

SEI CORP  
Form 10-Q/A  
May 30, 2003

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# SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM 10-Q/A

(Amendment No. 1)

(Mark One)\*

☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended March 31, 2003 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)

Pennsylvania  
(State or other jurisdiction of

23-1707341  
(IRS Employer

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incorporation or organization)

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)

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 an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). 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 April 30, 2003: 104,794,110 shares of common stock, par value \$.01 per share.

**EXPLANATORY NOTE**

This Amendment No. 1 to the quarterly report on Form 10-Q/A (this Amendment) is being filed to amend the quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2003 previously filed with the Commission by SEI Investments Company on May 14, 2003 (the Prior Report) in order to correct an inadvertent error contained in the Consolidated Balance Sheet included in Item 1 of the Prior Report. Specifically, the amounts for Property and Equipment at March 31, 2003 and at December 31, 2002 in the Consolidated Balance Sheet were transposed. As reflected in this Amendment, the correct amount for Property and Equipment at March 31, 2003 is \$104,926,000 and at December 31, 2002 is \$104,258,000.

**PART I. FINANCIAL INFORMATION****Item 1. Consolidated Financial Statements****SEI Investments Company****Consolidated Balance Sheets**

(unaudited)

(In thousands)

|                                                                                                     | <u>March 31, 2003</u> | <u>December 31, 2002</u> |
|-----------------------------------------------------------------------------------------------------|-----------------------|--------------------------|
| <u>Assets</u>                                                                                       |                       |                          |
| Current Assets:                                                                                     |                       |                          |
| Cash and cash equivalents                                                                           | \$ 144,836            | \$ 165,724               |
| Restricted cash                                                                                     | 10,000                | 10,000                   |
| Receivables from regulated investment companies                                                     | 22,261                | 22,588                   |
| Receivables, net of allowance for doubtful accounts of \$1,700                                      | 62,209                | 52,054                   |
| Deferred income taxes                                                                               | 8,225                 | 3,526                    |
| Prepaid expenses and other current assets                                                           | 4,371                 | 7,543                    |
| Total Current Assets                                                                                | 251,902               | 261,435                  |
| Property and Equipment, net of accumulated depreciation and amortization of \$115,137 and \$111,210 | 104,926               | 104,258                  |
| Capitalized Software, net of accumulated amortization of \$15,637 and \$15,204                      | 12,708                | 12,596                   |
| Investments Available for Sale                                                                      | 60,741                | 62,433                   |
| Other Assets, net                                                                                   | 22,390                | 23,425                   |

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|              |            |            |
|--------------|------------|------------|
| Total Assets | \$ 452,667 | \$ 464,147 |
|--------------|------------|------------|

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

**SEI Investments Company**

**Consolidated Balance Sheets**

(unaudited)

(In thousands, except par value)

|                                                                                                             | <b><u>March 31, 2003</u></b> | <b><u>December 31, 2002</u></b> |
|-------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------|
| <b><u>Liabilities and Shareholders' Equity</u></b>                                                          |                              |                                 |
| Current Liabilities:                                                                                        |                              |                                 |
| Current portion of long-term debt                                                                           | \$ 9,556                     | \$ 9,556                        |
| Accounts payable                                                                                            | 2,863                        | 4,058                           |
| Accrued expenses                                                                                            | 110,236                      | 119,427                         |
| Deferred revenue                                                                                            | 2,711                        | 1,206                           |
|                                                                                                             | <u>125,366</u>               | <u>134,247</u>                  |
| Total Current Liabilities                                                                                   |                              |                                 |
| Long-term Debt                                                                                              | 28,111                       | 33,500                          |
|                                                                                                             | <u>6,366</u>                 | <u>6,393</u>                    |
| Deferred Income Taxes                                                                                       |                              |                                 |
| Shareholders' Equity:                                                                                       |                              |                                 |
| Common stock, \$.01 par value, 750,000 shares authorized; 105,017 and 106,184 shares issued and outstanding | 1,050                        | 1,062                           |
| Capital in excess of par value                                                                              | 220,094                      | 216,284                         |
| Retained earnings                                                                                           | 73,397                       | 74,019                          |
| Accumulated other comprehensive losses                                                                      | (1,717)                      | (1,358)                         |
|                                                                                                             | <u>292,824</u>               | <u>290,007</u>                  |
| Total Shareholders' Equity                                                                                  |                              |                                 |
| Total Liabilities and Shareholders' Equity                                                                  | \$ 452,667                   | \$ 464,147                      |

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

**SEI Investments Company****Consolidated Statements of Income**

(unaudited)

*(In thousands, except per share data)*

|                                                                                                                                       | <b>Three Months Ended March 31,</b> |             |
|---------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-------------|
|                                                                                                                                       | <b>2003</b>                         | <b>2002</b> |
| Revenues                                                                                                                              | \$ 150,605                          | \$ 159,215  |
| Expenses:                                                                                                                             |                                     |             |
| Operating and development                                                                                                             | 66,552                              | 68,736      |
| Sales and marketing                                                                                                                   | 26,889                              | 34,148      |
| General and administrative                                                                                                            | 5,651                               | 5,709       |
| Income from operations                                                                                                                | 51,513                              | 50,622      |
| Equity in the earnings of unconsolidated affiliate                                                                                    | 3,614                               | 2,679       |
| Net loss from investments                                                                                                             | (106)                               |             |
| Interest income                                                                                                                       | 1,242                               | 1,150       |
| Interest expense                                                                                                                      | (568)                               | (481)       |
| Income before income taxes                                                                                                            | 55,695                              | 53,970      |
| Income taxes                                                                                                                          | 20,607                              | 19,969      |
| Net income                                                                                                                            | 35,088                              | 34,001      |
| Other comprehensive (loss) income, net of tax:                                                                                        |                                     |             |
| Foreign currency translation adjustments                                                                                              | (18)                                | (381)       |
| Unrealized holding (loss) gain on investments,                                                                                        |                                     |             |
| Unrealized holding (losses) gains during the period net of income tax (benefit) expense of \$(441) and \$306                          | (807)                               | 803         |
| Less: reclassification adjustment for losses (gains) realized in net income, net of income tax benefit (expense) of \$274 and \$(140) | 466                                 | (239)       |
| Other comprehensive (loss) income                                                                                                     | (359)                               | 183         |
| Comprehensive income                                                                                                                  | \$ 34,729                           | \$ 34,184   |
| Basic earnings per common share                                                                                                       | \$ .33                              | \$ .31      |
| Diluted earnings per common share                                                                                                     | \$ .32                              | \$ .30      |

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



**SEI Investments Company****Consolidated Statements of Cash Flows**

(unaudited)

(In thousands)

|                                                                                   | <b>Three Months Ended March 31,</b> |             |
|-----------------------------------------------------------------------------------|-------------------------------------|-------------|
|                                                                                   | <b>2003</b>                         | <b>2002</b> |
| Cash flows from operating activities:                                             |                                     |             |
| Net income                                                                        | \$ 35,088                           | \$ 34,001   |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                     |             |
| Depreciation and amortization                                                     | 4,380                               | 4,433       |
| Undistributed equity in the earnings of unconsolidated affiliate                  | (294)                               | (334)       |
| Tax benefit on stock options exercised                                            | 2,248                               | 6,771       |
| Other                                                                             | 37                                  | (3,036)     |
| Change in current assets and liabilities:                                         |                                     |             |
| Decrease (increase) in                                                            |                                     |             |
| Receivables from regulated investment companies                                   | 327                                 | 1,314       |
| Receivables                                                                       | (10,155)                            | (6,781)     |
| Prepaid expenses and other current assets                                         | (682)                               | (1,035)     |
| Increase (decrease) in                                                            |                                     |             |
| Accounts payable                                                                  | (1,195)                             | (1,198)     |
| Accrued expenses                                                                  | (2,817)                             | (5,689)     |
| Deferred revenue                                                                  | 1,505                               | (766)       |
| Net cash provided by operating activities                                         | 28,442                              | 27,680      |
| Cash flows from investing activities:                                             |                                     |             |
| Additions to property and equipment                                               | (4,556)                             | (9,601)     |
| Additions to capitalized software                                                 | (545)                               |             |
| Purchase of investments available for sale                                        | (620)                               | (6,564)     |
| Sale of investments available for sale                                            | 2,187                               | 6,065       |
| Other                                                                             | 127                                 | 132         |
| Net cash used in investing activities                                             | (3,407)                             | (9,968)     |
| Cash flows from financing activities:                                             |                                     |             |
| Payment on long-term debt                                                         | (5,389)                             | (3,388)     |
| Purchase and retirement of common stock                                           | (38,954)                            | (164)       |
| Proceeds from issuance of common stock                                            | 4,794                               | 4,119       |
| Payment of dividends                                                              | (6,374)                             | (5,460)     |
| Net cash used in financing activities                                             | (45,923)                            | (4,893)     |
| Net (decrease) increase in cash and cash equivalents                              | (20,888)                            | 12,819      |
| Cash and cash equivalents, beginning of period                                    | 165,724                             | 163,685     |
| Cash and cash equivalents, end of period                                          | \$ 144,836                          | \$ 176,504  |

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

**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) is organized around its five primary target markets: Private Banking & Trust, Investment Advisors, Enterprises, Money Managers, and Investments in New Businesses. Private Banking & Trust provides investment processing solutions, fund processing solutions and investment management programs to banks and private trust companies. Investment Advisors provides investment management programs and investment processing solutions to affluent investors through a network of financial intermediaries, independent investment advisors and other investment professionals. Enterprises provide retirement and treasury business solutions for corporations, unions, foundations and endowments, and other institutional investors. Money Managers provides investment solutions to U.S. investment managers, mutual fund companies and alternative investment managers worldwide. Investments in New Businesses include the Company's global asset management businesses as well as initiatives into new U.S. markets.

Summary Financial Information and Results of Operations

In the opinion of the Company, the accompanying unaudited Consolidated Financial Statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position as of March 31, 2003 and the results of operations and cash flows for the three months ended March 31, 2003 and 2002.

Interim Financial Information

While the Company believes that the disclosures presented are adequate to make the information not misleading, these Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in the Company's latest annual report on Form 10-K.

Principles of Consolidation

The Consolidated Financial Statements include the accounts of the Company and its wholly owned subsidiaries. The Company's principal subsidiaries are SEI Investments Distribution Company (SIDCO), SEI Investments Management Corporation (SIMC), and SEI Private Trust Company (SPTC). All intercompany accounts and transactions have been eliminated. Investment in unconsolidated affiliate is accounted for using the equity method due to the Company's less than 50 percent ownership. The Company's portion of the affiliate's operating results is reflected in Equity in the earnings of unconsolidated affiliate on the accompanying Consolidated Statements of Income (See Note 6).



Property and Equipment

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

|                                                 |                   |                   | Estimated<br>Useful Lives<br>(In Years) |
|-------------------------------------------------|-------------------|-------------------|-----------------------------------------|
|                                                 | March 31, 2003    | December 31, 2002 |                                         |
| Equipment                                       | \$ 79,781         | \$ 79,260         | 3 to 5                                  |
| Buildings                                       | 75,825            | 75,825            | 25 to 39                                |
| Land                                            | 9,345             | 9,345             | N/A                                     |
| Purchased software                              | 21,818            | 21,256            | 3                                       |
| Furniture and fixtures                          | 15,548            | 15,523            | 3 to 5                                  |
| Leasehold improvements                          | 7,596             | 7,386             | Lease Term                              |
| Construction in progress                        | 10,150            | 6,873             | N/A                                     |
|                                                 | <u>220,063</u>    | <u>215,468</u>    |                                         |
| Less: Accumulated depreciation and amortization | (115,137)         | (111,210)         |                                         |
| Property and Equipment, net                     | <u>\$ 104,926</u> | <u>\$ 104,258</u> |                                         |

Property and equipment are stated at cost. Depreciation and amortization are computed using the straight-line method over the estimated useful life of each asset. Expenditures for renewals and betterments are capitalized, while maintenance and repairs are charged to expense when incurred.

Capitalized Software

The Company accounts for software development costs in accordance with Statement of Financial Accounting Standards No. 86, Accounting for the Costs of Computer Software to Be Sold, Leased, or Otherwise Marketed ( SFAS 86 ). Under SFAS 86, costs incurred to create a computer software product are charged to research and development expense as incurred until technological feasibility has been established. The Company establishes technological feasibility upon completion of a detail program design. At that point, computer software costs are capitalized until the product is available for general release to customers. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized software development costs require considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future revenues, estimated economic life, and changes in technology. The Company did not capitalize any software development costs during the three months ended March 31, 2003 and 2002 in accordance with SFAS 86.

In 2002, the Company adopted the guidance established in EITF 00-03 Application of AICPA Statement of Position 97-2 to Arrangements That Include the Right to Use Software Stored on Another Entity's Hardware, and applies Statement of Position 98-1 ( SOP 98-1 ), Accounting for the Cost of Computer Software Developed or Obtained for Internal Use, for development costs associated with software products to be provided in a hosting environment. SOP 98-1 requires that costs incurred in the preliminary project and post implementation stages of an internal software project be expensed as incurred and that certain costs incurred in the application development stage of a project be capitalized. The Company

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capitalized \$545 in software development costs in accordance with SOP 98-1 during the three months ended March 31, 2003. The Company did not capitalize any software development costs in accordance with SOP 98-1 during the three months ended March 31, 2002.

Amortization of capitalized software development costs begins when the product is released. Capitalized software development costs are amortized on a product-by-product basis using the straight-line method over the estimated economic life of the product or enhancement, which is primarily three to ten years, with a weighted average remaining life of approximately 5.4 years. Amortization expense was \$433 during the three months ended March 31, 2003 and 2002, respectively, and is included in Operating and development expenses on the accompanying Consolidated Statements of Income.

Earnings per Share

The Company computes earnings per common share in accordance with Statement of Financial Accounting Standards No. 128, Earnings per Share ( SFAS 128 ). Pursuant to SFAS 128, dual presentation of basic and diluted earnings per common share is required on the face of the statements of income for companies with complex capital structures. Basic earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per common share reflects the potential dilution from the exercise or conversion of securities into common stock, such as stock options.

| For the Three Month Period Ended  |                       |                         |                     |
|-----------------------------------|-----------------------|-------------------------|---------------------|
| March 31, 2003                    |                       |                         |                     |
|                                   | Income<br>(Numerator) | Shares<br>(Denominator) | Per Share<br>Amount |
| Basic earnings per common share   | \$ 35,087             | 105,766                 | \$ .33              |
| Dilutive effect of stock options  |                       | 3,800                   |                     |
| Diluted earnings per common share | \$ 35,087             | 109,566                 | \$ .32              |

| For the Three Month Period Ended  |                       |                         |                     |
|-----------------------------------|-----------------------|-------------------------|---------------------|
| March 31, 2002                    |                       |                         |                     |
|                                   | Income<br>(Numerator) | Shares<br>(Denominator) | Per Share<br>Amount |
| Basic earnings per common share   | \$ 34,001             | 109,396                 | \$ .31              |
| Dilutive effect of stock options  |                       | 5,588                   |                     |
| Diluted earnings per common share | \$ 34,001             | 114,984                 | \$ .30              |

Options to purchase 5,046 and 2,715 shares of common stock, with an average exercise price of \$38.25 and \$46.09, were outstanding during the first quarter of 2003 and 2002, respectively, but were excluded from the diluted earnings per common share calculation because the options exercise prices were greater than the average market price of the Company's common stock.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations and has presented the required Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ( SFAS 123 ), as amended by Statement of Financial Accounting Standards No. 148, Accounting for

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Stock-Based Compensation-Transition and Disclosure ( SFAS 148 ), pro forma disclosure in the table below.

The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its plans, and accordingly, no compensation cost has been recognized for the Company's fixed stock-based compensation. Had compensation cost been determined consistent with SFAS 123, as amended by SFAS 148, the Company's net income would have been reduced to the following pro forma amounts:

|                                                                                                                                             | <b>For the Three Month<br/>Period ended March 31</b> |             |
|---------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|-------------|
|                                                                                                                                             | <b>2003</b>                                          | <b>2002</b> |
| Net income:                                                                                                                                 |                                                      |             |
| As reported                                                                                                                                 | \$ 35,088                                            | \$ 34,001   |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects | (2,202)                                              | (2,326)     |
| Pro forma                                                                                                                                   | \$ 32,886                                            | \$ 31,675   |
| Basic earnings per common share:                                                                                                            |                                                      |             |
| As reported                                                                                                                                 | \$ .33                                               | \$ .31      |
| Pro forma                                                                                                                                   | \$ .31                                               | \$ .29      |
| Diluted earnings per common share:                                                                                                          |                                                      |             |
| As reported                                                                                                                                 | \$ .32                                               | \$ .30      |
| Pro forma                                                                                                                                   | \$ .30                                               | \$ .28      |

Statements of Cash Flows

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

Supplemental disclosures of cash paid/received during the three months ended March 31 is as follows:

|                                 | <b>2003</b> | <b>2002</b> |
|---------------------------------|-------------|-------------|
| Interest paid                   | \$ 1,072    | \$ 989      |
| Interest and dividends received | \$ 1,394    | \$ 1,244    |
| Income taxes paid               | \$          | \$ 56       |

Management's Use of Estimates

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

New Accounting Pronouncements

In November 2002, the Financial Accounting Standards Board ( FASB ) issued FASB Interpretation No. 45, Guarantors Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of indebtedness of Others, ( FIN 45 ). This interpretation elaborates on

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the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees it has issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of FIN 45 are applicable on a prospective basis to guarantees issued or modified on or after January 1, 2003. The recognition and measurement provisions of FIN 45 does not, nor is it expected to, have any material effect on the results of operations, financial position or liquidity of the Company.

In January 2003, the FASB issued FASB Interpretation No. 46, Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51 , ( FIN 46 ). This interpretation provides guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003 and to older entities in interim periods beginning after June 30, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The Company does not believe the adoption of FIN 46 has any material effect on the results of operations, financial position, liquidity or disclosure requirements.

In February 2003, the Emerging Issues Task Force ( EITF ) ratified Issue No. 00-21, Revenue Arrangements with Multiple Deliverables , ( Issue 00-21 ). Issue 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities and addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting. The Company provides certain services that involve a series of different product offerings that can be purchased as a complete solution or as individual components. Consideration for these types of services is usually a combination of fixed and variable payment amounts. Currently, the Company is evaluating the impact Issue 00-21 could have on our results of operations, financial position, liquidity and disclosure requirements. Issue 00-21 becomes effective for revenue arrangements entered into after June 30, 2003.

**Note 2. Comprehensive Income** The Company computes comprehensive income in accordance with Statement of Financial Accounting Standards No. 130, Reporting Comprehensive Income ( SFAS 130 ). SFAS 130 establishes standards for reporting and presentation of comprehensive income and its components (revenues, expenses, gains and losses) in a full set of general-purpose financial statements that is presented with equal prominence as other financial statements. Comprehensive income includes net income, foreign currency translation adjustments, and unrealized holding gains and losses and is presented on the accompanying Consolidated Statements of Income. Accumulated other comprehensive losses on the Consolidated Balance Sheets is the change from December 31, 2002 to March 31, 2003 as follows:

|                                   | Foreign<br>Currency<br>Translation<br>Adjustments | Unrealized<br>Holding<br>Losses on<br>Investments | Accumulated<br>Other<br>Comprehensive<br>Losses |
|-----------------------------------|---------------------------------------------------|---------------------------------------------------|-------------------------------------------------|
| Beginning balance (Dec. 31, 2002) | \$ 367                                            | \$ (1,725)                                        | \$ (1,358)                                      |
| Current period change             | (18)                                              | (341)                                             | (359)                                           |
| Ending Balance (March 31, 2003)   | \$ 349                                            | \$ (2,066)                                        | \$ (1,717)                                      |

**Note 3. Receivables** Receivables on the accompanying Consolidated Balance Sheets consist of the following:

|                                       | March 31,<br>2003 | December 31,<br>2002 |
|---------------------------------------|-------------------|----------------------|
| Trade receivables                     | \$ 27,709         | \$ 20,326            |
| Fees earned, not received             | 1,407             | 1,452                |
| Fees earned, not billed               | 34,793            | 31,976               |
|                                       | 63,909            | 53,754               |
| Less: Allowance for doubtful accounts | (1,700)           | (1,700)              |
|                                       | \$ 62,209         | \$ 52,054            |

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

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

subsidiaries to various regulated investment companies sponsored by the Company.

Note 4. Investments Available for Sale The Company accounts for investments in marketable securities pursuant to Statement of Financial Accounting Standards No. 115, Accounting for Certain Investments in Debt and Equity Securities ( SFAS 115 ). SFAS 115 requires that debt and equity securities classified as available for sale be reported at market value. Unrealized holding gains and losses, net of income taxes, are reported as a separate component of comprehensive income. Realized gains and losses, as determined on a specific identification basis, are reported separately on the accompanying Consolidated Statements of Income.

|                                | As of March 31, 2003 |               |                   |                  |
|--------------------------------|----------------------|---------------|-------------------|------------------|
|                                | Gross                |               | Gross             |                  |
|                                | Cost                 | Unrealized    | Unrealized        | Fair             |
|                                | Amount               | Gains         | (Losses)          | Value            |
| Company-sponsored mutual funds | \$ 41,787            | \$ 534        | \$ (472)          | \$ 41,849        |
| Equity securities              | 22,214               |               | (3,322)           | 18,892           |
|                                | <u>\$ 64,001</u>     | <u>\$ 534</u> | <u>\$ (3,794)</u> | <u>\$ 60,741</u> |
| As of December 31, 2002        |                      |               |                   |                  |
| Company-sponsored mutual funds | \$ 45,642            | \$ 860        | \$ (331)          | \$ 46,171        |
| Equity securities              | 19,543               |               | (3,281)           | 16,262           |
|                                | <u>\$ 65,185</u>     | <u>\$ 860</u> | <u>\$ (3,612)</u> | <u>\$ 62,433</u> |

The net unrealized holding losses at March 31, 2003 were \$2,066 (net of income tax benefit of \$1,194) and at December 31, 2002 were \$1,725 (net of income tax benefit of \$1,027) and are reported as a separate component of Accumulated other comprehensive losses on the accompanying Consolidated Balance Sheets.

Management performs a review of all investments in marketable securities on a quarterly basis with regards to impairment. Factors considered in determining other-than-temporary impairment are significant or prolonged declines in the price of investments based on available market prices. Additional consideration is given to the ability to recover the carrying amount of the investment. During the first quarter of 2003, management determined that certain investments were impaired. The Company recorded an impairment charge of \$595 related to other-than temporary declines in fair value and is included in Net loss from investments on the accompanying Consolidated Statements of Income.

During the first quarter 2003, the Company recognized gross realized gains from available-for-sale securities of \$10 and gross realized losses from available-for-sale securities of \$155.

Note 5. Derivative Instruments and Hedging Activities The Company is exposed to market risk associated with its designated Investments available for sale. To provide some protection against potential market fluctuations associated with its investments available for sale, the Company has entered into various derivative financial transactions in the form of futures and equity contracts (i.e. derivatives).

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The Company accounts for its derivatives in accordance with Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, ( SFAS 133 ) and SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities an amendment of FASB Statement No. 133, ( SFAS 138 ).

The Company recognizes all derivatives on the balance sheet at fair value. On the date the derivative instrument is entered into, the Company generally designates the derivative as a hedge of the fair value of a recognized asset. Changes in the fair value of a derivative that is designated as, and meets all the required criteria for, a fair value hedge, along with the gain or loss on the hedged asset that is attributable to the hedged risk, are recorded in current period earnings. The portion of the change in fair value of a derivative associated with hedge ineffectiveness or the component of a derivative instrument excluded from the assessment of hedge effectiveness is recorded currently in earnings. Also, changes in the entire fair value of a derivative that is not designated as a hedge are recognized immediately in earnings. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes relating all derivatives that are designated as fair value hedges to specific assets on the balance sheet.

The Company also formally assesses, both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values of the hedged item. If it is determined that a derivative is not highly effective as a hedge or if a derivative ceases to be a highly effective hedge, the Company will discontinue hedge accounting prospectively.

At March 31, 2003, Net loss from investments on the accompanying Consolidated Statements of Income includes a net gain of \$658 from hedge ineffectiveness.

The Company currently holds futures contracts with a notional amount of \$1,126 with a financial institution for various terms. The Company also currently holds equity derivatives with a notional amount of \$18,892 with a financial institution with various terms. During the three months ended March 31, 2003, the Company did not enter into or hold derivative financial instruments for trading purposes.

Note 6. Other Assets Other assets on the accompanying Consolidated Balance Sheets consist of the following:

|                                        | March 31, 2003 | December 31, 2002 |
|----------------------------------------|----------------|-------------------|
| Investment in unconsolidated affiliate | \$ 8,829       | \$ 8,535          |
| Other, net                             | 13,561         | 14,890            |
| Other assets                           | \$ 22,390      | \$ 23,425         |

Other, net consists of long-term prepaid expenses, deposits and other investments carried at cost.

Investment in Unconsolidated Affiliate LSV Asset Management ( LSV ) is a partnership formed between the Company and several leading academics in the field of finance. LSV is a registered investment advisor, which provides investment advisory services to institutions, including pension plans and investment companies. LSV is currently the portfolio manager for a number of Company-sponsored mutual funds. The Company's interest in LSV was approximately 44 percent for the first quarter of 2003 and 2002. LSV is accounted for using the equity method of accounting due to the Company's less than 50 percent ownership. The Company's portion of LSV's net earnings is reflected in Equity in the earnings of unconsolidated affiliate on the accompanying Consolidated Statements of Income.



The following table contains the condensed statements of income of LSV for the three months ended March 31:

|            | 2003      | 2002     |
|------------|-----------|----------|
| Revenues   | \$ 10,788 | \$ 8,591 |
| Net income | \$ 8,243  | \$ 6,111 |

The following table contains the condensed balance sheets of LSV:

|                                         | March 31, 2003 | December 31, 2002 |
|-----------------------------------------|----------------|-------------------|
| Current assets                          | \$ 17,585      | \$ 18,193         |
| Non-current assets                      | 424            | 280               |
| Total assets                            | \$ 18,009      | \$ 18,473         |
| Current liabilities                     | \$ 1,440       | \$ 2,383          |
| Partners' capital                       | 16,569         | 16,090            |
| Total liabilities and partners' capital | \$ 18,009      | \$ 18,473         |

Note 7. Accrued Expenses Accrued expenses on the accompanying Consolidated Balance Sheets consist of the following:

|                                   | March 31, 2003 | December 31, 2002 |
|-----------------------------------|----------------|-------------------|
| Accrued compensation              | \$ 16,572      | \$ 33,612         |
| Accrued income taxes              | 27,985         | 9,281             |
| Accrued proprietary fund services | 8,875          | 8,403             |
| Accrued brokerage services        | 8,941          | 9,103             |
| Other accrued expenses            | 47,863         | 59,028            |
| Total accrued expenses            | \$ 110,236     | \$ 119,427        |

Note 8. Line of Credit The Company has a line of credit agreement (the Agreement) with a principle lending institution. The Agreement provides for borrowings of up to \$25,000 and expires on June 19, 2003, at which time the outstanding principal balance, if any, becomes due unless the Agreement is extended. The line of credit, when utilized, accrues interest at the Prime rate or one and one-quarter percent above the London Interbank Offer Rate (LIBOR). The Company is obligated to pay a commitment fee equal to one-quarter of one percent per annum on the average daily unused portion of the commitment. Certain covenants under the Agreement require the Company to maintain specified levels of net worth and place certain restrictions on investments.



**Note 9. Long-term Debt** On February 24, 1997, the Company signed a Note Purchase Agreement authorizing the issuance and sale of \$20,000 of 7.20% Senior Notes, Series A, and \$15,000 of 7.27% Senior Notes, Series B, (collectively, the Notes) in a private offering with certain financial institutions. The Notes are unsecured with final maturities ranging from 10 to 15 years. The proceeds from the Notes were used to repay the outstanding balance on the Company's line of credit at that date. The Note Purchase Agreement, as amended, contains various covenants, including limitations on indebtedness, maintenance of minimum net worth levels, and restrictions on certain investments. In addition, the Note Purchase Agreement limits the Company's ability to merge or consolidate, and to sell certain assets. The Company was in compliance with all covenants under the Notes during the period ending March 31, 2003.

Principal payments on the Notes are made annually from the date of issuance while interest payments are made semi-annually. The Company made its scheduled payment of \$4,000 in February 2003. The current portion of the Notes amounted to \$4,000 at March 31, 2003.

On June 26, 2001 the Company entered into a loan agreement (the Loan Agreement) with a separate lending institution. The Loan Agreement provides for borrowing up to \$25,000 in the form of a term loan, and expires on March 31, 2006 and is payable in seventeen equal quarterly installments. The term loan, when utilized, accrues interest at the Prime rate or one and thirty-five hundredths of one percent above the London Interbank Offer Rate (LIBOR). The Loan Agreement contains various covenants, including limitations on indebtedness and restrictions on certain investments. None of these covenants negatively affect the Company's liquidity or capital resources. On August 2, 2001, the Company borrowed \$25,000 on this term loan. The proceeds from the Loan Agreement were used to support capital improvement projects for our corporate campus and other business purposes. The Company made its scheduled payment of \$1,389 in March 2003. The current portion of the Loan Agreement amounted to \$5,556 at March 31, 2003. The interest rate being applied at March 31, 2003 was 3.19%. The company was in compliance with all covenants under the Loan Agreement during the period ending March 31, 2003.

**Note 10. Common Stock Buyback** The Board of Directors has authorized the purchase of the Company's common stock on the open market or through private transactions of up to an aggregate of \$703,365. Through March 31, 2003, a total of 108,065,000 shares at an aggregate cost of \$645,251 have been purchased and retired. The Company purchased 1,585,000 shares at a total cost of \$38,954 during the three month period ended March 31, 2003.

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.

**Note 11. Segment Information** The Company defines its business segments in accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). SFAS 131 establishes standards for the way public business enterprises report financial information about operating segments in financial statements. SFAS 131 also requires additional disclosures about product and services, geographic areas, and major customers.

The Company's management evaluates financial performance of its operating segments based on Income from operations. Our operations and organizational structures were realigned in 2001 into separate business units that offer products and services tailored for particular market segments. Our reportable segments are Private Banking and Trust, Investment Advisors, Enterprises, Money Managers, and Investments in New Businesses. The accounting policies of the reportable segments are the same as those described in Note 1. 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 months ended March 31, 2003 and 2002. 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 segments for the three months ended March 31, 2003 and 2002.

|                                                        | Private<br>Banking<br>& Trust | Investment<br>Advisors | Enterprises | Money<br>Managers | Investments<br>In New<br>Businesses | General<br>And<br>Administrative | Total      |
|--------------------------------------------------------|-------------------------------|------------------------|-------------|-------------------|-------------------------------------|----------------------------------|------------|
| <b>For the Three Month Period Ended March 31, 2003</b> |                               |                        |             |                   |                                     |                                  |            |
| Revenues                                               | \$ 76,895                     | \$ 35,913              | \$ 14,024   | \$ 12,332         | \$ 11,441                           |                                  | \$ 150,605 |
| Operating income (loss)                                | \$ 33,601                     | \$ 19,603              | \$ 6,436    | \$ 1,970          | \$ (4,446)                          | \$ (5,651)                       | \$ 51,513  |
| Other income, net                                      |                               |                        |             |                   |                                     |                                  | \$ 4,182   |
| Income before income taxes                             |                               |                        |             |                   |                                     |                                  | \$ 55,695  |
| Depreciation and amortization                          | \$ 2,590                      | \$ 824                 | \$ 210      | \$ 312            | \$ 313                              | \$ 131                           | \$ 4,380   |
| Capital expenditures                                   | \$ 2,728                      | \$ 823                 | \$ 374      | \$ 284            | \$ 655                              | \$ 237                           | \$ 5,101   |

|                                                        | Private<br>Banking<br>& Trust | Investment<br>Advisors | Enterprises | Money<br>Managers | Investments<br>In New<br>Businesses | General<br>And<br>Administrative<br>Total | Total      |
|--------------------------------------------------------|-------------------------------|------------------------|-------------|-------------------|-------------------------------------|-------------------------------------------|------------|
| <b>For the Three Month Period Ended March 31, 2002</b> |                               |                        |             |                   |                                     |                                           |            |
| Revenues                                               | \$ 82,958                     | \$ 38,891              | \$ 14,732   | \$ 10,797         | \$ 11,837                           |                                           | \$ 159,215 |
| Operating income (loss)                                | \$ 33,825                     | \$ 17,983              | \$ 5,388    | \$ 2,424          | \$ (3,289)                          | \$ (5,709)                                | \$ 50,622  |
| Other income, net                                      |                               |                        |             |                   |                                     |                                           | \$ 3,348   |
| Income before income taxes                             |                               |                        |             |                   |                                     |                                           | \$ 53,970  |
| Depreciation and amortization                          | \$ 2,747                      | \$ 738                 | \$ 261      | \$ 243            | \$ 309                              | \$ 135                                    | \$ 4,433   |
| Capital expenditures                                   | \$ 5,055                      | \$ 1,802               | \$ 862      | \$ 593            | \$ 642                              | \$ 647                                    | \$ 9,601   |

**PART II. OTHER INFORMATION**

**Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits.

99.1 Certification required by Section 906 of the Sarbanes-Oxley Act of 2002 filed in connection with the Prior Report (incorporated by reference to Exhibit 99.1 of the Company's Prior Report).

99.2 Certification required by Section 906 of the Sarbanes-Oxley Act of 2002 filed in connection with this Amendment. (Page 21).

99.3 Certification required by Section 906 of the Sarbanes-Oxley Act of 2002 filed in connection with this Amendment. (Page 23).

(b) Reports on Form 8-K

The Company filed a report on Form 8-K on April 22, 2003 for its First Quarter 2003 earnings announcement.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Amendment No. 1 to the quarterly report on Form 10-Q/A to be signed on its behalf by the undersigned thereunto duly authorized.

SEI INVESTMENTS COMPANY

Date May 30, 2003

By

/s/ DENNIS J. MCGONIGLE

Dennis J. McGonigle

Chief Financial Officer

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

1. I have reviewed this Amendment No. 1 to the quarterly report on Form 10-Q/A of SEI Investments Company (the Amendment );
2. Based on my knowledge, the quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2003, as amended by the Amendment (collectively, the 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 the Report; and
3. Based on my knowledge, the financial statements, and other financial information included in the 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 the Report.

Date: May 30, 2003

/s/ ALFRED P. WEST, JR.

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Alfred P. West, Jr.

Chairman and Chief Executive Officer

I, Dennis J. McGonigle, certify that:

1. I have reviewed this Amendment No. 1 to the quarterly report on Form 10-Q/A of SEI Investments Company (the Amendment );
2. Based on my knowledge, the quarterly report on Form 10-Q for the fiscal quarter ended March 31, 2003, as amended by the Amendment (collectively, the 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 the Report; and
3. Based on my knowledge, the financial statements, and other financial information included in the 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 the Report.

Date: May 30, 2003

/s/ DENNIS J. MCGONIGLE

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Dennis J. McGonigle

Chief Financial Officer