwise, by reason of the fact that such person is or was serving in an indemnified capacity, including without limitation liabilities resulting from any actual or alleged breach or neglect of duty, error, misstatement or misleading statement, negligence, gross negligence or act giving rise to strict or products liability, except where such indemnification is expressly prohibited by applicable law or where the conduct of the indemnified representative

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has been determined pursuant to Section 7.06 to constitute willful misconduct or recklessness within the meaning of 42 Pa.C.S. § 8365(b) or any superseding provision of law, sufficient in the circumstances to bar indemnification against liabilities arising from the conduct.

(b) If an indemnified representative is entitled to indemnification in respect of a portion, but not all, of any liabilities to which such person may be subject, the corporation shall indemnify such indemnified representative to the maximum extent for such portion of the liabilities.

(c) The termination of a proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the indemnified representative is not entitled to indemnification.

(d) For purposes of this Article:

(1) “indemnified capacity” means any and all past, present and future service by an indemnified representative in one or more capacities as a director, officer, employee or agent of the corporation, or, at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise;

(2) “indemnified representative” means any and all directors and officers of the corporation and any other person designated as an indemnified representative by the board of directors of the corporation (which may, but need not, include any person serving at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise);

(3) “liability” means any damage, judgment, amount paid in settlement, fine, penalty, punitive damages, excise tax assessed with respect to an employee benefit plan, or cost or expense of any nature (including, without limitation, attorneys’ fees and disbursements); and

(4) “proceeding” means any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the corporation, a class of its security holders or otherwise.

Section 7.02. Proceedings Initiated by Indemnified Representatives. Notwithstanding any other provision of this Article, the corporation shall not indemnify under this Article an indemnified representative for any liability incurred in a proceeding initiated (which shall not be deemed to include counter-claims or affirmative defenses) or participated in as an intervenor or amicus curiae by the person seeking indemnification unless such initiation of or participation in the proceeding is authorized, either before or after its commencement, by the affirmative vote of a majority of the directors in office. This section does not apply to reimbursement of expenses incurred in successfully prosecuting or defending an arbitration under Section 7.06 or otherwise-successfully prosecuting or defending the rights of an indemnified representative granted by or pursuant to this Article.

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Section 7.03. Advancing Expenses. The corporation shall pay the expenses (including attorneys' fees and disbursements) incurred in good faith by an indemnified representative in advance of the final disposition of a proceeding described in Section 7.01 or 7.02 upon receipt of an undertaking by or on behalf of the indemnified representative to repay such amount if it shall ultimately be determined pursuant to Section 7.06 that such person is not entitled to be indemnified by the corporation pursuant to this Article. The financial ability of an indemnified representative to repay an advance shall not be a prerequisite to the making of such advance.

Section 7.04. Securing of Indemnification Obligations. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the corporation may maintain insurance, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of the corporation, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the board of directors shall deem appropriate. Absent fraud, the determination of the board of directors with respect to such amounts, costs, terms and conditions shall be conclusive against all security holders, officers and directors and shall not be subject to voidability.

Section 7.05. Payment of Indemnification. An indemnified representative shall be entitled to indemnification within 30 days after a written request for indemnification has been delivered to the secretary of the corporation.

Section 7.06. Arbitration. Any dispute related to the right to indemnification, contribution or advancement of expenses as provided under this Article, except with respect to indemnification for liabilities arising under the Securities Act of 1933 which the corporation has undertaken to submit to a court for adjudication, shall be decided only by arbitration in the metropolitan area in which the principal executive offices of the corporation are located, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before a panel of three arbitrators, one of whom shall be selected by the corporation, the second of whom shall be selected by the indemnified representative and the third of whom shall be selected by the other two arbitrators. In the absence of the American Arbitration Association, or if for any reason arbitration under the arbitration rules of the American Arbitration Association cannot be initiated, or if one of the parties fails or refuses to select an arbitrator, or if the arbitrators selected by the corporation and the indemnified representative cannot agree on the selection of the third arbitrator within 30 days after such time as the corporation and the indemnified representative have each been notified of the selection of the other's arbitrator, the necessary arbitrator or arbitrators shall be selected by the presiding judge of the court of general jurisdiction in such metropolitan area. Each arbitrator selected as provided herein is required to be or have been a director or executive officer of a corporation whose shares of common stock were listed during at least one year of such service on the New York Stock Exchange or the American Stock Exchange or quoted on the National Association of Securities Dealers Automated Quotations System. The party or parties challenging the right of an indemnified representative to the benefits of this Article shall have the burden of proof. The corporation shall reimburse an indemnified representative for the expenses (including attorneys'

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fees and disbursements) incurred in successfully prosecuting or defending such arbitration. Any award entered by the arbitrators shall be final, binding and nonappealable and judgment may be entered thereon by any party in accordance with applicable law in any court of competent jurisdiction. This arbitration provision shall be specifically enforceable.

Section 7.07. Contribution. If the indemnification provided for in this Article or otherwise is unavailable for any reason in respect of any liability or provision thereof, the corporation shall contribute to the liabilities to which the indemnified representative may be subject, in such proportion as is appropriate to reflect the intent of this Article or otherwise.

Section 7.08. Discharge of Duty. An indemnified representative shall be deemed to have discharged such person's duty to the corporation if he or she has relied in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following:

(1) one or more officers or employees of the corporation whom the indemnified representative reasonably believes to be reliable and competent with respect to the matter presented;

(2) legal counsel, public accountants or other persons as to matters that the indemnified representative reasonably believes to be within the person's professional or expert competence; or

(3) a committee of the board of directors on which he or she does not serve as to matters within its area of designated authority, which committee he or she reasonably believes to merit confidence.

Section 7.09. Contract Rights: Amendment or Repeal. All rights to indemnification, contribution and advancement of expenses under this Article shall be deemed a contract between the corporation and the indemnified representative pursuant to which the corporation and each indemnified representative intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not affect any rights or obligations then existing.

Section 7.10. Scope of Articles. The rights granted by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification, contribution or advancement of expenses may be entitled under any statute, agreement, vote of shareholders or disinterested directors or otherwise, both as to action in an indemnified capacity and as to action in any other capacity. The indemnification, contribution and advancement of expenses provided by or granted pursuant to this Article shall continue as to a person who has ceased to be an indemnified representative in respect of matters arising prior to such time, and shall inure to the benefit of the heirs, executors, administrators and personal representatives of such a person.

Section 7.11. Reliance on Provisions. Each person who shall act as an indemnified representative of the corporation shall be deemed to be doing so in reliance upon the rights of indemnification, contribution and advancement of expenses provided by this Article.

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Section 7.12. Interpretation. The provisions of this Article have been approved and ratified by the shareholders of the corporation and are intended to constitute By-laws authorized by Section 410F of the Pennsylvania Business Corporation Law and 42 Pa.C.S. § 8365.

## ARTICLE VIII

### Miscellaneous

Section 8.01. Corporate Seal. The corporation shall have a corporate seal in the form of a circle containing the name of the corporation, the year of incorporation and such other details as may be approved by the board of directors.

Section 8.02. Checks. All checks, notes, bills of exchange or other orders in writing shall be signed by such person or persons as the board of directors may from time to time designate.

Section 8.03. Contracts. Except as otherwise provided in these by-laws, the board of directors may authorize any officer or officers, agent or agents, to enter into any contract or to execute or deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 8.04. Deposits. All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the board of directors may approve or designate, and all such funds shall be withdrawn only upon checks signed by such one or more officers or employees as the board of directors shall from time to time determine.

Section 8.05. Reports. The board of directors shall present at the annual meeting of shareholders a report of the financial condition of the corporation as of the closing date of the preceding fiscal year. Such report shall be in such form as shall be approved by the board of directors and shall be available for the inspection of shareholders at the annual meeting, but the board of directors shall not be required to cause such report to be sent to the shareholders. The board of directors may, but shall not be required to, have such report prepared and verified by an independent certified public account or by a firm of practicing accountants.

Section 8.06. Corporate Records. There shall be kept at the registered office or principal place of business of the corporation an original or duplicate record of the proceedings of the shareholders and of the directors, and the original or a copy of the by-laws including all amendments or alterations thereto to date, certified by the secretary of the corporation. An original or duplicate share register shall also be kept at the registered office or principal place of business of the corporation, or at the office of a transfer agent or registrar, giving the names of the shareholders, their respective addresses and the number and class of shares held by each. The corporation shall also keep appropriate, complete and accurate books or records of account, which may be kept at its registered office or at its principal place of business.

Every shareholder shall, upon written demand under oath stating the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business,

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for any proper purpose, the share register, books or records of account, and records of the proceedings of the shareholders and directors, and make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to such person's interest as a shareholder. In every instance where an attorney or other agent shall be the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the shareholder. The demand under oath shall be directed to the corporation at its registered office in Pennsylvania or at its principal place of business. Where the shareholder seeks to inspect the books and records of the corporation, other than its share register or list of shareholders, the shareholder shall first establish (1) compliance with the provisions of this section respecting the form and manner of making demand for inspection of such document; and (2) that the inspection sought is for a proper purpose. Where the shareholder seeks to inspect the share register or list of shareholders of the corporation and has complied with the provisions of this section respecting the form and manner of making demand for inspection of such documents, the burden of proof shall be upon the corporation to establish that the inspection sought is for an improper purpose.

Section 8.07. Amendment of By-Laws. These by-laws may be amended or repealed, or new by-laws may be adopted, either (1) by vote of the shareholders as provided in the Articles of Incorporation, or (2) with respect to those matters which are not by statute reserved exclusively to the shareholders, by vote of a majority of the board of directors of the corporation in office at any regular or special meeting of directors. Such proposed amendment, repeal or new by-laws, or a summary thereof, shall be set forth in any notice of such meeting, whether annual, regular or special.

Section 8.08. Inconsistency Between By-laws and Articles of Incorporation. In the event of any inconsistency between the provisions of these by-laws and the provisions of the articles, the articles shall control.

## ARTICLE IX

### Inapplicability of Certain Sections of the Pennsylvania Business Corporation Law

Section 9.01. Effective December 23, 1983, Section 910 of the Pennsylvania Business Corporation Law (added by Pennsylvania Act No. 1983-92 enacted December 23, 1983) shall not be applicable to the corporation. This Article IX shall continue in effect until rescinded by an amendment to the Articles of Incorporation.

Section 9.02. Control-Share Acquisitions. Subchapter 25G (relating to control-share acquisitions) of 15 Pa.C.S. or any corresponding provision of succeeding law shall not be applicable to the corporation.

Section 9.03. Disgorgement. Subchapter 25H (relating to disgorgement by certain controlling shareholders following attempts to acquire control) of 15 Pa.C.S. or any corresponding provision of succeeding law shall not be applicable to the corporation.

SEI INVESTMENTS COMPANY  
EMPLOYEE STOCK PURCHASE PLAN  
(As Amended and Restated, Effective as of May 20, 2008)

ARTICLE I

INTRODUCTION

Section 1.1 Statement of Purpose. The purpose of the SEI Investments Company Employee Stock Purchase Plan is to provide eligible employees of SEI Investments Company and its participating subsidiaries who wish to become shareholders or to increase their share holdings, an opportunity to purchase common stock of SEI Investments Company. The Board of Directors of the Company believes that employee participation in ownership will be to the mutual benefit of both the employees and the Company. The Plan was approved by the Board of Directors and shareholders of the Company on February 9, 1981 and was amended and restated from time to time thereafter. On May 20, 2008, the Plan was again amended and thereafter restated as set forth herein, subject to approval of the Company's shareholders to the extent required by applicable law.

Section 1.2 Internal Revenue Code Considerations. The Plan is intended to qualify as an "employee stock purchase plan" within the meaning of Section 423 of the Internal Revenue Code of 1986, as amended.

ARTICLE II

DEFINITIONS

Section 2.1 "Administrative Committee," which may be referred to as the "Stock Purchase Plan Committee," means the committee appointed by the Board of Directors to administer this Plan, as provided in Section 6.3 hereof.

Section 2.2 "Board of Directors" means the Board of Directors of the Company.

Section 2.3 "Company" shall mean SEI Investments Company, a Pennsylvania corporation.

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Section 2.4 "Compensation" shall mean the regular salary, wages and commissions paid, during the period of reference, to an Employee by Employer, including the employee's elective contribution to deferral accounts under a Salary Reduction Agreement pursuant to a plan established under Section 401(k) of the Internal Revenue Code, but excluding bonuses, overtime payments, shift differential payments, expense reimbursements of all types, payments in lieu of expenses, Employer contributions to any qualified retirement plan or other program of deferred compensation, Employer contributions to Social Security, the costs paid by Employer in connection with fringe benefits (whether or not the Employee could have elected to receive cash in lieu of such benefits), and any amounts accrued for the benefit of Employee but not paid during the period of reference. Notwithstanding the foregoing, effective May 21, 1998, "Compensation" shall mean the wages and other compensation paid during the period of reference, to an Employee by the Employer, that is reported on Form W-2, and the Employee's elective contributions to deferral accounts under a Salary Reduction Agreement pursuant to a plan established under Section 401(k) or 125 of the Internal Revenue Code.

Section 2.5 "Effective Date" shall mean January 1, 1981.

Section 2.6 "Eligible Employee" shall mean each person who, on the first date of the Purchase Period meets all of the following requirements:

- (a) He/she is an Employee of Employer;
- (b) He/she is not deemed for purposes of Section 423(b)(3) of the Internal Revenue Code to own stock possessing five percent ( 5%) or more of the total combined voting power or value of all classes of Stock of Company or Employer.

Section 2.7 "Employee" shall mean each person employed by Employer whose customary employment is for more than twenty (20) hours per week and for more than five (5) months per year.

Section 2.8 "Employer" shall mean Company and each subsidiary of Company that, with the consent of the Board of Directors, has adopted this Plan.

Section 2.9 "Internal Revenue Code" shall mean the United States Internal Revenue Code of 1986, as the same is presently constituted and as it may hereafter be amended, and successor statutes of similar purpose.

Section 2.10 "Market Value" shall mean (i) if the principal trading market for the shares of Stock is a national securities exchange, the last reported sale price of the Stock on the relevant date or (if there were no trades on that date) the latest preceding date upon which a sale was reported, (ii) if the shares of Stock are not principally traded on such exchange, the mean between the last reported "bid" and "asked" prices of Stock on the relevant date, as reported on



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the OTC Bulletin Board, or (iii) if the shares of Stock are not publicly traded or, if publicly traded, is not so reported, the Market Value shall be as determined by the Administrative Committee.

Section 2.11 "Offering" shall mean the offering of shares of Stock under this Plan.

Section 2.12 "Offering Date" shall mean the last business day of each Purchase Period and shall be the date upon which all purchase privileges under this Plan are exercised with respect to each such Purchase Period.

Section 2.13 "Participant" shall mean each Employee who elects to participate in this Plan.

Section 2.14 "Plan" shall mean the SEI Investments Company Employee Stock Purchase Plan, as amended and restated as set forth herein, and as the same may hereafter be amended.

Section 2.15 "Plan Year" shall mean the twelve month period commencing each January 1 and ending on the following December 31.

Section 2.16 "Purchase Agreement" shall mean the document prescribed by the Administrative Committee pursuant to which an Eligible Employee has enrolled to be a Participant in this Plan.

Section 2.17 "Purchase Period" shall mean the period beginning on the first day of the calendar month next following the occurrence of an Offering Date and ending on the last business day of such calendar month.

Section 2.18 "Stock" shall mean the common stock, par value \$.01, of SEI Investments Company.

Section 2.19 "Stock Purchase Account" shall mean a non-interest bearing account consisting of all amounts withheld from the Employee's compensation (or otherwise paid into the Plan) for the purpose of purchasing shares of Stock under this Plan, reduced by all amounts applied to the purchase of Stock under this Plan.

### ARTICLE III

#### ADMISSION TO PARTICIPATION

Section 3.1 Initial Participation. Any Eligible Employee may elect to be a Participant and may become a Participant by executing and filing with the Administrative Committee, within the timeframe established by the Committee, but in any event a reasonable time prior to an

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Offering Date, a Purchase Agreement on forms provided by the Administrative Committee. The effective date of an Eligible Employee's participation shall be the first day of the earliest Purchase Period for which it is reasonably possible for the Administrative Committee to effect such Employee's participation.

Section 3.2 Discontinuance of Participation. Any Participant may voluntarily withdraw from the Plan by filing a Notice of Withdrawal with the Administrative Committee within the timeframe established by the Committee but in any event within a reasonable time prior to an Offering Date. Within sixty (60) days after such withdrawal, there shall be paid to the Participant the amount, if any, standing to his/her credit in his/her Stock Purchase Account. Amounts paid to a Participant or former Participant pursuant to this Section 3.2 shall not be eligible for redeposit in the Participant's Stock Purchase Account in the event of the person's readmission to participation.

Section 3.3 Involuntary Withdrawal: Termination of Eligible Employee Status. If a Participant's continuous service terminates for any reason, or if a Participant ceases to be an Eligible Employee, the entire amount standing to the Participant's credit in his/her Stock Purchase Account on the effective date of such occurrence shall be used to purchase whole shares (and fractional shares) of Stock under this Plan as of the next succeeding Offering Date, and any balance, if any, thereafter remaining to his/her credit in his/her Stock Purchase Account shall be refunded to him/her. Notwithstanding the foregoing, if the Plan is amended to provide Purchase Periods in excess of three (3) calendar months in duration, and if a Participant's continuous service is terminated for any reason three (3) months or more prior to the next succeeding Offering Date, the entire amount, if any, standing to his/her credit in that Stock Purchase Account shall be refunded to him/her.

Section 3.4 Readmission to Participation. Any Eligible Employee who has previously been a Participant, who has discontinued Participation (whether by interruption of continuous service or otherwise), and who wishes to be reinstated as a Participant may again become a participant by executing and filing with the Administrative Committee a new Purchase Agreement on forms provided by the Administrative Committee. Reinstatement to Participant status shall be effective as of the first day of the first Purchase Period reasonably possible following the date on which the Administrative Committee receives from the Eligible Employee the properly executed Purchase Agreement.

#### ARTICLE IV

##### STOCK PURCHASE

Section 4.1 Reservation of Shares. As of the Effective Date, one hundred thousand (100,000) shares of Stock were reserved for the Plan, subject to adjustment in accordance with the anti-dilution provisions hereinafter set forth. As of November 17, 1988, four hundred thousand (400,000) shares of Stock were reserved for the Plan, subject to adjustment as provided

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in the Plan. In 1993, the preceding four hundred thousand (400,000) share limit was adjusted to eight hundred thousand (800,000) shares of Stock to reflect a stock split. Except as provided in Section 4.2 hereof, the aggregate number of shares that may be purchased under the Plan shall not exceed the number of shares reserved for the Plan. Shares of Stock purchased from the Company under the Plan may be either authorized and unissued shares or shares reacquired by the Company and held in its treasury. Effective May 21, 1998, one million three hundred thousand (1,300,000) shares of Stock were reserved for the Plan, subject to adjustment as provided in the Plan.

Section 4.2 Limitation on Shares Available. The maximum number of shares of Stock that may be purchased for each Participant on an Offering Date is the lesser of (a) the number of whole shares (and fractional shares) of Stock that can be purchased by applying the full balance of his/her Stock Purchase Account (with such balance determined as of the close of business on the Offering Date of reference) to such purchase of shares at the Purchase Price (as hereinafter determined) or (b) the Participant's proportionate part of the maximum number of shares of Stock available within the limitation established by the maximum aggregate number of such shares reserved for this Plan, as stated in Section 4.1 hereof.

Notwithstanding the foregoing, if any person entitled to purchase shares pursuant to any offering hereunder would be deemed for the purposes of Section 423(b)(3) of the Internal Revenue Code to own stock (including any number of shares that such person would be entitled to purchase hereunder) possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company, the maximum number of shares that such person shall be entitled to purchase pursuant to the Plan shall be reduced to that number which, when added to the number of shares of Stock that such person is so deemed to own (excluding any number of shares that such person would be entitled to purchase hereunder), is one less share than the number of shares required to attain such five percent (5%) threshold. Any portion of a Participant's Stock Purchase Account that cannot be applied by reason of the foregoing limitation shall remain in the Participant's Stock Purchase Account for application to purchase Stock on the next Offering Date (unless withdrawn before that Offering Date).

Section 4.3 Purchase Price of Shares. The Purchase Price per share of the Stock sold to Participants pursuant to any Offering shall be eighty-five percent (85%) of the Market Value of such share on the Offering Date on which such Purchase Period expires. If the Offering Date with respect to the purchase of Stock is a day on which the Stock is selling ex-dividend but is on or before the record date for such dividend, then for Plan purposes the Purchase Price per share will be increased by an amount equal to the dividend per share. In no event shall the Purchase Price be less than the par value of the Stock. Notwithstanding the foregoing, the Purchase Price per fractional share of the Stock sold to Participants pursuant to any Offering shall be appropriately adjusted to reflect eighty-five percent (85%) of the Market Value of such fractional share of Stock on the Offering Date on which such Purchase Period expires.

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Section 4.4 Exercise of Purchase Privilege.

(a) Subject to the provisions of Section 4.2 above and of paragraph (b) of this Section 4.4, if at the close of business on any Offering Date there is standing to the credit of the Participant in his/her Stock Purchase Account an amount less than, equal to, or greater than, the Purchase Price of one share of Stock for the Offering that shall occur on such Offering Date, there shall be purchased for the Participant at such Purchase Price the largest number of whole shares (and fractional shares) of Stock as can be purchased with the amount then standing to the Participant's credit in his/her Stock Purchase Account. Each such purchase shall be deemed to have occurred on the Offering Date occurring at the close of the Purchase Period from which the purchase was made.

(b) Participant may not purchase shares of Stock having an aggregate Market Value of more than twenty-five thousand dollars (\$25,000), determined at the time of the Offering Date(s) for each calendar year in which one or more such Offering(s) is/are outstanding at any time, and a Participant may not purchase a share of Stock under any Offering after the Offering Date occurring on the last business day of the Purchase Period for such Offering.

Section 4.5 Establishment of Stock Purchase Account.

(a) Payroll Deductions. The Participant shall authorize payroll deductions from Compensation for the purposes of funding his/her Stock Purchase Account. In the Purchase Agreement, each Participant shall authorize a deduction from each payment of his/her Compensation during a Purchase Period, which deduction shall be stated as a fixed dollar amount or as a percentage of Compensation, whichever method shall be specified by the Administrative Committee. The amount of any deduction may not be less than one percent (1%) of the gross amount of such payment of Compensation, rounded to the nearest whole dollar amount.

The payroll deduction rate or amount may not be reduced or increased during any Purchase Period. However, a Participant may reduce or increase his/her payroll deduction rate or amount for any subsequent Offering by filing a notice thereof within the timeframe established by the Committee but in any event within a reasonable time prior to the first day of the Purchase Period on which such subsequent Offering commences; provided in the case of a reduction that such reduction shall not reduce the payroll deduction rate or amount below one percent (1%) of each payment of Compensation per pay period, unless the Participant discontinues participation under Section 3.2 of this Plan.

(b) Lump Sum Contributions. Participants may also make either lump sum cash payments or payments by check to their Stock Purchase Accounts subject to the following rules:

(i) Timing of Contributions.

(A) Participants at the time of their initial participation or readmission to participation pursuant to Section 3.1 or 3.4 hereof, respectively, may make lump sum contributions to their Stock Purchase Accounts as described herein.

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(B) Participants on whose behalf payroll deductions are being made for the purpose of funding their Stock Purchase Accounts may make an additional lump sum contribution to those Stock Purchase Accounts, in addition to or in lieu of their payroll deductions, during any Purchase Period as described herein.

(ii) *Contribution Limitations.* Notwithstanding the foregoing, only one such lump sum contribution shall be accepted from any Participant in each Purchase Period and such contribution shall be subject to a minimum of twenty-five dollars (\$25) per Purchase Period and, subject to the twenty-five thousand dollar (\$25,000) limit provided in Section 4.4(b), such lump sum contributions and any payroll deductions for any Plan Year shall in the aggregate be no more than a Participant's Compensation for the Plan Year.

Section 4.6 Payment for Stock. The Purchase Price for all shares of Stock purchased by any Participant under this Plan shall be paid out of the Participant's Stock Purchase Account. As of each Offering Date, the Participant's Stock Purchase Account shall be charged with the aggregate Purchase Price of the shares of Stock purchased by such Participant on the Offering Date. The remaining balance standing to the Participant's credit in his/her Stock Purchase Account, if any, shall remain credited to such Stock Purchase Account for the next succeeding Offering under the Plan. No interest shall be paid or payable with respect to any amount held in the Participant's Stock Purchase Account.

Section 4.7 Share Ownership: Issuance of Certificates.

(a) The shares purchased by a Participant on an Offering Date shall, for all purposes, be deemed to have been issued and/or sold at the close of business on such Offering Date. Prior to that time, none of the rights or privileges of a shareholder of the Company shall inure to the Participant with respect to such shares. All the shares of Stock purchased under the Plan shall be delivered by the Company in a manner as determined by the Administrative Committee.

(b) The Administrative Committee, in its sole discretion, may determine that the shares of Stock shall be delivered by the Company to the Participant by issuing and delivering a certificate for the number of shares of Stock purchased by a Participant on an Offering Date or during a Plan Year, or that the shares of Stock purchased by all Participants shall be delivered to a member of the National Association of Securities Dealers, as selected by the Administrative Committee from time to time, which shares shall be maintained by such

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member firm in separate brokerage accounts for each Participant. Each certificate or brokerage account, as the case may be, may be in the name of the Participant or, if he/she designates on his/her Stock Purchase Agreement, in his/her name jointly with his/her spouse, with right of survivorship. A Participant who is a resident of a jurisdiction that does not recognize such joint tenancy may have a certificate or brokerage account in his/her name as tenant in common with his/her spouse, without right of survivorship. Such designation may be changed by filing notice thereof. Notwithstanding the foregoing, if a Participant terminates (or has terminated) employment with the Company for any reason and the Administrative Committee has provided that such Participant's Stock be held in a brokerage account, as described above, prior to the Participant's termination of employment, the Administrative Committee shall provide such Participant with the opportunity to elect, in the form and manner prescribed by the Administrative Committee, to receive all of the Participant's whole shares of Stock held in the brokerage account. If the Participant does not elect to receive such Stock within sixty (60) days after notification of such right, the Administrative Committee shall establish a separate individual brokerage account for the Participant outside of the Plan, and the Participant shall bear all costs related to establishing and maintaining such brokerage account. In addition to the above, upon termination of a Participant's employment with the Company, the Participant shall receive a cash payment equal to the Market Value on the date of the Participant's termination of employment with the Company of any fractional share of Stock held under the Plan on the Participant's behalf, as soon as administratively practicable after the Participant's termination of employment.

(c) In addition to any restrictions or limitations on the resale of Stock purchased under the Plan set forth hereunder, the Administrative Committee, in its sole discretion, may impose such restrictions or limitations, as it shall determine, on the resale of Stock, the issuance of individual stock certificates or withdrawal from any brokerage accounts established for a Participant pursuant to the terms hereof.

(d) Any dividend payable with respect to whole or fractional shares of the Stock credited to a brokerage account of a Participant established pursuant to Section 4.7(b) hereof will be reinvested in shares of Stock and credited to such Participant's account. Such reinvestment shall be made based on the Market Value of the Stock at the date of the reinvestment, with no discount from Market Value.

(e) Notwithstanding the foregoing, with respect to any Offering Date that occurs on or after May 20, 2008, all stock certificates representing shares of Stock purchased by Participants shall be held in escrow by the Company and shall not be transferred to such Participants or a brokerage account for such Participants until the shareholders have approved the Plan, as amended and restated effective May 20, 2008.

Section 4.8 Restrictions on Stock Resale. It is the purpose of the Plan to facilitate Eligible Employees in becoming shareholders in the Company. In furtherance of this purpose, the Administrative Committee has determined that under normal circumstances Stock purchased

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under the Plan should be held as a long-term investment by Employees. Accordingly, a Participant who is employed by the Company may not withdraw shares of such Stock from any brokerage account established pursuant to Section 4.7(b) or sell any shares of such Stock, prior to the first anniversary of the Offering Date on which the shares were purchased. After the first anniversary of the Offering Date for shares of Stock, the Participant may request a withdrawal of those shares or order the sale of those shares at any time by making a request in such form and at such time as the Administrative Committee shall prescribe.

## ARTICLE V

### SPECIAL ADJUSTMENTS

Section 5.1 Shares Unavailable. If, on any Offering Date, the aggregate funds available for the purchase of Stock would purchase a number of shares in excess of the number of shares then available for purchase under the Plan, the following events shall occur:

- (a) The number of shares that would otherwise be purchased by each Participant shall be proportionately reduced on the Offering Date in order to eliminate such excess;
- (b) The Plan shall automatically terminate immediately after the Offering Date as of which the supply of available shares is exhausted; and
- (c) Any amount remaining in the Stock Purchase Accounts of each of the Participants shall be repaid to such Participants.

Section 5.2 Anti-Dilution Provisions. The aggregate number of shares of Stock reserved for purchase under the Plan, as hereinabove provided, and the calculation of the Purchase Price per share shall be equitably adjusted by the Administrative Committee in any manner in which the Committee deems appropriate to reflect any change in, reclassification of, subdivision of, combination of, split-up or spin off with respect to, stock dividend on, exchange of, or other increase or decrease in the number of issued shares of Stock.

Section 5.3 Effect of Certain Transactions. Subject to any required action by the shareholders, if the Company shall be the surviving or resulting corporation in any merger or consolidation, any Offering hereunder shall pertain to and apply to the shares of stock of the Company. However, in the event of a dissolution or liquidation of the Company, or of a merger or consolidation in which the Company is not the surviving or resulting corporation, this Plan and any Offering hereunder shall terminate upon the effective date of such dissolution, liquidation, merger, or consolidation, and the balance then standing to the credit of each Participant in his/her Stock Purchase Account shall be returned to him/her.

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ARTICLE VI

MISCELLANEOUS

Section 6.1 Non-Alienation. The right to purchase shares of Stock under this Plan is personal to the Participant, is exercisable only by the Participant during his/her lifetime except as hereinafter set forth, and may not be assigned or otherwise transferred by the Participant. Notwithstanding the foregoing, there shall be delivered to the executor, administrator or other personal representative of a deceased Participant such shares of Stock and such residual balance as may remain in the Participant's Stock Purchase Account as of the Offering Date occurring at the close of the Purchase Period in which the Participant's death occurs, including shares of Stock purchased by the Participant and/or withheld from the Participant's compensation.

Section 6.2 Administrative Costs. The Company shall pay all administrative expenses associated with the operation of this Plan. No administrative charges shall be levied against the Stock Purchase Accounts of the Participants.

Section 6.3 Administrative Committee. The Board of Directors shall appoint an Administrative Committee (which may be referred to as the "Stock Purchase Plan Committee"), which shall have the authority and power to administer the Plan and to make, adopt, construe, and enforce rules and regulations not inconsistent with the provisions of the Plan. The Administrative Committee shall adopt and prescribe the contents of all forms required in connection with the administration of this Plan, including, but not limited to, the Purchase Agreement, payroll withholding authorizations, withdrawal documents, and all other notices required hereunder. The Administrative Committee's interpretations and decisions in respect of this Plan, the rules and regulations pursuant to which it is operated, and the rights of Participants hereunder shall be final and conclusive.

Section 6.4 Amendment of the Plan. The Board of Directors may, at any time and from time to time, amend the Plan in any respect, except that no amendment may

- (a) except as provided in Section 5.2 hereof, increase the number of shares reserved for purposes of this Plan; or
- (b) allow any person who is not an Eligible Employee to become a Participant;

without the approval of the shareholders, nor may any amendment provide for (i) Purchase Periods shorter in duration than one (1) calendar month nor longer in duration than twelve (12) calendar months (treating as a calendar month any month commencing on the first day thereof and ending on either the last day thereof or the last business day thereof) or (ii) overlapping Purchase Periods.



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Section 6.5 Expiration and Termination of the Plan. The Plan shall continue in effect through the date when all of the shares of Stock reserved for issuance under the Plan pursuant to Section 4.1 have been issued, unless terminated prior thereto pursuant to the provisions of this Plan or pursuant to action by the Board of Directors, which shall have the right to terminate the Plan at any time without prior notice to any Participant. Upon the expiration or termination of this Plan, the balance, if any, then standing to the credit of each Participant in his/her Stock Purchase Account shall be refunded to him/her.

Section 6.6 Repurchase of Stock. The Company shall not be required to purchase or repurchase from any Participant any of the shares of Stock that the Participant acquired under this Plan.

Section 6.7 Notice. A Purchase Agreement and any notice that a Participant files pursuant to the Plan shall be on the form prescribed by the Administrative Committee and shall be effective only when received by the Administrative Committee. Delivery of such forms may be made by hand or by certified mail, sent postage prepaid, to SEI Investments Company, **One Freedom Valley Drive, Oaks, Pennsylvania 19456**, Attention: Stock Purchase Plan Committee.

Section 6.8 Withholding of Taxes; Notification of Transfer.

(a) All acquisitions and sales of shares of Stock under the Plan shall be subject to applicable federal (including FICA), state and local tax withholding requirements if the Internal Revenue Service or other taxing authority requires such withholding. The Company may require that Participants pay to the Company (or make other arrangements satisfactory to the Company for the payment of) the amount of any federal, state or local taxes that the Company is required to withhold with respect to the purchase of shares of Stock or the sale of shares of Stock acquired under the Plan, or the Company may deduct from the Participant's wages or other compensation the amount of any withholding taxes due with respect to the purchase of shares of Stock or the sale of shares of Stock acquired under the Plan.

(b) A Participant shall be required to advise the Committee immediately if the Participant transfers (by sale, gift or other manner) any shares of Stock acquired under the Plan within two years after the beginning of the Purchase Period in which the Stock is purchased.

Section 6.9 Government Regulation. The Company's obligation to sell and to deliver the Stock under the Plan is at all times subject to compliance with all laws and administrative regulations pertaining to the authorization, issuance, sale, or delivery of such stock, including state and federal securities laws and the regulations of any securities exchange, if applicable.

Section 6.10 Headings, Captions, Gender. The headings and captions herein are for convenience of reference only and shall not be considered as a part of the text.

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Section 6.11 Severability of Provisions: Prevailing Law. The provisions of this Plan shall be deemed severable. In the event any such provision is determined to be unlawful or unenforceable by a court of competent jurisdiction or by reason of a change in an applicable statute, the Plan shall continue to exist as though such provisions had never been included therein. This Plan shall be governed by the laws of the Commonwealth of Pennsylvania, to the extent such laws are not in conflict with or superseded by federal law.

Section 6.12 Eligible Employees Subject to Taxation Outside the United States. With respect to any Eligible Employee who is subject to taxation in countries other than the United States, in order to comply with the laws of the applicable countries, the Administrative Committee may adopt such rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures and adopt supplans and make such modifications that are outside the scope of Section 423 of the Internal Revenue Code as may be necessary or advisable to comply with such local laws and procedures with respect to such Eligible Employees.

**AMENDMENT NO. 8  
TO  
CAPITAL SUPPORT AGREEMENT**

THIS AMENDMENT NO. 8 (the "Amendment") to the Capital Support Agreement, effective as of the 18th day of June 2008 (the "Amendment Effective Date"), between SEI Liquid Asset Trust (the "Trust") on behalf of its Prime Obligation Fund (the "Fund") and SEI Investments Company (the "Support Provider").

WHEREAS :

1. The parties hereto entered into a Capital Support Agreement, dated as of December 3, 2007, and amended February 15, 2008, March 5, 2008, March 10, 2008, March 24, 2008, March 26, 2008, March 31, 2008 and April 17, 2008 (the "Agreement"); and
2. The parties hereto desire to amend the Agreement on the terms and subject to the conditions provided herein.

NOW THEREFORE, in consideration of the premises, covenants, representations and warranties contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

1. Unless otherwise expressly provided herein, capitalized terms shall have the meanings assigned to them in the Agreement.
2. Section 1(g) of the Agreement is hereby deleted in its entirety and replaced as set forth below:  
"Maximum Contribution Amount" means twelve million five hundred thousand dollars (\$12,500,000).
3. Section 1(n) is hereby deleted in its entirety and replaced as set forth below:  
"Segregated Account" means an account established by the Support Provider for the benefit of the Fund at a bank which is a qualified custodian under the 1940 Act, which may be an interest-bearing account and/or which account's assets may be invested into money market instruments, and which during the term of the Agreement (i) shall hold cash or cash equivalent securities in an amount equal to nine million five hundred thousand dollars (\$9,500,000), and (ii) the assets of which shall be available to the Fund by means of ACH transfer initiated by the Fund without the requirement of further action or consent by the Support Provider; provided, however, that the amount required to be maintained in the Segregated Account may be reduced as set forth in Section 3 of the Agreement.

[Remainder of page left blank intentionally.]

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IN WITNESS WHEREOF, the parties caused this Amendment No. 8 to the Capital Support Agreement to be executed and to become effective as of the date first written above.

SEI INVESTMENTS COMPANY

By: /s/ Dennis J. McGonigle  
Name: Dennis J. McGonigle  
Title: Chief Financial Officer  
Date: June 18, 2008

ADDRESS FOR NOTICES:

One Freedom Valley Drive  
Oaks, PA 19456

SEI LIQUID ASSET TRUST on behalf of its  
PRIME OBLIGATION FUND

By: /s/ Timothy D. Barto  
Name: Timothy D. Barto  
Title: Vice President  
Date: June 18, 2008

ADDRESS FOR NOTICES:

One Freedom Valley Drive  
Oaks, PA 19456

**AMENDMENT NO. 9  
TO  
CAPITAL SUPPORT AGREEMENT**

THIS AMENDMENT NO. 9 (the "Amendment") to the Capital Support Agreement, effective as of the 22nd day of July 2008 (the "Amendment Effective Date"), between SEI Liquid Asset Trust (the "Trust") on behalf of its Prime Obligation Fund (the "Fund") and SEI Investments Company (the "Support Provider").

WHEREAS:

1. The parties hereto entered into a Capital Support Agreement, dated as of December 3, 2007, and amended February 15, 2008, March 5, 2008, March 10, 2008, March 24, 2008, March 26, 2008, March 31, 2008, April 17, 2008 and June 18, 2008 (the "Agreement"); and
2. The parties hereto desire to amend the Agreement on the terms and subject to the conditions provided herein.

NOW THEREFORE, in consideration of the premises, covenants, representations and warranties contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

1. Unless otherwise expressly provided herein, capitalized terms shall have the meanings assigned to them in the Agreement.
2. Section 1(g) of the Agreement is hereby deleted in its entirety and replaced as set forth below:

"Maximum Contribution Amount" means fifteen million dollars (\$15,000,000).

3. Section 1(n) is hereby deleted in its entirety and replaced as set forth below:

"Segregated Account" means an account established by the Support Provider for the benefit of the Fund at a bank which is a qualified custodian under the 1940 Act, which may be an interest-bearing account and/or which account's assets may be invested into money market instruments, and which during the term of the Agreement (i) shall hold cash or cash equivalent securities in an amount equal to twelve million dollars (\$12,000,000), and (ii) the assets of which shall be available to the Fund by means of ACH transfer initiated by the Fund without the requirement of further action or consent by the Support Provider; provided, however, that the amount required to be maintained in the Segregated Account may be reduced as set forth in Section 3 of the Agreement.

[Remainder of page left blank intentionally.]

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IN WITNESS WHEREOF, the parties caused this Amendment No. 9 to the Capital Support Agreement to be executed and to become effective as of the date first written above.

SEI INVESTMENTS COMPANY

By: /s/ Dennis J. McGonigle  
Name: Dennis J. McGonigle  
Title: Chief Financial Officer  
Date: July 22, 2008

ADDRESS FOR NOTICES:

One Freedom Valley Drive  
Oaks, PA 19456

SEI LIQUID ASSET TRUST on behalf of its  
PRIME OBLIGATION FUND

By: /s/ Timothy D. Barto  
Name: Timothy D. Barto  
Title: Vice President  
Date: July 22, 2008

ADDRESS FOR NOTICES:

One Freedom Valley Drive  
Oaks, PA 19456

**AMENDMENT NO. 10  
TO  
CAPITAL SUPPORT AGREEMENT**

THIS AMENDMENT NO. 10 (the "Amendment") to the Capital Support Agreement, effective as of the 28th day of July 2008 (the "Amendment Effective Date"), between SEI Liquid Asset Trust (the "Trust") on behalf of its Prime Obligation Fund (the "Fund") and SEI Investments Company (the "Support Provider").

WHEREAS:

1. The parties hereto entered into a Capital Support Agreement, dated as of December 3, 2007, and amended February 15, 2008, March 5, 2008, March 10, 2008, March 24, 2008, March 26, 2008, March 31, 2008, April 17, 2008, June 18, 2008 and July 22, 2008 (the "Agreement"); and
2. The parties hereto desire to amend the Agreement on the terms and subject to the conditions provided herein.

NOW THEREFORE, in consideration of the premises, covenants, representations and warranties contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

1. Unless otherwise expressly provided herein, capitalized terms shall have the meanings assigned to them in the Agreement.
2. Section 1(g) of the Agreement is hereby deleted in its entirety and replaced as set forth below:  
"Maximum Contribution Amount" means sixteen million five hundred thousand dollars (\$16,500,000).
3. Section 1(n) is hereby deleted in its entirety and replaced as set forth below:  
"Segregated Account" means an account established by the Support Provider for the benefit of the Fund at a bank which is a qualified custodian under the 1940 Act, which may be an interest-bearing account and/or which account's assets may be invested into money market instruments, and which during the term of the Agreement (i) shall hold cash or cash equivalent securities in an amount equal to thirteen million five hundred thousand dollars (\$13,500,000), and (ii) the assets of which shall be available to the Fund by means of ACH transfer initiated by the Fund without the requirement of further action or consent by the Support Provider; provided, however, that the amount required to be maintained in the Segregated Account may be reduced as set forth in Section 3 of the Agreement.

[Remainder of page left blank intentionally.]

IN WITNESS WHEREOF, the parties caused this Amendment No. 10 to the Capital Support Agreement to be executed and to become effective as of the date first written above.

SEI INVESTMENTS COMPANY

By: /s/ Dennis J. McGonigle  
Name: Dennis J. McGonigle  
Title: Chief Financial Officer  
Date: July 28, 2008

ADDRESS FOR NOTICES:

One Freedom Valley Drive  
Oaks, PA 19456

SEI LIQUID ASSET TRUST on behalf of its  
PRIME OBLIGATION FUND

By: /s/ Timothy D. Barto  
Name: Timothy D. Barto  
Title: Vice President  
Date: July 28, 2008

ADDRESS FOR NOTICES:

One Freedom Valley Drive  
Oaks, PA 19456



**AMENDMENT NO. 11  
TO  
CAPITAL SUPPORT AGREEMENT**

THIS AMENDMENT NO. 11 (the "Amendment") to the Capital Support Agreement, effective as of the 30th day of July 2008 (the "Amendment Effective Date"), between SEI Liquid Asset Trust (the "Trust") on behalf of its Prime Obligation Fund (the "Fund") and SEI Investments Company (the "Support Provider").

WHEREAS:

1. The parties hereto entered into a Capital Support Agreement, dated as of December 3, 2007, and amended February 15, 2008, March 5, 2008, March 10, 2008, March 24, 2008, March 26, 2008, March 31, 2008, April 17, 2008, June 18, 2008, July 22, 2008 and July 28, 2008 (the "Agreement"); and
2. The parties hereto desire to amend the Agreement on the terms and subject to the conditions provided herein.

NOW THEREFORE, in consideration of the premises, covenants, representations and warranties contained herein and intending to be legally bound hereby, the parties hereto agree as follows:

1. Unless otherwise expressly provided herein, capitalized terms shall have the meanings assigned to them in the Agreement.

2. Section 1(g) of the Agreement is hereby deleted in its entirety and replaced as set forth below:

"Maximum Contribution Amount" means twenty million dollars (\$20,000,000).

3. Section 1(n) is hereby deleted in its entirety and replaced as set forth below:

"Segregated Account" means an account established by the Support Provider for the benefit of the Fund at a bank which is a qualified custodian under the 1940 Act, which may be an interest-bearing account and/or which account's assets may be invested into money market instruments, and which during the term of the Agreement (i) shall hold cash or cash equivalent securities in an amount equal to seventeen million dollars (\$17,000,000), and (ii) the assets of which shall be available to the Fund by means of ACH transfer initiated by the Fund without the requirement of further action or consent by the Support Provider; provided, however, that the amount required to be maintained in the Segregated Account may be reduced as set forth in Section 3 of the Agreement.

[Remainder of page left blank intentionally.]

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IN WITNESS WHEREOF, the parties caused this Amendment No. 11 to the Capital Support Agreement to be executed and to become effective as of the date first written above.

SEI INVESTMENTS COMPANY

By: /s/ Dennis J. McGonigle  
Name: Dennis J. McGonigle  
Title: Chief Financial Officer  
Date: July 30, 2008

ADDRESS FOR NOTICES:

One Freedom Valley Drive  
Oaks, PA 19456

SEI LIQUID ASSET TRUST on behalf of its PRIME OBLIGATION FUND

By: /s/ Timothy D. Barto  
Name: Timothy D. Barto  
Title: Vice President  
Date: July 30, 2008

ADDRESS FOR NOTICES:

One Freedom Valley Drive  
Oaks, PA 19456

## CERTIFICATIONS

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

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

Date: July 31, 2008

/s/ Alfred P. West, Jr.  
\_\_\_\_\_  
Alfred P. West, Jr.  
Chairman and Chief Executive Officer

## CERTIFICATIONS

I, Dennis J. McGonigle, certify that:

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

Date: July 31, 2008

/s/ Dennis J. McGonigle

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Dennis J. McGonigle  
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

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

(1) The Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008 (the "Form 10-Q") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

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

Date: July 31, 2008

Date: July 31, 2008

/s/ Alfred P. West, Jr.

/s/ Dennis J. McGonigle

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

Dennis J. McGonigle  
Chief Financial Officer

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