

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

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2014

OR

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

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

Commission File Number: 0-10200

**SEI INVESTMENTS COMPANY**  
(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

23-1707341

(I.R.S. Employer Identification No.)

1 Freedom Valley Drive, Oaks, Pennsylvania

(Address of principal executive offices)

19456-1100

(Zip Code)

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

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

Title of each class

Common Stock, par value \$.01 per share

Name of each exchange on which registered

The NASDAQ Stock Market LLC  
(The NASDAQ Global Select Market®)

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

None  
(Title of class)

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant was approximately \$4.3 billion based on the closing price of \$32.77 as reported by NASDAQ on June 30, 2014 (the last business day of the registrant's most recently completed second fiscal quarter). For purposes of making this calculation only, the registrant has defined affiliates as including all executive officers, directors and beneficial owners of more than ten percent of the common stock of the registrant.

The number of shares outstanding of the registrant's common stock, as of the close of business on January 30, 2015:

**Common Stock, \$.01 par value**

**166,832,044**

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the following documents are incorporated by reference herein:

1. The definitive proxy statement relating to the registrant's 2015 Annual Meeting of Shareholders, to be filed within 120 days after the end of the fiscal year covered by this annual report, is incorporated by reference in Part III hereof.

# SEI Investments Company

Fiscal Year Ended December 31, 2014

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## PART I

### Forward Looking Statements

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

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

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

### **Item 1. Business.**

#### *Overview*

SEI (NASDAQ: SEIC) is a leading global provider of investment processing, investment management and investment operations solutions. We help corporations, financial institutions, financial advisors, and ultra-high-net-worth families create and manage wealth by providing comprehensive, innovative, investment and investment-business solutions. As of December 31, 2014, through its subsidiaries and partnerships in which the company has a significant interest, SEI manages or administers \$625.4 billion in mutual fund and pooled or separately managed assets, including \$252.8 billion in assets under management and \$372.6 billion in client assets under administration. Our affiliate, LSV Asset Management (LSV), manages \$82.7 billion of assets which are included as assets under management.

Our investment management business solutions include:

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

#### *General Development of the Business*

For over 45 years, SEI has been a leading provider of wealth management business solutions for the financial services industry.

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

We began to adapt these solutions, and develop new investment management solutions, for selected global markets in the 1990s, including: investment advisors, retirement plan sponsors and institutional investors, asset management distribution firms, investment managers and affluent individual investors. Today, we serve approximately 7,300 clients in the United States, Canada, the United Kingdom, continental Europe, South Africa and East Asia.

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

## Strategy

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

*Create broader solutions for wealth service firms.* Banks, investment managers and financial advisors seek to enter new markets, expand their service offerings, provide a differentiated experience to their clients, improve efficiencies, reduce risks and better manage their businesses. We offer business solutions integrating technology, operating processes and financial products designed to help these institutions better serve their clients and provide opportunities to improve their business success.

*Help institutional investors manage retirement plans and operating capital.* Retirement plan sponsors, not-for-profit organizations and other institutional investors strive to meet their fiduciary obligations and financial objectives while reducing business risk. We deliver customized investment management solutions, as part of a complete solution offering, that enable investors to make better decisions about their investments and to manage their assets more effectively.

*Help affluent individual investors manage their life and wealth goals.* These investors demand a holistic wealth management experience that focuses on their life goals and provides them with an integrated array of financial services that includes substantially more than traditional wealth management offerings. We help these investors identify their goals and offer comprehensive life and wealth advisory services including life planning, investments and other financial services.

*Expand globally.* Global markets are large and present significant opportunities for growth. We have evolved U.S. business models for the global wealth management marketplace, focusing on the needs of institutional investors, private banks, independent wealth advisers, investment managers, investment advisors and affluent individual investors.

## Fundamental Principles

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

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

## Business Solutions

### Investment Processing

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

Our investment processing solutions are delivered through two platforms: TRUST 3000® and the SEI Wealth Platform<sup>SM</sup> (the SEI Wealth Platform or the Platform). We own, maintain and operate the software applications and information processing facilities for all of our investment processing solutions. Clients access our solutions remotely while fully supported by our data center.

TRUST 3000 is a comprehensive trust and investment accounting system that provides securities processing and investment accounting for all types of domestic and global securities, and support for multiple account types, including personal trust, corporate trust, institutional trust and non-trust investment accounts.

The SEI Wealth Platform is a next-generation solution that provides a global, unified and scalable platform for operating a wealth management business. This comprehensive solution includes investment processing and infrastructure services, and advanced capabilities to support wealth advisory, asset management, and wealth administration functions. The Platform provides global wealth management capabilities including a 24/7 operating model, global securities processing, and multi-currency accounting and reporting. Built around a client-centric relationship model, the Platform has an open architecture and supports workflow management and straight-through processing. We began delivering the SEI Wealth Platform to private banks and independent wealth advisers in the United Kingdom in 2007. Since then, we have signed 20 independent wealth advisers and other wealth managers in the United Kingdom and signed 10 banks in the United States. We have also converted select groups of existing investment advisor clients in the United States.

Investment processing revenues are earned as monthly fees for contracted services including software licenses. Information processing and investment operations revenues are earned based upon the type and number of investor accounts serviced or as a percentage of the market value of the clients' assets processed. These revenues are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations.

Professional services revenues are earned from contracted, project-oriented services, including client implementations, and are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations.

Transaction-based revenues are earned from trade execution services and are recognized as Transaction-based and trade execution fees on the accompanying Consolidated Statements of Operations.

#### Investment Management Programs

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

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

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

As of December 31, 2014, SEI managed \$170.1 billion in assets including: \$136.1 billion invested in fixed-income and equity funds and separately managed account programs; \$13.0 billion invested in liquidity or money market funds; and \$21.0 billion invested in collective trust fund programs. An additional \$82.7 billion in assets is managed by our unconsolidated affiliate LSV, a registered investment advisor that specializes in a value equity management style for their clients.

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

#### Investment Operations

Investment operations outsourcing solutions consist of accounting and administration services, and distribution support services. We deliver these solutions to investment management firms that offer traditional and alternative products. We support traditional managers who advise a variety of investment products including mutual funds, UCITS schemes, collective investment trusts (CITs), exchange-traded funds (ETFs), institutional accounts and separately managed accounts. We also

provide comprehensive solutions to investment managers worldwide that sponsor and distribute alternative investments such as hedge funds, funds of hedge funds, private equity funds and real estate funds, across both registered and partnership structures.

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

As of December 31, 2014, we administered \$372.6 billion in client assets for traditional and alternative investment fund products, including mutual funds, hedge funds and private equity funds. Revenues from these products are primarily earned as a percentage of net assets under administration.

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

### *Business Segments*

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

Private Banks – provides investment processing and investment management programs to banks and trust institutions, independent wealth advisers and financial advisors 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, hospitals and not-for-profit organizations worldwide;

Investment Managers – provides investment operations outsourcing solutions to fund companies, banking institutions and both traditional and non-traditional investment managers worldwide; and

Investments in New Businesses – focuses on providing investment management programs to ultra-high-net-worth families residing in the United States; developing internet-based investment services and advice solutions; entering new markets; and conducting other research and development activities.

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

	2014	2013	2012
Private Banks	35%	35%	37%
Investment Advisors	22%	21%	20%
Institutional Investors	22%	23%	23%
Investment Managers	20%	20%	19%
Investments in New Businesses	1%	1%	1%
	100%	100%	100%

### Private Banks

The Private Banks segment delivers a comprehensive outsourcing solution integrating investment processing services, investment management and distribution programs, and business expertise to banks and trust institutions, independent wealth advisers and financial advisors worldwide.

We offer TRUST 3000 investment processing as an application solution or as a business processing solution. Application solution clients outsource investment processing technology software services and information processing to SEI, but retain responsibility for back-office investment operations. Business processing solution clients outsource investment operations in addition to application services. Investment operations includes custody and safekeeping of certain assets, income collection, securities settlement and other related trust activities.

Contracts with TRUST 3000 clients have initial terms that are generally three to seven years in length. At December 31, 2014, we had significant relationships with 101 bank and trust institutions in the United States. Our principal competitors for this business are: Fidelity National Information Services, Inc. (FIS), SunGard Data Systems Inc., State Street Corporation, Fi-Tek

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

Our marketing efforts in this segment are focused on the SEI Wealth Platform, as we now have an installed base of operating clients in both the United Kingdom and the United States. We believe the Platform addresses the needs of large global wealth managers that seek to engage their clients and investors in an increasingly digital world, address the growing complexity of their operations and legacy platforms, comply with complex regulations, and make more effective use of capital by outsourcing wealth management services.

We currently offer the SEI Wealth Platform as a business processing solution. New Platform clients undergo a business transformation process that includes either a conversion of existing client assets, or a business transition process which funds new client assets onto the Platform as the client grows their business with a contractual minimum fee in place. We begin to earn processing revenues when the client completes the transformation process and commences operation.

In 2015, we expect to continue our focus on capturing a large U.S. bank as an early adopter of the SEI Wealth Platform while growing current clients on the Platform and implementing signed clients. We will also continue to manage our current TRUST 3000 relationships toward eventual conversion to the Platform.

Contracts with SEI Wealth Platform clients have initial terms that are generally five to seven years in length. At December 31, 2014, we had significant relationships with 30 banks, independent wealth advisers and other wealth managers located in the United Kingdom and the United States. Our principal competitors for this business, in addition to those named above, are: Pershing LLC, FNZ UK Ltd., Temenos Group AG, Avaloq, SS&C Technologies, Fiserv, Inc. and smaller technology firms. We also consider “in-house” solutions to be a form of competition.

This segment also offers investment management and distribution programs for banks, wealth managers and other financial services intermediaries. These programs start with SEI’s standard investment solutions, strategies, funds, and investment services. We can also deliver customized solutions including asset management strategies, as well as investment manager and portfolio research services. Increasingly, asset management distributors with established platforms are seeking to grow their businesses by offering broader investment solutions while outsourcing non-client facing investment services activities. We believe we offer our distribution partners a cost-effective way to grow their businesses and offer their investors differentiated investment choices, such as SEI’s goal-based investing solution. In 2015, we expect to drive continued momentum in this solution.

At December 31, 2014, we had approximately 330 asset management distribution clients. We also had single-product relationships with approximately 80 additional banks and trust institutions. The principal competitors for this business are: Federated Investors, Inc., Russell Investment Group, Fidelity Investments, Franklin Templeton Investments, discretionary portfolio managers and various multi-manager investment programs offered by other firms. We also consider “in-house” internal asset management capabilities to be a form of competition.

### Investment Advisors

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

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

We continually enhance our offering to meet the emerging needs of our advisors and their end clients. We anticipate the enhanced service offerings enabled through the SEI Wealth Platform will provide a more diverse range of back-office, front-office and client-facing investment processing outsourcing services and investment management solutions. In 2015, we expect to convert additional advisors onto the Platform, continue our focus on recruiting new advisors and improving net cash flows.

We estimate we have business relationships with over 6,100 financial advisors at December 31, 2014. Our definition of a client for this segment includes financial advisors who have exceeded a minimal level of customer assets invested in our investment



products. With the growth of our business, the minimal level of customer assets which defines a "business relationship" is adjusted from time to time. Our business is primarily based on approximately 1,550 investment advisors who, at December 31, 2014, had at least \$5.0 million each in customer assets invested in our mutual funds and separately managed accounts. Revenues are earned largely as a percentage of average assets under management.

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

#### Institutional Investors

The Institutional Investors segment offers fiduciary management solutions for retirement plan sponsors, healthcare systems and not-for-profit organizations globally. Clients can outsource their investment management needs through an open architecture platform supported with administrative services for defined benefit plans, defined contribution plans, endowments, foundations and balance sheet assets.

The fiduciary management program provides an investment strategy customized to the client's financial status and goals, while integrating a multimanager investment process, plan administration services and advisory services. Plan administration services include trustee, custodial, and benefit payment services. Advisory services include asset liability modeling and customization of an asset allocation plan that is designed to meet long-term objectives.

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

In 2015, we expect to continue to build a globally-diversified institutional client base, provide our clients with value-added advice and discretionary services, and place increased emphasis on defined contribution sales opportunities.

Fees are primarily earned as a percentage of average assets under management. At December 31, 2014, we had relationships with approximately 480 investment management clients. The principal competitors for this segment are Mercer, Aon Hewitt, Towers Watson, Russell Investments, Northern Trust Company and other investment consultants.

#### Investment Managers

The Investment Managers segment supplies investment organizations of all types with the advanced operating infrastructure they need to be competitive while navigating a host of business and regulatory challenges. Our comprehensive global operations platform provides asset managers with customized and integrated capabilities in the areas of fund administration, fund accounting, data and information management, risk management and compliance support.

We work with a diverse and sophisticated group of traditional, alternative and sovereign wealth managers, including close to one-third of the top 100 managers worldwide. Clients choose our full-service offering because of its flexibility, speed and ability to support their diverse business needs across multiple product types and structures, investment strategies and asset classes. Our investment manager clients offer a variety of packaging types, including hedge funds, private equity funds, mutual funds, separate accounts, ETFs, UCITS, unit trusts and closed end funds. For clients who desire to manage assets within a collective investment trust, we offer trustee and investment management services in addition to the administration services described above. Because our operational platform enables managers to view their business in such a comprehensive and integrated way, it gives them more control over their business risks and results.

Over the past few years, investors have faced multiple market crises and rising volatility. Investment managers have responded with a range of innovative products designed to better manage volatility and downside risk, and offer alternatives to the pure long-only investing strategy historically used in traditional markets. The clear line that had once separated traditional and alternative investment products continues to blur as traditional managers utilize tools historically used by alternative managers, while alternative managers increasingly are launching registered products and taking advantage of broader, and different, distribution channels. Additionally, as competitiveness will increasingly be based on capabilities other than just investment expertise, we have offered managers solutions that help them gain scale and efficiency, run their businesses more intelligently,

and be more responsive to investor needs. We also continually enhance our solutions to anticipate and adapt to economic, regulatory and industry changes.

In 2015, we expect to continue our efforts to add new asset managers, grow our existing relationships, expand into new markets and further develop our solutions and global operations platform.

Contracts for our fund administration outsourcing services generally have terms ranging from three to five years. Fees are primarily earned as a percentage of average assets under management and administration. A portion of the revenues for this segment are earned as account servicing fees. At December 31, 2014, we had relationships with approximately 248 investment management companies and alternative investment managers. Our competitors vary according to the asset class or solution provided and include large global custodian banks such as State Street, BNY Mellon and Northern Trust as well as independently owned firms such as SS&C Technologies and Citco.

#### Investments in New Businesses

The Investments in New Businesses segment represents other business ventures or research and development activities intended to expand our solutions to new or existing markets including ultra-high-net-worth families who reside in the United States. This segment also includes the costs associated with the business development in the Middle East through our Dubai office, the development of new internet-based investment services and mobile technologies and the integration of specific front office client management technology purchased in 2012. The family wealth management solution offers flexible family-office type services through a highly personalized solution while utilizing the Manager-of-Managers investment process.

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

#### *Research and Development*

We are devoting significant resources to research and development, including expenditures for new technology platforms, enhancements to existing technology platforms and new investment products and services. We spent approximately \$98.6 million in 2014, \$91.8 million in 2013, and \$79.6 million in 2012, of which we capitalized approximately \$34.9 million in 2014, \$30.7 million in 2013 and \$31.0 million in 2012 relating to the development of new technology platforms. The amount of research and development expenditures capitalized in 2013 is exclusive of a one-time contractual payment of \$8.8 million to exercise a conversion option in lieu of periodic fee payments pertaining to a software license for functionality utilized by the SEI Wealth Platform. Total research and development expenditures as a percentage of revenues were 7.8 percent in 2014, 8.2 percent in 2013 and 8.0 percent in 2012. Our research and development expenditures are included in Compensation, benefits and other personnel and Consulting, outsourcing and professional fees on the accompanying Consolidated Statements of Operations.

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

The solution will serve markets in the United States, United Kingdom, Canada and continental European markets. The Platform provides the technology infrastructure for the business solutions now being marketed to private banks and independent wealth adviser organizations in the United States and the United Kingdom. We believe the demand for the advanced capabilities of the Platform will enable us to significantly extend, expand and improve the services we offer in the Investment Advisors segment.

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

#### *Marketing and Sales*

Our business solutions are directly marketed to potential clients in our target markets. At January 30, 2015, we employed 104 sales representatives who operate from offices located throughout the United States, Canada, the United Kingdom, continental Europe, South Africa, Asia and other locations.

### *Customers*

In 2014, no single customer accounted for more than ten percent of revenues in any business segment.

### *Personnel*

At January 30, 2015, we had 2,772 full-time and 52 part-time employees. Employee unions do not represent any of our employees. Management considers employee relations to be generally good.

### *Regulatory Considerations*

Our principal, regulated wholly-owned subsidiaries are SEI Investments Distribution Co., or SIDCO, SEI Investments Management Corporation, or SIMC, SEI Private Trust Company, or SPTC, SEI Trust Company, or STC, and SEI Investments (Europe) Limited, or SIEL. SIDCO is a broker-dealer registered with the SEC under the Securities and Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority, Inc. (FINRA). SIMC is an investment advisor registered with the SEC under the Investment Advisers Act of 1940 and with the Commodity Futures Trading Commission (CFTC) under the Commodity Futures Exchange Act. SPTC is a limited purpose federal thrift chartered and regulated by the Office of the Comptroller of the Currency. STC is a Pennsylvania trust company, regulated by the Pennsylvania Department of Banking and Securities. SIEL is an investment manager and financial institution subject to regulation by the Financial Conduct Authority of the United Kingdom. In addition, various SEI subsidiaries are subject to the jurisdiction of regulatory authorities in Canada, the Republic of Ireland and other foreign countries. The Company has a minority ownership interest of approximately 39.3 percent in LSV, which is also an investment advisor registered with the SEC.

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

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

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

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

Compliance with existing and future regulations and responding to and complying with recent increased regulatory activity affecting broker-dealers, investment advisors, investment companies, financial institutions and their service providers could have a significant impact on us. We periodically undergo regulatory examinations and respond to regulatory inquiries and document requests. In addition, recent legislative activity in the United States (including the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 and attendant rule making activities) and in other jurisdictions (including the European Union and the United Kingdom) have made and continue to make, extensive changes to the laws regulating financial services

firms. As a result of these examinations, inquiries and requests, as a result of increased civil litigation activity, and as a result of these new laws and regulations, we engage legal counsel, review our compliance procedures, solution and service offerings, and business operations, and make changes as we deem necessary. These additional activities and required changes may result in increased expense or may reduce revenues.

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

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

#### *Available Information*

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

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

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

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

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

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

*We are dependent upon third-party service providers in our operations.* We utilize numerous third-party service providers located in the United States, the United Kingdom and other offshore locations in our operations, in the development of new products, and in the maintenance of our proprietary systems. A failure by a third-party service provider could expose us to an inability to provide contractual services to our clients in a timely basis. Additionally, if a third-party service provider is unable

to provide these services, we may incur significant costs to either internalize some of these services or find a suitable alternative.

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

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

*We are exposed to systems and technology risks.* Through our proprietary systems, we maintain and process data for our clients that is critical to their business operations. An unanticipated interruption of service may have significant ramifications, such as lost data, damaged software codes, or inaccurate processing of transactions. As a result, the costs necessary to rectify these problems may be substantial. Our continued success also depends in part on our ability to protect our proprietary technology and solutions and to defend against infringement claims of others. We primarily rely upon trade secret law, software security measures, copyrights and confidentiality restrictions in contracts with employees, vendors and customers. Our industry is characterized by the existence of a large number of trade secrets, copyrights and the rapid issuance of patents, as well as frequent litigation based on allegations of infringement or other violations of intellectual property rights of others. A successful assertion by others of infringement claims or a failure to maintain the confidentiality and exclusivity of our intellectual property may have a material adverse effect on our business and financial results.

*We are exposed to data and cyber security risks.* A failure to safeguard the integrity and confidentiality of client data and our proprietary data from the infiltration by an unauthorized user may lead to modifications or theft of critical and sensitive data pertaining to us or our clients. We have established a strategy designed to protect against threats and vulnerabilities containing preventive and detective controls including, but not limited to, firewalls, intrusion detection systems, computer forensics, vulnerability scanning, server hardening, penetration testing, anti-virus software, data leak prevention, encryption and centralized event correlation monitoring. Despite our efforts to ensure the integrity of our proprietary systems and information, it is possible that we may not be able to anticipate or to implement effective preventive measures against all cyber threats, especially because the methods used change frequently or are not recognized until launched. Additionally, security breaches or disruptions of our proprietary systems, or those of our service providers, could impact our ability to provide services to our clients, which could expose us to liability for damages which may not be covered by insurance, result in the loss of customer business, damage our reputation, subject us to regulatory scrutiny or expose us to civil litigation. In addition, the failure to upgrade or maintain our computer systems, software and networks, as necessary, could also make us susceptible to breaches and unauthorized access and misuse. We may be required to expend significant additional resources to modify, investigate or remediate vulnerabilities or other exposures arising from data and cyber security risks. Furthermore, even if not directed at us specifically, attacks on other financial institutions could disrupt the overall functioning of the financial system. As a result of the importance of communications and information systems to our business, we could also be adversely affected if attacks affecting our third party service providers impair our ability to process transactions and communicate with clients and counterparties.

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

*Our earnings and cashflows are affected by the performance of LSV.* We maintain a minority ownership interest in LSV which is a significant contributor to our earnings. We also receive partnership distribution payments from LSV on a quarterly basis which contribute to our operating cashflows. LSV is a registered investment advisor that provides investment advisory services to institutions, including pension plans and investment companies. LSV is a value-oriented, contrarian money manager offering a deep-value investment alternative utilizing a proprietary equity investment model to identify securities generally considered to be out of favor by the market. Volatility in the capital markets or poor investment performance on the part of LSV, on a relative basis or an absolute basis, could result in a significant reduction in their assets under management and revenues and a

reduction in performance fees. Consequently, LSV's contribution to our earnings through our minority ownership as well as to our operating cashflows through LSV's partnership distribution payments could be adversely affected.

In addition, we provided an unsecured guaranty for \$45.0 million of the obligations of LSV Employee Group III in connection with their purchase of a partnership interest in LSV, of which \$38.7 million remains outstanding at December 31, 2014. The ability of LSV Employee Group III to successfully repay their loan obligation subject to our guaranty is dependent upon the level of quarterly partnership distribution payments from LSV. In the event that LSV Employee Group III does not receive sufficient partnership distribution payments from LSV or is otherwise unable to meet all of their financial obligations regarding the loan, the lenders have the right to seek payment from us for the outstanding obligations. The repayment of such obligations related to our guaranty agreement may negatively affect our operating results, liquidity and financial condition.

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

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

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

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

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

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

*We are subject to financial and non-financial covenants which may restrict our ability to manage liquidity needs.* Our \$300.0 million five-year senior unsecured revolving credit facility (Credit Facility) contains financial and non-financial covenants. The non-financial covenants include restrictions on indebtedness, mergers and acquisitions, sale of assets and investments. In the event of default, we have restrictions on paying dividends and repurchasing our common stock. We have one financial covenant, the Leverage Ratio, which restricts the level of indebtedness we can incur to a maximum of 1.75 times earnings before interest, taxes, depreciation and amortization (EBITDA). We believe our primary risk is with the financial covenant if

we were to incur significant unexpected losses that would impact the EBITDA calculation. This would increase the Leverage Ratio and restrict the amount we could borrow under the Credit Facility. A restriction on our ability to fully utilize our Credit Facility may negatively affect our operating results, liquidity and financial condition.

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

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

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

*Changes in interest rates may affect the value of our fixed-income investment securities.* We own Government National Mortgage Association (GNMA) mortgage-backed securities for the sole purpose of satisfying applicable regulatory requirements imposed on our wholly-owned limited purpose federal thrift subsidiary, SPTC. The valuations of these securities are impacted by fluctuations in interest rates. Interest rates during the past several years have remained relatively low. The effect of a rising interest rate environment may negatively impact the value of these securities and thereby negatively affect our financial position and earnings.

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

### **Item 1B. Unresolved Staff Comments.**

None.

### **Item 2. Properties.**

Our corporate headquarters is located in Oaks, Pennsylvania and consists of nine buildings situated on approximately 90 acres. We own and operate the land and buildings, which encompass approximately 524,000 square feet of office space and 34,000 square feet of data center space. We lease other offices which aggregate 65,000 square feet. We also own a 3,400 square foot condominium that is used for business purposes in New York, New York.

### **Item 3. Legal Proceedings.**

SEI has been named in six lawsuits filed in Louisiana. Five lawsuits were filed in the 19th Judicial District Court for the Parish of East Baton Rouge. One of the five actions purports to set forth claims on behalf of a class and also names SPTC as a defendant. Two of the other actions also name SPTC as a defendant. All five actions name various defendants in addition to SEI, and, in all five actions, the plaintiffs purport to bring a cause of action against SEI and/or SPTC under the Louisiana Securities Act. Two of the five actions include claims for violations of the Louisiana Racketeering Act and possibly conspiracy. In addition, another group of plaintiffs filed a lawsuit in the 23rd Judicial District Court for the Parish of Ascension against SEI and SPTC and other defendants, asserting claims of negligence, breach of contract, breach of fiduciary duty, violations of the uniform fiduciaries law, negligent misrepresentation, detrimental reliance, violations of the Louisiana Securities Act and Louisiana Racketeering Act, and conspiracy. The underlying allegations in all actions relate to the purported role of SPTC in providing back-office services to Stanford Trust Company. The petitions allege that SEI and SPTC aided and abetted or otherwise participated in the sale of "certificates of deposit" issued by Stanford International Bank.

The case filed in Ascension Parish was removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to the United States District Court for the Northern District of Texas. The schedule for responding to that petition has not yet been established.

The plaintiffs in two of the cases filed in East Baton Rouge have granted SEI and SPTC an indefinite extension to respond to the petitions.

In a third East Baton Rouge action, brought as a class action, SEI and SPTC filed exceptions, which the Court granted in part, dismissing the claims under the Louisiana Unfair Trade Practices Act. Plaintiffs then filed a motion for class certification, and SEI and SPTC also filed a motion for summary judgment. The Court deferred the motion for summary judgment, stating that the motion would not be set for hearing until after the hearing on class certification. After the Court held a hearing on class certification, it certified a class composed of persons who purchased or renewed any Stanford International Bank certificates of deposit (SIB CDs) in Louisiana between January 1, 2007 and February 13, 2009 or any person for whom the Stanford Trust Company purchased SIB CDs in Louisiana between January 1, 2007 and February 13, 2009. SEI and SPTC filed motions for appeal from the class certification judgments. On February 1, 2013, plaintiffs filed a motion for Leave to File a First Amended and Restated Class Action Petition in which they asked the Court to allow them to amend the petition and add claims against certain of SEI's insurance carriers. On February 5, 2013, the Court granted two of the motions for appeal and the motion for leave to amend. On February 28, 2013, SEI responded to the First Amended and Restated Class Action Petition by seeking dismissal of the action. On March 11, 2013, the newly-added insurance carrier defendants removed the case to the Middle District of Louisiana. SEI notified the Judicial Panel on Multidistrict Litigation (MDL) of this case as a potential tag-along action. Plaintiffs filed a motion to remand the action to state court. On March 25, 2013, SEI filed a motion requesting that the federal court decline to adopt the state court's order regarding class certification, which the court dismissed without prejudice to renew upon a determination of the jurisdictional issue. On August 7, 2013, the MDL Panel transferred the matter against SEI to the Northern District of Texas. On October 1, 2014, SEI filed a renewed motion to dismiss in the Northern District of Texas, and on October 6, 2014, the District Court denied plaintiffs' motion to remand. This case is now pending in the Northern District of Texas, and SEI is awaiting a ruling on its motion to dismiss.

In the two other cases filed in East Baton Rouge, brought by the same counsel who filed the class action, virtually all of the litigation to date has involved motions practice and appellate litigation regarding the existence of federal subject matter jurisdiction under the federal Securities Litigation Uniform Standards Act (SLUSA). After the matter was removed to the United States District Court for the Northern District of Texas, that court dismissed the action under SLUSA. The Court of Appeals for the Fifth Circuit reversed that order, and the Supreme Court of the United States affirmed the Court of Appeals judgment on February 26, 2014. The matter was remanded to state court and no material activity has taken place since that date.

While the outcome of this litigation is uncertain given its early phase, SEI and SPTC believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuits vigorously. Because of the uncertainty of the make-up of the classes, the specific theories of liability that may survive a motion for summary judgment or other dispositive motion, the lack of discovery regarding damages, causation, mitigation and other aspects that may ultimately bear upon loss, the Company is not reasonably able to provide an estimate of loss, if any, with respect to the foregoing lawsuits.

A lawsuit entitled Steven Curd and Rebel Curd v. SEI Investments Management Corporation was filed against SIMC in the United States District Court for the Eastern District of Pennsylvania on December 11, 2013. On August 28, 2014, the Court granted SIMC's motion to dismiss the initial complaint in the lawsuit, but also granted plaintiffs leave to amend the complaint. On October 2, 2014, plaintiffs filed an amended complaint. In the amended complaint, SEI Investments Global Funds Services (SGFS) was added as a defendant. The plaintiffs bring the case as a shareholder derivative action against SIMC and SGFS on behalf of certain SEI funds. The claims are based on Section 36(b) of the Investment Company Act of 1940, as amended, which allows shareholders of a mutual fund to sue the investment adviser of the fund or its affiliates for an alleged breach of fiduciary duty with respect to compensation received by the adviser or its affiliates. The plaintiffs have brought the suit against SIMC and SGFS with respect to five specific SEI Funds: the High Yield Bond, Tax-Managed Large Cap, and Tax-Managed Small/Mid Cap Funds, each of which is a series of the SEI Institutional Managed Trust, the Intermediate Term Municipal Fund, which is a series of the SEI Tax Exempt Trust, and the International Equity Fund, which is a series of the SEI Institutional International Trust (the SEI Funds). The plaintiffs seek: (1) damages for the SEI Funds in the amount of the alleged "excessive" fees earned by SIMC and SGFS beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees; (2) orders declaring that SIMC and SGFS allegedly violated Section 36(b) and enjoining SIMC and SGFS from further alleged violations; and (3) rescission of SIMC's and SGFS's contracts with the funds, and restitution of all allegedly excessive fees paid beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees. On November 24, 2014, SIMC and SGFS filed a motion to dismiss the amended complaint. The court has not yet ruled on that motion. While the outcome of this litigation is uncertain given its early phase, SIMC and SGFS believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuit vigorously, and SIMC and SGFS are not reasonably able to provide an estimate of the ultimate loss, if any, with respect to this lawsuit.

On November 26, 2014, a Writ of Summons was issued to two of our subsidiaries, SEI Investments - Global Fund Services Limited (GFSL) and SEI Investments - Trustee & Custodial Services (Ireland) Limited (T&C), to appear before the Court of First Instance Antwerp, Belgium on March 11, 2015. The plaintiffs in this case allege that through their initial investments in collective investment funds domiciled in Netherlands and subsequent transfer of claim rights to a Belgium domiciled partnership, they are beneficial owners of a portfolio of life settlement policies (the Portfolio) which lapsed due to a failure to make premium payments. The plaintiffs seek to recover jointly and severally from nine defendants including GFSL and T&C, damages of approximately \$84 million. GFSL and T&C's involvement in the litigation appears to arise out of their historical



provision of administration and custody services respectively, to the Strategic Life Settlement Fund PLC, who, together with its managers, appear to be the principal defendants in this claim. While the outcome of this action is uncertain given its early phase and the lack of specific theories of liability asserted against GFSL and T&C, each of GFSL and T&C believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuit vigorously.

**Executive Officers of the Registrant**

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

**Item 4. Mine Safety Disclosures.**

None.

## PART II

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

#### Price Range of Common Stock and Dividends:

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

2014	High	Low	Dividends
First Quarter	\$ 35.57	\$ 32.38	\$ —
Second Quarter	33.80	29.93	0.22
Third Quarter	38.14	31.90	—
Fourth Quarter	41.22	32.95	0.24

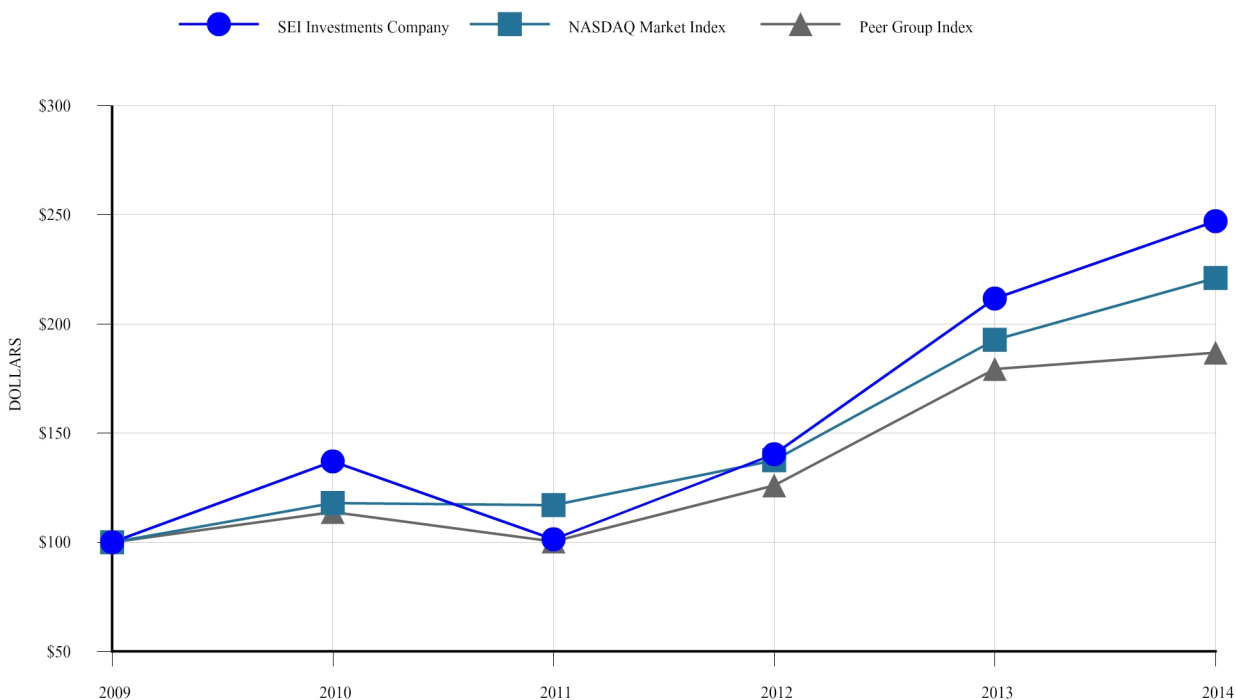
  

2013	High	Low	Dividends
First Quarter	\$ 29.22	\$ 23.80	\$ —
Second Quarter	31.29	27.08	0.20
Third Quarter	32.64	27.84	—
Fourth Quarter	34.97	30.19	0.22

According to the records of our transfer agent, there were 332 holders of record of our common stock on January 30, 2015. Because many of such shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

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

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



ASSUMES \$100 INVESTED ON JANUARY 1, 2010 & DIVIDENDS REINVESTED  
FISCAL YEAR ENDED DECEMBER 31,

### Issuer Purchases of Equity Securities:

Our Board of Directors has authorized the repurchase of up to \$2.578 billion worth of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program (See Note 8 to the Consolidated Financial Statements).

Information regarding the repurchase of common stock during the three months ended December 31, 2014 is:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program
October 1 – 31, 2014	140,000	\$ 38.12	140,000	\$ 59,937,000
November 1 – 30, 2014	588,000	39.12	588,000	36,928,000
December 1 – 31, 2014	855,000	40.04	855,000	102,713,000
Total	1,583,000	\$ 39.53	1,583,000	

### Item 6. Selected Financial Data.

(In thousands, except per-share data)

This table presents selected consolidated financial information for the five-year period ended December 31, 2014. This data should be read in conjunction with the financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Annual Report on Form 10-K.

Year Ended December 31,	2014	2013	2012	2011	2010
Revenues	\$ 1,266,005	\$ 1,126,132	\$ 992,522	\$ 929,727	\$ 900,835
Total expenses	913,221	877,723	780,956	725,662	683,302
Income from operations	352,784	248,409	211,566	204,065	217,533
Other income (expense)	136,878	186,989	117,930	114,422	152,248
Income before income taxes	489,662	435,398	329,496	318,487	369,781
Income taxes	170,949	146,924	121,462	111,837	136,461
Net income	318,713	288,474	208,034	206,650	233,320
Less: Net income attributable to the noncontrolling interest	—	(350)	(1,186)	(1,691)	(1,633)
Net income attributable to SEI Investments	318,713	288,124	206,848	204,959	231,687
Basic earnings per common share	\$ 1.89	\$ 1.68	\$ 1.19	\$ 1.12	\$ 1.23
Shares used to calculate basic earnings per common share	168,246	171,561	174,295	182,547	188,468
Diluted earnings per common share	\$ 1.85	\$ 1.64	\$ 1.18	\$ 1.11	\$ 1.22
Shares used to calculate diluted earnings per common share	172,565	175,718	175,872	184,127	190,321
Cash dividends declared per common share	\$ 0.46	\$ 0.42	\$ 0.63	\$ 0.27	\$ 0.20
Financial Position as of December 31,					
Cash and cash equivalents	\$ 667,446	\$ 578,273	\$ 452,247	\$ 420,986	\$ 496,292
Total assets	1,542,875	1,439,169	1,309,824	1,294,559	1,377,223
Long-term debt (including current portion)	—	—	—	—	95,000
SEI Investments Shareholders’ equity	1,247,613	1,156,002	1,038,180	1,025,316	1,041,570

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

(In thousands, except share and per-share data)

This discussion reviews and analyzes the consolidated financial condition at December 31, 2014 and 2013, the consolidated results of operations for the years ended December 31, 2014, 2013 and 2012, and other factors that may affect future financial performance. This discussion should be read in conjunction with the Selected Financial Data included in Item 6 of this Annual Report and the Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in Item 8 of this Annual Report.

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

### Overview

#### Consolidated Summary

We are a leading global provider of investment processing, investment management and investment operations solutions. We help corporations, financial institutions, financial advisors and ultra-high-net-worth families create and manage wealth by providing comprehensive, innovative, investment and investment-business solutions. Investment processing fees are earned as monthly fees for contracted services, including computer processing services, software licenses and investment operations services, as well as transaction-based fees for providing securities valuation and trade-execution. Investment operations and investment management fees are earned as a percentage of average assets under management or administration. As of December 31, 2014, through our subsidiaries and partnerships in which we have a significant interest, we manage or administer \$625.4 billion in mutual fund and pooled or separately managed assets, including \$252.8 billion in assets under management and \$372.6 billion in client assets under administration.

Our Condensed Consolidated Statements of Operations for the years ended 2014, 2013 and 2012 were:

Year Ended December 31,	2014	2013	Percent Change	2012	Percent Change
Revenues	\$ 1,266,005	\$ 1,126,132	12 %	\$ 992,522	13 %
Expenses	913,221	877,723	4 %	780,956	12 %
Income from operations	352,784	248,409	42 %	211,566	17 %
Net gain from investments	614	659	(7)%	14,067	(95)%
Interest income, net of interest expense	2,896	2,713	7 %	5,192	(48)%
Equity in earnings of unconsolidated affiliates	127,786	118,076	8 %	98,671	20 %
Gain on sale of subsidiary	5,582	22,112	NM	—	NM
Other income	—	43,429	NM	—	NM
Income before income taxes	489,662	435,398	12 %	329,496	32 %
Income taxes	170,949	146,924	16 %	121,462	21 %
Net income	318,713	288,474	10 %	208,034	39 %
Less: Net income attributable to the noncontrolling interest	—	(350)	NM	(1,186)	(70)%
Net income attributable to SEI Investments Company	\$ 318,713	\$ 288,124	11 %	\$ 206,848	39 %
Diluted earnings per common share	\$ 1.85	\$ 1.64	13 %	\$ 1.18	39 %

#### *Significant Items Impacting Our Financial Results in 2014*

Revenues increased \$139.9 million, or 12 percent, to \$1.3 billion in 2014 compared to 2013. Net income attributable to SEI increased \$30.6 million, or 11 percent, to \$318.7 million and diluted earnings per share increased to \$1.85 per share in 2014 compared to \$1.64 per share in 2013. We believe the following items were significant to our business results during 2014:

- Revenue growth was primarily driven by higher Asset management, administration and distribution fees from positive cash flows from new and existing clients and market appreciation. Our average assets under management, excluding LSV, increased \$19.5 billion, or 13 percent, to \$164.9 billion during 2014 as compared to \$145.4 billion during 2013. Our average assets under administration increased \$54.5 billion, or 18 percent, to \$354.3 billion during 2014 as compared to \$299.8 billion during 2013.

- The increase in our average assets under management primarily resulted from the favorable capital market conditions and new client funding in our Institutional Investors segment, increased investment management fees from international clients in our Private Banks segment, and positive net cash flows from new and existing advisor relationships in our Investment Advisors segment. The increase in our assets under administration primarily resulted from market appreciation and new client funding across all of our products offered in our Investment Managers segment.
- Revenue growth was also driven by increased information processing fees in our Private Banks segment. The increase in our information processing fees was primarily attributable to higher fees from the growth in assets processed on the SEI Wealth Platform and increased fees from our mutual fund trading solution. In addition, we also recognized \$6.0 million in non-recurring professional services fees from a single project in the second quarter 2014.
- Our proportionate share in the earnings of LSV was \$140.2 million in 2014 as compared to \$119.0 million in 2013, an increase of 18 percent. The increase was primarily driven by higher assets under management of LSV from existing clients due to market appreciation and an increase in performance fees earned by LSV.
- Stock-based compensation expense decreased by \$24.4 million during 2014 due to the acceleration of expense recognition during 2013 for stock options that achieved performance vesting targets earlier than previously estimated as a result of unexpected, non-recurring events which were not part of our normal business operations (See the caption "Stock-Based Compensation" later in this discussion for more information).
- The direct costs associated with our investment management programs increased in our Private Banks and Institutional Investors segments. These costs primarily relate to fees charged by investment advisory firms and are included in Sub-advisory, distribution and other asset management costs on the accompanying Consolidated Statements of Operations.
- Our operating expenses related to personnel in our Private Banks and Investment Managers segments increased. These increased operational costs, primarily attributable to salary and incentive compensation, are mainly related to servicing new and existing clients.
- We capitalized \$34.9 million in 2014 for significant enhancements and new functionality for the SEI Wealth Platform as compared to \$39.5 million in 2013. Included in the amount for 2013 is a one-time contractual payment of \$8.8 million to exercise a conversion option in lieu of periodic fee payments pertaining to a software license related to the Platform. Amortization expense related to capitalized software was \$38.5 million during 2014 as compared to \$34.4 million during 2013 primarily due to continued enhancements to the Platform. Our non-capitalized development costs associated with the Platform increased due to higher personnel and consulting costs.
- Our operating margins in all four core business segments improved in 2014 mainly due to increased recurring revenues generated from the higher levels of assets under management and administration as previously discussed.
- We recorded a pre-tax charge of \$11.3 million against earnings during the fourth quarter for the write down of our investment in a wealth services firm based in China (See the caption "Equity in earnings of unconsolidated affiliates" later in this discussion for more information).
- We recorded a pre-tax gain of \$5.6 million, or \$0.02 diluted earnings per share, in 2014 from the sale of SEI Asset Korea (SEI AK) which was completed during the first quarter 2013. This gain was the result of the first in a series of three annual payments related to the contingent purchase price we received from the sale. The gain from the sale is included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations (See Note 15 to the Consolidated Financial Statements for more information).
- Our effective tax rate was 34.9 percent in 2014 as compared to 33.7 percent in 2013. The increase in our tax rate was primarily due to a one time reduction in 2013 from a Pennsylvania state tax law change (See the caption "Income Taxes" later in this discussion for more information).
- We continued our stock repurchase program and purchased approximately 7,888,000 shares at an average price of \$35.29 per share for a total cost of \$278.4 million.

#### *Significant Items Impacting Our Financial Results in 2013*

Revenues increased \$133.6 million, or 13 percent, to \$1.1 billion in 2013 compared to 2012. Net income attributable to SEI increased \$81.3 million, or 39 percent, to \$288.1 million and diluted earnings per share increased to \$1.64 per share in 2013 compared to \$1.18 per share in 2012. We believe the following items were significant to our business during 2013:

- Revenue growth was primarily driven by higher Asset management, administration and distribution fees from positive cash flows from new and existing clients and market appreciation. Our average assets under management, excluding LSV, increased \$14.9 billion, or 11 percent, to \$145.4 billion during 2013 as compared to \$130.5 billion during 2012.
- Sales of new business in our Institutional Investors and Investment Managers segments as well as positive cash receipts from new and existing advisor relationships in our Investment Advisors segment contributed to the increase in our revenues and profits.

- Revenue growth was also driven by increased Information processing and software servicing fees in our Private Banks segment. The increase was primarily attributable to new business and increased fees earned from our mutual fund trading solution.
- We recorded income of \$43.4 million, or \$0.16 diluted earnings per share, from a cash settlement payment received during the second quarter pertaining to litigation related to the purchase of securities of Cheyne Finance LLC, a structured investment vehicle (SIV) security (See Note 16 to the Consolidated Financial Statements for more information).
- Our proportionate share in the earnings of LSV was \$119.0 million in 2013 as compared to \$100.0 million in 2012, an increase of 19 percent. The increase in our earnings was primarily driven by the increase in assets under management of LSV from existing clients due to market appreciation and an increase in performance fees earned by LSV. Our earnings from LSV, however, were negatively impacted by the decrease in our ownership interest from approximately 39.8 percent to approximately 39.3 percent during the second quarter.
- Our sale of SEI AK was completed during the first quarter resulting in a gain of \$22.1 million, or \$0.08 diluted earnings per share. The operating results of SEI AK were included in the Private Banks business segment (See Note 15 to the Consolidated Financial Statements for more information).
- The direct costs associated with our investment management programs increased in our Private Banks and Institutional Investors segments. These costs primarily relate to fees charged by investment advisory firms and are included in Sub-advisory, distribution and other asset management costs on the accompanying Consolidated Statements of Operations.
- Our operating expenses related to personnel and third-party service providers in our Private Banks and Investment Managers segments increased. These increased operational costs are mainly related to servicing new and existing clients and are included in Compensation, benefits and other personnel as well as Consulting, outsourcing and professional fees on the accompanying Consolidated Statements of Operations.
- Stock-based compensation expense increased by \$22.1 million during 2013 as compared 2012 due mainly to a change in our estimate of the timing of when stock option vesting targets will be achieved. The change in our estimate resulted from the positive earnings impacts from the previously mentioned cash payment for the litigation settlement and the sale of SEI AK during 2013 (See the caption "Stock-Based Compensation" later in this discussion for more information).
- We capitalized \$39.5 million in 2013 for significant enhancements and new functionality for the SEI Wealth Platform as compared to \$31.0 million in 2012. Included in the amount for 2013 is a one-time contractual payment of \$8.8 million to exercise a conversion option in lieu of periodic fee payments pertaining to a software license related to the Platform. Amortization expense related to capitalized software increased to \$34.4 million during 2013 as compared to \$32.6 million during 2012 primarily due to continued enhancements to the Platform. Amortization expense during 2012 includes \$2.7 million of expense related to the remaining net book value of a component of the Platform that was discontinued.
- Corporate overhead costs increased due to increased stock-based compensation, increased personnel costs and higher costs related to regulatory and compliance matters.
- Our effective tax rates were 33.7 percent in 2013 and 36.9 percent in 2012. The 2013 tax rate was benefited by the changes to the Pennsylvania Tax Law primarily relating to the method of apportioning income to Pennsylvania. These changes have dramatically reduced the deferred tax liability which had accumulated during prior years. Our 2013 tax rate was also benefited by the reinstatement of the research and development tax credit. The 2012 tax rate included the U.S. deferred taxes on the undistributed earnings of SEI AK (See the caption "Income Taxes" later in this discussion for more information).
- We continued our stock repurchase program and purchased approximately 6,789,000 shares at an average price of \$30.92 per share for a total cost of \$209.9 million.

#### *Product Development - SEI Wealth Platform*

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

We will continue to focus our development efforts on enhancing the functionality of the Platform and building the operational infrastructure for a wider deployment of the Platform to financial institutions and investment advisors in the United States.

Future enhancements to the Platform may replace significant existing components or functionality. Once these enhancements are completed and ready to be placed into service, the components or functionality that are being replaced will be abandoned. If this occurs, the remaining net book value of the previously capitalized software development costs will be expensed over the remaining useful life of those components or written off.

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

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

*Sensitivity of our revenues and earnings to capital market fluctuations*

The majority of our revenues are based on the value of assets invested in investment products that we manage or administer which are affected by changes in the capital markets. The prevailing capital market conditions during 2013 and 2014 had a net positive impact on our asset-based fees thereby increasing our base revenues. Conversely, prolonged future downturns in the general capital markets could have adverse effects on our revenues and earnings derived from assets under management and administration.

## Ending Asset Balances

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

### Ending Asset Balances

(In millions)

	As of December 31,				
	2014	2013	Percent Change	2012	Percent Change
<b>Private Banks:</b>					
Equity and fixed income programs (a)	\$ 18,666	\$ 15,472	21 %	\$ 18,862	(18)%
Collective trust fund programs	8	14	(43)%	11	27 %
Liquidity funds	5,889	5,685	4 %	6,008	(5)%
Total assets under management	\$ 24,563	\$ 21,171	16 %	\$ 24,881	(15)%
Client proprietary assets under administration	16,741	15,272	10 %	12,178	25 %
Total assets	\$ 41,304	\$ 36,443	13 %	\$ 37,059	(2)%
<b>Investment Advisors:</b>					
Equity and fixed income programs	\$ 43,845	\$ 38,574	14 %	\$ 31,220	24 %
Collective trust fund programs	9	11	(18)%	14	(21)%
Liquidity funds	3,173	2,846	11 %	2,514	13 %
Total assets under management	\$ 47,027	\$ 41,431	14 %	\$ 33,748	23 %
<b>Institutional Investors:</b>					
Equity and fixed income programs	\$ 72,828	\$ 66,548	9 %	\$ 62,160	7 %
Collective trust fund programs	95	109	(13)%	102	7 %
Liquidity funds	2,929	2,644	11 %	2,454	8 %
Total assets under management	\$ 75,852	\$ 69,301	9 %	\$ 64,716	7 %
<b>Investment Managers:</b>					
Equity and fixed income programs	\$ 27	\$ 69	(61)%	\$ 67	3 %
Collective trust fund programs	20,833	22,377	(7)%	16,197	38 %
Liquidity funds	946	718	32 %	408	76 %
Total assets under management	\$ 21,806	\$ 23,164	(6)%	\$ 16,672	39 %
Client proprietary assets under administration	355,890	311,992	14 %	244,671	28 %
Total assets	\$ 377,696	\$ 335,156	13 %	\$ 261,343	28 %
<b>Investments in New Businesses:</b>					
Equity and fixed income programs	\$ 736	\$ 619	19 %	\$ 513	21 %
Liquidity funds	98	46	113 %	43	7 %
Total assets under management	\$ 834	\$ 665	25 %	\$ 556	20 %
<b>LSV:</b>					
Equity and fixed income programs	\$ 82,665	\$ 76,189	8 %	\$ 60,947	25 %
<b>Total:</b>					
Equity and fixed income programs (a)	\$ 218,767	\$ 197,471	11 %	\$ 173,769	14 %
Collective trust fund programs	20,945	22,511	(7)%	16,324	38 %
Liquidity funds	13,035	11,939	9 %	11,427	4 %
Total assets under management	\$ 252,747	\$ 231,921	9 %	\$ 201,520	15 %
Client proprietary assets under administration	372,631	327,264	14 %	256,849	27 %
Total assets under management and administration	\$ 625,378	\$ 559,185	12 %	\$ 458,369	22 %

(a) Equity and fixed income programs in the Private Banks segment in 2012 includes \$7.0 billion in assets related to SEI AK which was sold in the first quarter of 2013 (See Note 15 to the Consolidated Financial Statements).



## Average Asset Balances

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

### Average Asset Balances

(In millions)

	For the Year Ended December 31,				
	2014	2013	Percent Change	2012	Percent Change
<b>Private Banks:</b>					
Equity and fixed income programs (a)	\$ 17,838	\$ 15,188	17 %	\$ 17,434	(13)%
Collective trust fund programs	12	11	9 %	282	(96)%
Liquidity funds	5,547	5,252	6 %	5,332	(2)%
Total assets under management	\$ 23,397	\$ 20,451	14 %	\$ 23,048	(11)%
Client proprietary assets under administration	15,648	13,626	15 %	10,873	25 %
Total assets	\$ 39,045	\$ 34,077	15 %	\$ 33,921	— %
<b>Investment Advisors:</b>					
Equity and fixed income programs	\$ 41,346	\$ 35,290	17 %	\$ 29,611	19 %
Collective trust fund programs	12	14	(14)%	728	(98)%
Liquidity funds	2,840	2,355	21 %	1,970	20 %
Total assets under management	\$ 44,198	\$ 37,659	17 %	\$ 32,309	17 %
<b>Institutional Investors:</b>					
Equity and fixed income programs	\$ 70,796	\$ 64,003	11 %	\$ 56,584	13 %
Collective trust fund programs	108	106	2 %	312	(66)%
Liquidity funds	2,773	2,937	(6)%	3,415	(14)%
Total assets under management	\$ 73,677	\$ 67,046	10 %	\$ 60,311	11 %
<b>Investment Managers:</b>					
Equity and fixed income programs	\$ 66	\$ 74	(11)%	\$ 63	17 %
Collective trust fund programs	21,929	18,985	16 %	13,873	37 %
Liquidity funds	857	554	55 %	276	101 %
Total assets under management	\$ 22,852	\$ 19,613	17 %	\$ 14,212	38 %
Client proprietary assets under administration	338,645	286,208	18 %	233,024	23 %
Total assets	\$ 361,497	\$ 305,821	18 %	\$ 247,236	24 %
<b>Investments in New Businesses:</b>					
Equity and fixed income programs	\$ 671	\$ 577	16 %	\$ 537	7 %
Liquidity funds	81	33	145 %	35	(6)%
Total assets under management	\$ 752	\$ 610	23 %	\$ 572	7 %
<b>LSV:</b>					
Equity and fixed income programs	\$ 80,440	\$ 68,870	17 %	\$ 57,935	19 %
<b>Total:</b>					
Equity and fixed income programs (a)	\$ 211,157	\$ 184,002	15 %	\$ 162,164	13 %
Collective trust fund programs	22,061	19,116	15 %	15,195	26 %
Liquidity funds	12,098	11,131	9 %	11,028	1 %
Total assets under management	\$ 245,316	\$ 214,249	15 %	\$ 188,387	14 %
Client proprietary assets under administration	354,293	299,834	18 %	243,897	23 %
Total assets under management and administration	\$ 599,609	\$ 514,083	17 %	\$ 432,284	19 %

(a) Equity and fixed income programs in the Private Banks segment in 2012 includes \$6.6 billion in average assets related to SEI AK which was sold in the first quarter of 2013 (See Note 15 to the Consolidated Financial Statements).

In the preceding tables, assets under management are total assets of our clients or their customers invested in our equity and fixed-income investment programs, collective trust fund programs, and liquidity funds for which we provide asset management services. Assets under management and administration also include total assets of our clients or their customers for which we provide administrative services, including client proprietary fund balances for which we provide administration and/or distribution services. All assets presented in the preceding tables are not included in the accompanying Consolidated Balance Sheets because we do not own them.

### **Business Segments**

Revenues, Expenses, and Operating profit (loss) for our business segments for the year ended 2014 compared to the year ended 2013, and for the year ended 2013 compared to the year ended 2012 are:

Year Ended December 31,	2014	2013	Percent Change	2012	Percent Change
<b>Private Banks:</b>					
Revenues	\$ 441,467	\$ 397,138	11%	\$ 364,788	9 %
Expenses	399,620	392,399	2%	357,001	10 %
Operating profit	\$ 41,847	\$ 4,739	NM	\$ 7,787	(39)%
Gain on sale of subsidiary	5,582	22,112	NM	—	NM
Total profit	\$ 47,429	\$ 26,851	NM	\$ 7,787	NM
Operating margin (a)	9%	1%		2%	
<b>Investment Advisors:</b>					
Revenues	283,811	241,252	18%	202,703	19 %
Expenses	146,500	133,962	9%	120,146	11 %
Operating profit	\$ 137,311	\$ 107,290	28%	\$ 82,557	30 %
Operating margin	48%	44%		41%	
<b>Institutional Investors:</b>					
Revenues	284,677	257,658	10%	227,889	13 %
Expenses	140,659	133,218	6%	116,546	14 %
Operating profit	\$ 144,018	\$ 124,440	16%	\$ 111,343	12 %
Operating margin	51%	48%		49%	
<b>Investment Managers:</b>					
Revenues	251,310	226,081	11%	193,484	17 %
Expenses	159,176	148,977	7%	127,525	17 %
Operating profit	\$ 92,134	\$ 77,104	19%	\$ 65,959	17 %
Operating margin	37%	34%		34%	
<b>Investments in New Businesses:</b>					
Revenues	4,740	4,003	18%	3,658	9 %
Expenses	18,377	15,723	17%	14,954	5 %
Operating loss	\$ (13,637)	\$ (11,720)	NM	\$ (11,296)	NM

(a) Percentage determined exclusive of gain from sale of subsidiary (See Note 15 to the Consolidated Financial Statements).

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

## Private Banks

Year Ended December 31,	2014	2013	Percent Change	2012	Percent Change
<b>Revenues:</b>					
Investment processing and software servicing fees	\$ 283,021	\$ 260,085	9 %	\$ 233,790	11%
Asset management, administration & distribution fees	132,427	108,792	22 %	103,712	5%
Transaction-based and trade execution fees	26,019	28,261	(8)%	27,286	4%
Total revenues	<u>\$ 441,467</u>	<u>\$ 397,138</u>	11 %	<u>\$ 364,788</u>	9%

Revenues increased \$44.3 million, or 11 percent, in 2014 compared to the prior year. Revenues during 2014 were primarily affected by:

- Increased investment management fees from existing international clients due to higher average assets under management from improved capital markets and increased net cash flows;
- Increased fees from the growth in existing client assets processed on the SEI Wealth Platform;
- Increased fees earned on our mutual fund trading solution due to an increase in assets processed on the system from new and existing clients; and
- \$6.0 million in non-recurring professional services fees from a single project recorded in the second quarter 2014 related to investment processing services; partially offset by
- Lower recurring investment processing fees due to price reductions provided to existing clients that recontracted for longer periods and client losses.

Revenues increased \$32.4 million, or nine percent, in 2013 compared to the prior year. Revenues during 2013 were primarily affected by:

- Increased recurring investment processing fees from new and existing investment processing clients;
- Increased fees earned on our mutual fund trading solution due to an increase in assets from new and existing clients; and
- Increased investment management fees from existing clients due to higher average assets under management from improved capital markets, net of the decrease in assets under management from the sale of SEI AK in the first quarter 2013; partially offset by
- Lower recurring investment processing fees due to price reductions provided to existing clients that recontracted for longer periods and client losses.

Operating margins were nine percent in 2014 and one percent in 2013. Operating income increased \$37.1 million in 2014 compared to the prior year. Operating income in 2014 was primarily affected by:

- An increase in revenues;
- Decreased stock-based compensation costs of \$7.3 million; partially offset by
- Increased direct expenses associated with increased investment management fees from existing international clients;
- Increased non-capitalized development costs, mainly personnel and consulting costs, related to the SEI Wealth Platform;
- Increased operational costs, mainly salary and consulting costs, for servicing investment processing clients;
- Increased third-party expenses associated with clients processed on the SEI Wealth Platform; and
- Increased amortization expense related to the SEI Wealth Platform.

Operating margins were one percent in 2013 and two percent in 2012. Operating income decreased \$3.0 million, or 39 percent, in 2013 compared to the prior year. Operating income in 2013 was primarily affected by:

- Increased direct expenses associated with the increased investment management fees from existing international clients and our mutual fund trading solution;
- Increased operational costs, mainly salary, incentive compensation, consulting and outsourcing costs, for servicing new and existing investment processing clients;
- Increased stock-based compensation costs of \$6.3 million primarily due to the change in management's estimate of the timing of the achievement of stock option vesting targets;
- Increased direct expenses associated with the increased investment processing fees; and
- Increased amortization expense related to the SEI Wealth Platform; partially offset by
- An increase in revenues.

## Investment Advisors

<b>Year Ended December 31,</b>	<b>2014</b>	<b>2013</b>	<b>Percent Change</b>	<b>2012</b>	<b>Percent Change</b>
<b>Revenues:</b>					
Investment management fees-SEI fund programs	\$ 223,371	\$ 191,473	17%	\$ 160,324	19%
Separately managed account fees	45,404	35,382	28%	28,580	24%
Other fees	15,036	14,397	4%	13,799	4%
Total revenues (a)	<u>\$ 283,811</u>	<u>\$ 241,252</u>	18%	<u>\$ 202,703</u>	19%

(a) All amounts are reflected in Asset management, administration and distribution fees except for \$2,406, \$1,921 and \$1,891 in 2014, 2013 and 2012, respectively, which are reflected in Transaction-based and trade execution fees.

Revenues increased \$42.6 million, or 18 percent, in 2014 and increased \$38.5 million, or 19 percent, in 2013 compared 2012. Revenues during 2014 and 2013 were primarily affected by:

- Increased investment management fees and separately managed account program fees from existing clients due to higher average assets under management caused by market appreciation and an increase in net cash flows from new and existing advisors; and
- An increase in the average basis points earned on assets due to the increase in average assets under management and product mix; partially offset by
- Lower fees earned in 2013 from our collective trust fund offering due to the closing of the SEI Stable Asset Fund at the end of 2012.

Operating margins were 48 percent in 2014 and 44 percent in 2013. Operating income increased \$30.0 million, or 28 percent, in 2014 compared to the prior year. Operating income in 2014 was primarily affected by:

- An increase in revenues; and
- Decreased stock-based compensation costs of \$4.2 million; partially offset by
- Increased direct expenses associated with increased investment management programs;
- Increased non-capitalized development costs, mainly personnel and consulting costs, related to the SEI Wealth Platform; and
- Increased amortization expense related to the SEI Wealth Platform.

Operating margins were 44 percent in 2013 and 41 percent in 2012. Operating income increased \$24.7 million, or 30 percent, in 2013 compared to the prior year. Operating income in 2013 was primarily affected by:

- An increase in revenues; partially offset by
- Increased amortization expense relating to the SEI Wealth Platform as well as spending associated with building the necessary functionality and infrastructure for servicing financial institutions and investment advisors in the United States;
- Increased personnel costs, mainly salary and incentive compensation; and
- Increased stock-based compensation costs of \$3.9 million primarily due to the change in management's estimate of the timing of the achievement of stock option vesting targets.

## Institutional Investors

Revenues increased \$27.0 million, or ten percent, in 2014 and increased \$29.8 million, or 13 percent, in 2013 compared to 2012. Revenues during 2014 and 2013 were primarily affected by:

- Increased investment management fees from existing clients due to higher average assets under management from market appreciation as well as additional asset funding from existing clients; and
- Asset funding from new sales of our retirement and not-for-profit solutions; partially offset by client losses.

Operating margins were 51 percent in 2014 and 48 percent in 2013. Operating income increased \$19.6 million, or 16 percent, in 2014 compared to the prior year. Operating income during 2014 was primarily affected by:

- An increase in revenues; and
- Decreased stock-based compensation costs of \$3.9 million; partially offset by
- Increased direct expenses associated with higher investment management fees, and
- Increased personnel costs, mainly salary and incentive-based compensation expenses.

Operating margins were 48 percent in 2013 and 49 percent in 2012. Operating income increased \$13.1 million, or 12 percent, in 2013 compared to the prior year. Operating income during 2013 was primarily affected by:

- An increase in revenues; partially offset by
- Increased direct expenses associated with higher investment management fees;
- Increased stock-based compensation costs of \$3.7 million primarily due to the change in management's estimate of the timing of the achievement of stock option vesting targets; and
- Increased other personnel costs associated with investment management operations.

#### Investment Managers

Revenues increased \$25.2 million, or 11 percent, in 2014 and increased \$32.6 million, or 17 percent, in 2013 compared to 2012. Revenues during 2014 and 2013 were primarily affected by:

- Net positive cash flows from existing clients due to new funding along with higher valuations from improved capital markets;
- Increased accounts from our separately managed account program from new and existing clients in 2013; and
- Positive cash flows from new clients; partially offset by client losses.

Operating margins were 37 percent in 2014 and 2013. Operating income increased \$15.0 million, or 19 percent, in 2014 compared to the prior year. Operating income during 2014 was primarily affected by:

- An increase in revenues; and
- Decreased stock-based compensation costs of \$4.5 million; partially offset by
- Increased personnel expenses, technology and other operational costs to service new and existing clients.

Operating margins were 34 percent in 2013 and 2012. Operating income increased \$11.1 million, or 17 percent, in 2013 compared to the prior year. Operating income during 2013 was primarily affected by:

- An increase in revenues; partially offset by
- Increased personnel expenses and other operational costs to service new clients of our hedge fund and separately managed accounts solutions;
- Increased stock-based compensation costs of \$4.2 million primarily due to the change in management's estimate of the timing of the achievement of stock option vesting targets; and
- Increased investment spending for outsourced technology service providers.

#### *Other*

##### Corporate overhead expenses

Corporate overhead expenses primarily consist of general and administrative expenses and other costs not directly attributable to a reportable business segment. Corporate overhead expenses were \$48.9 million, \$53.7 million and \$45.8 million in 2014, 2013 and 2012, respectively. The decrease in corporate overhead expenses in 2014 was primarily due to decreased stock-based compensation costs of \$4.2 million. The increase in 2013 was primarily due to increased stock-based compensation costs of \$3.8 million primarily due to the change in management's estimate of the timing of the achievement of stock option vesting targets, other personnel-related costs and higher costs related to regulatory and compliance matters.

##### Other income and expense items

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

Year Ended December 31,	2014	2013	2012
Net gain from investments	\$ 614	\$ 659	\$ 14,067
Interest and dividend income	3,354	3,248	5,696
Interest expense	(458)	(535)	(504)
Equity in earnings of unconsolidated affiliates	127,786	118,076	98,671
Gain on sale of subsidiary	5,582	22,112	—
Other income	—	43,429	—
<b>Total other income and expense items, net</b>	<b>\$ 136,878</b>	<b>\$ 186,989</b>	<b>\$ 117,930</b>

### *Net gain from investments*

During 2012, we recognized net gains of \$13.2 million from Structured Investment Vehicles (SIV) securities. Of the net gains recognized during 2012, \$6.8 million resulted from cash payments received from the SIV securities and \$1.1 million was from a net increase in fair value. In November 2012, we sold our remaining SIV security, the Gryphon senior note, and recognized a gain of \$5.3 million.

### *Equity in earnings of unconsolidated affiliates*

Equity in earnings of unconsolidated affiliates primarily includes our ownership in LSV. At December 31, 2014, our interest in LSV was approximately 39.3 percent. Our proportionate share in the earnings of LSV was \$140.2 million in 2014 as compared to \$119.0 million in 2013, an increase of 18 percent. The increase in our earnings was primarily due to increased assets under management of LSV from existing clients due to improved capital markets and an increase in performance fees. LSV's average assets under management increased \$11.6 billion to \$80.4 billion during 2014 as compared to \$68.9 billion during 2013, an increase of 17 percent. Our earnings from LSV, however, were negatively impacted by a decrease in our ownership interest in April 2013 from approximately 39.8 percent to 39.3 percent. In 2013, our proportionate share in the earnings of LSV increased to \$119.0 million from \$100.0 million in 2012, an increase of 19 percent. The increase in 2013 was also primarily due to increased assets from new and existing clients due to market appreciation and increased performance fees.

Equity in earnings of unconsolidated affiliates also includes our proportionate share in the losses of Gao Fu, a wealth services firm based in China. Our investment in Gao Fu resulted from purchases of common stock between 2011 and 2013 and funding through two convertible loan agreements in 2014. The first loan agreement contained specific revenue and net income targets for Gao Fu to achieve by December 31, 2014. In December 2014, a review of the financial statements of Gao Fu indicated that the achievement of such performance targets as stipulated in the first loan agreement was unlikely. As a result, we wrote down our investment in Gao Fu to its net realizable value based on our ownership percentage of the remaining net assets of the firm and recognized an impairment charge of \$11.3 million during the fourth quarter 2014. This charge is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations (See Note 2 to the Consolidated Financial Statements for more information).

### *Gain on sale of subsidiary*

On July 31, 2012, we entered into an agreement to sell all of our ownership interest in SEI AK and completed the sale on March 28, 2013. We recorded gains from the sale of \$5.6 million and \$22.1 million during 2014 and 2013, respectively. The gain recorded in 2014 was the result of the first in a series of three annual payments related to the contingent purchase price we received from the sale. These gains are included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations (See Note 15 to the Consolidated Financial Statements for more information).

### *Other income*

On April 24, 2013, we entered into a Settlement Agreement with respect to litigation captioned Abu Dhabi Commercial Bank, et. al. v. Morgan Stanley & Co., Incorporated, et. al., related to the purchase of Cheyne Finance LLC, a SIV security. In accordance with the Settlement Agreement, we received a cash settlement payment after fees and expenses of \$43.4 million during 2013 which is included in Other income on the accompanying Consolidated Statement of Operations (See Note 16 to the Consolidated Financial Statements for more information).

### **Income Taxes**

Our effective tax rate was 34.9 percent in 2014, 33.7 percent in 2013, and 36.9 percent in 2012. Our effective tax rate is affected by recurring items, such as tax rates in various states and foreign jurisdictions and the relative amount of income we earned in those jurisdictions. These amounts have been fairly consistent in prior years. In 2014, there was an increase in the taxable income earned in certain foreign jurisdictions which was taxed at a lower rate or was offset by the foreign tax credit.

Our effective tax rate is also affected by discrete items that may occur in any given year, but are not consistent from year to year. Below are the most significant recurring and discrete items (See Note 12 to the Consolidated Financial Statements for more information):

#### 2014

- There was a reduction in our effective rate due to more pre-tax income being taxed in foreign jurisdictions with lower effective tax rates or offset by a foreign tax credit;
- There was a reduction in our state effective rate as a result of Pennsylvania Tax Law changes that became effective January 1, 2014. The 2013 tax rate was benefited by a one-time reduction in deferred taxes; and
- There was a reduction in our effective rate due to the reinstatement of the Research and Development Tax Credit. The tax credit was retroactively extended for 2014 through the Tax Increase Prevention Law, signed into law on December 19, 2014. The 2013 tax rate reflected the Research and Development Tax Credit for two years.

#### 2013

- There was a reduction in our effective rate that was the result of Pennsylvania Tax Law changes enacted on July 18, 2013 which became effective on January 1, 2014. These changes have reduced the deferred tax liability which had accumulated during prior years. In accordance with the tax accounting rules, the effect of the law change is recorded in the year in which the law was signed. The primary change that affects SEI results from the reduction of net income apportioned to the State of Pennsylvania. The bill adopts “market-based” sourcing for apportionment. This method apportions sales to the state where the benefits are being derived by the customer. The current method apportions sales of services to the state where the cost was incurred to perform those services; and
- There was a reduction in our effective rate from the reinstatement of the Research and Development Tax Credit. The tax credit was reinstated retroactively from January 1, 2012 through December 31, 2013 by The American Taxpayer Relief Act of 2012 (the Act), signed into law on January 2, 2013. The accounting rules require the determination of current and deferred taxes be based upon the provisions of the enacted tax law as of the balance sheet date. Since the Act was not signed into law until January 2, 2013, the effect was not reflected in the tax provision for 2012. The 2013 effective tax rate reflects a Research and Development Tax Credit for both 2012 and 2013.

#### 2012

- There was an increase in our effective tax rate as a result of the sale of SEI AK because we no longer considered the undistributed earnings of SEI AK to be indefinitely reinvested and, therefore, accrued U.S. deferred taxes on the cumulative undistributed earnings;
- There was an increase in our effective tax rate as a result of the expiration of the Research and Development Tax Credit; and
- There was a reduction in our effective tax rate as a result of state tax planning.

Our 2015 effective tax rate could be affected by the expiration of the Research and Development Tax Credit and taxation provisions of the budget proposed by President Obama for fiscal year 2016, that begins on October 1, 2015, if enacted into law.

#### **Stock-Based Compensation**

During 2014, 2013 and 2012, we recognized approximately \$13.5 million, \$37.9 million and \$15.7 million, respectively, in stock-based compensation expense. All of our stock options have performance-based vesting provisions that tie vesting of the options to our financial performance and do not contain any time-based vesting provisions. The amount of stock-based compensation expense recognized is based upon an estimate of when the earnings per share targets may be achieved. If our estimate proves to be inaccurate, the 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 and materially affect our earnings.

During 2013, we revised our estimate of when certain vesting targets were expected to be achieved. This change in estimate resulted in an increase of \$19.6 million in stock-based compensation expense. The change in our estimate resulted from the positive earnings impacts from the unexpected cash payment received for a litigation settlement and the gain recognized from the sale of SEI AK during 2013. These non-recurring events, which were not part of our normal business operations, had a significant positive impact on our earnings and were not initially incorporated into our estimate made at December 31, 2012 for the achievement of our option vesting targets.

As of December 31, 2014, there was approximately \$45.1 million of unrecognized compensation cost related to unvested employee stock options that we expect will vest and is being amortized.

#### **Fair Value Measurements**

The fair value of our financial assets and liabilities is determined in accordance with the fair value hierarchy. The fair value of our financial assets are determined using Level 1 or Level 2 inputs and consist mainly of investments in equities or mutual



funds that are quoted daily and GNMA and other U.S. government agency securities that are single issuer pools that are valued based on current market data of similar assets. We did not have any financial liabilities at December 31, 2014 or 2013 (See Note 5 to the Consolidated Financial Statements for more information).

### **Regulatory Matters**

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

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

### **Liquidity and Capital Resources**

Year Ended December 31,	2014	2013	2012
Net cash provided by operating activities	\$ 374,803	\$ 351,224	\$ 257,490
Net cash (used in) provided by investing activities	(53,385)	(62,413)	16,627
Net cash used in financing activities	(224,750)	(162,785)	(242,856)
Effect of exchange rate changes on cash and cash equivalents	(7,495)	—	—
Net increase in cash and cash equivalents	89,173	126,026	31,261
Cash and cash equivalents, beginning of year	578,273	452,247	420,986
Cash and cash equivalents, end of year	\$ 667,446	\$ 578,273	\$ 452,247

Cash requirements and liquidity needs are primarily funded through our cash flow from operations and our capacity for additional borrowing. At December 31, 2014, our unused sources of liquidity consisted of cash and cash equivalents and the full amount available under our credit facility.

Our credit facility provides for borrowings of up to \$300.0 million and is scheduled to expire in February 2017 (See Note 7 to the Consolidated Financial Statements). The availability of the credit facility is subject to compliance with certain covenants set forth in the agreement. The credit facility contains covenants which restrict our ability to engage in mergers, consolidations, asset sales, investments, transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the credit facility, we would also be restricted from paying dividends on, or repurchasing, our common stock. Currently, our ability to borrow from the credit facility is not limited by any covenant of the agreement. We currently have no borrowings under our credit facility.

The majority of our excess cash reserves are primarily placed in accounts located in the United States that invest in SEI-sponsored money market mutual funds denominated in the U.S. dollar. We also utilize demand deposit accounts or money market accounts at several well-established financial institutions located in the United States. Accounts used to manage these excess cash reserves do not impose any restrictions or limitations that would prevent us from being able to access such cash amounts immediately. As of January 30, 2015, the amount of cash and cash equivalents considered free and immediately accessible for other general corporate purposes was \$368.7 million.

Our cash and cash equivalents include accounts managed by our subsidiaries and minority-owned subsidiaries that are used in their operations or to cover specific business and regulatory requirements. The availability of this cash for other purposes beyond the operations of these subsidiaries may be limited. Also, some of our foreign subsidiaries may have excess cash reserves which are considered to be undistributed earnings and indefinitely reinvested. Upon distribution of these earnings, in the form of dividends or otherwise, we would be immediately subject to both U.S. and foreign withholding taxes which would



reduce the amount we would ultimately realize. We do not include accounts of our foreign subsidiaries in our calculation of free and immediately accessible cash for other general corporate purposes.

Cash flows from operations increased \$23.6 million in 2014 compared to 2013 due to the increase in our net income and the non-cash adjustments related to the gains from the sale of SEI AK and deferred tax expense. These increases were offset by the non-cash adjustment for stock-based compensation and the net change in our working capital accounts (See Note 15 to the Consolidated Financial Statements for more information regarding the sale of SEI AK).

Cash flows from operations increased \$93.7 million in 2013 compared to 2012 primarily due to an increase in our earnings, the cash payment of \$43.4 million received pertaining to a litigation settlement and an additional quarterly partnership distribution payment received from LSV due to a change in the payment schedule (See Note 16 to the Consolidated Financial Statements for more information regarding the litigation settlement).

Cash flows from investing activities increased \$9.0 million in 2014 compared to 2013 and decreased \$79.0 million in 2013 compared to 2012. Net cash used in investing activities includes:

- *Purchases, sales and maturities of marketable securities.* Our purchases, sales and maturities of marketable securities during 2014, 2013 and 2012 were as follows:

	2014	2013	2012
Purchases	\$ (56,754)	\$ (57,560)	\$ (33,662)
Sales and maturities	63,434	47,574	108,182
Net investing activities from marketable securities	<u>\$ 6,680</u>	<u>\$ (9,986)</u>	<u>\$ 74,520</u>

Marketable securities purchased generally consisted of additional GNMA securities to satisfy applicable regulatory requirements of SPTC, investments in short-term U.S. government agency and commercial paper securities through SIDCO's cash management program and investments for the start-up of new investment products. Proceeds received from sales and maturities primarily included sales and principal prepayments related to the GNMA securities owned by SPTC, maturities of short-term securities owned by SIDCO and, in 2012, the sale of our remaining SIV security.

- *The capitalization of costs incurred in developing computer software.* We capitalized \$34.9 million, \$39.5 million and \$31.0 million of software development costs in 2014, 2013 and 2012, respectively. Amounts capitalized in each year include costs for significant enhancements and upgrades for the expanded functionality of the SEI Wealth Platform. Included in the amount for 2013 is a one-time contractual payment of \$8.8 million to exercise a conversion option in lieu of periodic fee payments pertaining to a software license for functionality utilized by the Platform.
- *Capital expenditures.* Our capital expenditures in 2014, 2013 and 2012 primarily include purchased software and equipment for our data center operations. Our expenditures in 2014 also include \$8.5 million related to the construction of an additional building at our corporate headquarters which was completed during the third quarter. Our expenditures in 2012 include a purchase of \$10.0 million for specific front office client management technology. In 2015, we intend to relocate our London operations to a new facility. The total cost of the improvements to this facility is estimated to be at least \$13.2 million and is expected to be completed during the third quarter of 2015.
- *The sale of our subsidiary.* The sale of SEI AK was completed during the first quarter of 2013. Prior to the transaction, cash and cash equivalents held in the accounts of SEI AK were not considered free and immediately available. As a result of the sale, the net cash proceeds received significantly increased our amount of cash considered free and immediately accessible for other general corporate purposes. The net effect of the cash received from the sale of SEI AK and the transfer of cash balances to the owners is reflected in Sale of subsidiary, net of cash transferred. Additional information pertaining to the sale is presented in Note 15 to the Consolidated Financial Statements.

Cash flows from financing activities decreased \$62.0 million in 2014 compared to 2013 and increased \$80.1 million in 2013 compared to 2012. Net cash used in financing activities includes:

- *The repurchase of our common stock.* Our Board of Directors has authorized the repurchase of our common stock through multiple authorizations. Currently, there is no expiration date for our common stock repurchase program. The following table lists information regarding repurchases of our common stock during 2014, 2013 and 2012:

Year	Total Number of Shares Repurchased	Average Price Paid per Share	Total Cost
2014	7,888,000	\$ 35.29	\$ 278,357
2013	6,789,000	30.92	209,942
2012	7,528,000	20.62	155,264

- *Proceeds from the issuance of our common stock.* We received \$104.9 million, \$66.4 million and \$49.4 million in proceeds from the issuance of our common stock during 2014, 2013 and 2012, respectively. The increase in proceeds in 2014 and 2013 is primarily attributable to higher levels of stock option exercise activity.
- *Dividend payments.* Our cash dividends paid during 2014, 2013 and 2012 were as follows:

Year	Cash Dividends Paid	Cash Dividends Paid per Share
2014	\$ 74,294	\$ 0.44
2013	34,400	0.20
2012	135,335	0.78

The decrease in dividends paid in 2013 was due to a special cash dividend of \$0.32 per share paid in 2012 and the payment date of the regular semi-annual dividend declared in December 2012 occurring in the calendar year as compared to the payment date of the semi-annual dividend declared in December 2013 which occurred in January of 2014.

Our Board of Directors declared a semi-annual cash dividend of \$0.24 per share on December 9, 2014. The dividend was paid on January 6, 2015 for a total of \$40.2 million.

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

### **Significant Arrangement**

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

### **Contractual Obligations and Contingent Obligations**

As of December 31, 2014, the Company is obligated to make payments in connection with its lines of credit, operating leases, maintenance contracts and other commitments in the amounts listed below. The Company has no unrecorded obligations other than the items noted in the following table:

	Total	2015	2016	2017 to 2018	2019 and thereafter
Line of credit (a)	\$ 950	\$ 456	\$ 456	\$ 38	\$ —
Operating leases and maintenance agreements (b)	60,848	3,779	3,023	10,445	43,601
Other commitments (c)	4,757	4,757	—	—	—
Total	\$ 66,555	\$ 8,992	\$ 3,479	\$ 10,483	\$ 43,601

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

### **Critical Accounting Policies**

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

#### *Revenue Recognition:*

Revenues are recognized in the periods in which the related services are performed provided that persuasive evidence of an agreement exists, the fee is fixed or determinable, and collectibility is reasonably assured. Cash received by us in advance of

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

*Computer Software Development Costs:*

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

We evaluate the carrying value of our capitalized software when circumstances indicate the carrying value may not be recoverable. The review of capitalized software for impairment requires significant assumptions about operating strategies, underlying technologies utilized, and external market factors. Our capitalized software was developed using mainstream technologies that are industry standards and are based on technology developed by multiple vendors that are significant industry leaders. External market factors include, but are not limited to, expected levels of competition, barriers to entry by potential competitors, stability in the target market and governmental regulations.

*Income Tax Accounting:*

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

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

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

*Stock-Based Compensation:*

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

are expected to be achieved. If this estimate proves to be inaccurate, the remaining amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed. We currently base our expectations for these assumptions from historical data and other applicable factors. These expectations are subject to change in future periods.

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

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

Information required by this item is set forth under the captions "Our revenues and earnings are affected by changes in capital markets" and "Changes in interest rates may affect the value of our fixed-income investment securities" in Item 1A "Risk Factors" and under the caption "Sensitivity of our revenues and earnings to capital market fluctuations" in Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations."

**Item 8. Financial Statements and Supplementary Data.**

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

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
SEI Investments Company:

We have audited the accompanying consolidated balance sheet of SEI Investments Company and subsidiaries as of December 31, 2014, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year ended December 31, 2014. In connection with our audit of the consolidated financial statements, we also have audited financial statement Schedule II referred to in Item 15(2) in this Form 10-K. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SEI Investments Company and subsidiaries as of December 31, 2014, and the results of their operations and their cash flows for the year ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), SEI Investments Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 23, 2015 expressed an unqualified opinion on the effectiveness of SEI Investments Company's internal control over financial reporting.

/s/ KPMG LLP

Philadelphia, Pennsylvania  
February 23, 2015

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders  
SEI Investments Company:

We have audited SEI Investments Company's internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). SEI Investments Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting (Item 9A). Our responsibility is to express an opinion on SEI Investments Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

In our opinion, SEI Investments Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of SEI Investments Company and subsidiaries as of December 31, 2014, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year ended December 31, 2014, and our report dated February 23, 2015 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Philadelphia, Pennsylvania  
February 23, 2015

Report of Independent Registered Public Accounting Firm

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

In our opinion, the consolidated balance sheet as of December 31, 2013 and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for each of the two years in the period ended December 31, 2013, present fairly, in all material respects, the financial position of SEI Investments Company and its subsidiaries at December 31, 2013, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for each of the two years in the period ended December 31, 2013 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

Philadelphia, PA  
February 27, 2014



**Consolidated Balance Sheets**  
(In thousands)

SEI Investments Company  
and Subsidiaries

	December 31,	2014	2013
<b>Assets</b>	<b>Current Assets:</b>		
	Cash and cash equivalents	\$ 667,446	\$ 578,273
	Restricted cash	5,801	5,500
	Receivables from regulated investment companies	48,393	39,364
	Receivables, net of allowance for doubtful accounts of \$784 and \$651	194,419	186,664
	Securities owned	21,175	21,133
	Other current assets	18,193	16,166
	<b>Total Current Assets</b>	<b>955,427</b>	<b>847,100</b>
	<b>Property and Equipment</b> , net of accumulated depreciation of \$241,295 and \$220,064	<b>125,535</b>	<b>118,995</b>
	<b>Capitalized Software</b> , net of accumulated amortization of \$218,514 and \$180,062	<b>309,040</b>	<b>312,615</b>
	<b>Investments Available for Sale</b>	<b>77,609</b>	<b>83,323</b>
	<b>Investments in Affiliated Funds</b> , at fair value	<b>4,523</b>	<b>4,849</b>
	<b>Investment in Unconsolidated Affiliates</b>	<b>54,290</b>	<b>61,370</b>
	<b>Other Assets</b> , net	<b>16,451</b>	<b>10,917</b>
	<b>Total Assets</b>	<b>\$ 1,542,875</b>	<b>\$ 1,439,169</b>
<b>Liabilities and Equity</b>	<b>Current Liabilities:</b>		
	Accounts payable	\$ 10,588	\$ 16,235
	Accrued liabilities	207,429	188,123
	Deferred income taxes, net	1,414	1,653
	Deferred revenue	1,749	1,977
	<b>Total Current Liabilities</b>	<b>221,180</b>	<b>207,988</b>
	<b>Deferred Income Taxes</b>	<b>63,755</b>	<b>66,572</b>
	<b>Other Long-term Liabilities</b>	<b>10,327</b>	<b>8,607</b>
	<b>Total Liabilities</b>	<b>295,262</b>	<b>283,167</b>
	<b>Commitments and Contingencies</b>		
	<b>Shareholders' Equity:</b>		
	Series Preferred stock, \$.05 par value, 50 shares authorized; no shares issued and outstanding	—	—
	Common stock, \$.01 par value, 750,000 shares authorized; 166,688 and 169,242 shares issued and outstanding	1,667	1,692
	Capital in excess of par value	834,615	721,219
	Retained earnings	420,226	431,604
	Accumulated other comprehensive (loss) income, net	(8,895)	1,487
	<b>Total Shareholders' Equity</b>	<b>1,247,613</b>	<b>1,156,002</b>
	<b>Total Liabilities and Equity</b>	<b>\$ 1,542,875</b>	<b>\$ 1,439,169</b>

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

**Consolidated Statements of Operations**  
(In thousands, except per-share data)

SEI Investments Company  
and Subsidiaries

Year Ended December 31,	2014	2013	2012
<b>Revenues:</b>			
Asset management, administration and distribution fees	\$ 948,932	\$ 831,720	\$ 723,630
Information processing and software servicing fees	285,463	261,691	236,190
Transaction-based and trade execution fees	31,610	32,721	32,702
<b>Total revenues</b>	<b>1,266,005</b>	<b>1,126,132</b>	<b>992,522</b>
<b>Expenses:</b>			
Subadvisory, distribution and other asset management costs	149,791	121,989	106,048
Software royalties and other information processing costs	33,522	31,255	26,722
Brokerage commissions	23,002	24,649	23,889
Compensation, benefits and other personnel	376,873	357,453	335,296
Stock-based compensation	13,463	37,865	15,736
Consulting, outsourcing and professional fees	136,818	131,399	109,828
Data processing and computer related	52,512	51,401	46,617
Facilities, supplies and other costs	66,113	64,613	60,976
Amortization	38,679	34,602	33,258
Depreciation	22,448	22,497	22,586
<b>Total expenses</b>	<b>913,221</b>	<b>877,723</b>	<b>780,956</b>
<b>Income from operations</b>	<b>352,784</b>	<b>248,409</b>	<b>211,566</b>
<b>Net gain from investments</b>	<b>614</b>	<b>659</b>	<b>14,067</b>
<b>Interest and dividend income</b>	<b>3,354</b>	<b>3,248</b>	<b>5,696</b>
<b>Interest expense</b>	<b>(458)</b>	<b>(535)</b>	<b>(504)</b>
<b>Equity in earnings of unconsolidated affiliates</b>	<b>127,786</b>	<b>118,076</b>	<b>98,671</b>
<b>Gain on sale of subsidiary</b>	<b>5,582</b>	<b>22,112</b>	<b>—</b>
<b>Other income</b>	<b>—</b>	<b>43,429</b>	<b>—</b>
<b>Income before income taxes</b>	<b>489,662</b>	<b>435,398</b>	<b>329,496</b>
<b>Income taxes</b>	<b>170,949</b>	<b>146,924</b>	<b>121,462</b>
<b>Net income</b>	<b>\$ 318,713</b>	<b>\$ 288,474</b>	<b>\$ 208,034</b>
<b>Less: Net income attributable to the noncontrolling interest</b>	<b>—</b>	<b>(350)</b>	<b>(1,186)</b>
<b>Net income attributable to SEI Investments Company</b>	<b>\$ 318,713</b>	<b>\$ 288,124</b>	<b>\$ 206,848</b>
<b>Basic earnings per common share</b>	<b>\$ 1.89</b>	<b>\$ 1.68</b>	<b>\$ 1.19</b>
<b>Shares used to compute basic earnings per share</b>	<b>168,246</b>	<b>171,561</b>	<b>174,295</b>
<b>Diluted earnings per common share</b>	<b>\$ 1.85</b>	<b>\$ 1.64</b>	<b>\$ 1.18</b>
<b>Shares used to compute diluted earnings per share</b>	<b>172,565</b>	<b>175,718</b>	<b>175,872</b>
<b>Dividends declared per common share</b>	<b>\$ 0.46</b>	<b>\$ 0.42</b>	<b>\$ 0.63</b>

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

**Consolidated Statements of Comprehensive Income**  
(In thousands)

SEI Investments Company  
and Subsidiaries

Year Ended December 31,	2014	2013	2012
<b>Net income</b>	<b>\$ 318,713</b>	<b>\$ 288,474</b>	<b>\$ 208,034</b>
Other comprehensive (loss) gain, net of tax:			
Foreign currency translation adjustments	(10,189)	(3,760)	5,904
Unrealized holding (loss) gain on investments:			
Unrealized holding gains (losses) during the period, net of income taxes of \$(592), \$(954) and \$86	441	(1,149)	341
Less: reclassification adjustment for gains realized in net income, net of income taxes of \$319, \$170 and \$50	(634)	(294)	(86)
Total other comprehensive (loss) gain, net of taxes	(10,382)	(5,203)	6,159
<b>Comprehensive income</b>	<b>308,331</b>	<b>283,271</b>	<b>214,193</b>
Less: Comprehensive loss (income) attributable to noncontrolling interest	—	101	(3,006)
<b>Comprehensive income attributable to SEI Investments</b>	<b>\$ 308,331</b>	<b>\$ 283,372</b>	<b>\$ 211,187</b>

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

**Consolidated Statements of Changes in Equity**  
(In thousands, except per-share data)

SEI Investments Company  
and Subsidiaries

Year Ended December 31,	2014	2013	2012
<b>Shares of Common Stock</b>			
Beginning balance	169,242	172,220	176,506
Purchase and retirement of common stock	(7,888)	(6,789)	(7,528)
Issuance of common stock under the employee stock purchase plan	73	78	105
Issuance of common stock upon exercise of stock options	5,261	3,733	3,137
Ending balance	<u>166,688</u>	<u>169,242</u>	<u>172,220</u>
<b>Common Stock</b>			
Beginning balance	\$ 1,692	\$ 1,722	\$ 1,765
Purchase and retirement of common stock	(79)	(68)	(75)
Issuance of common stock under the employee stock purchase plan	1	1	1
Issuance of common stock upon exercise of stock options	53	37	31
Ending balance	<u>\$ 1,667</u>	<u>\$ 1,692</u>	<u>\$ 1,722</u>
<b>Capital In Excess of Par Value</b>			
Beginning balance	\$ 721,219	\$ 624,305	\$ 577,949
Purchase and retirement of common stock	(25,345)	(19,105)	(19,370)
Issuance of common stock under the employee stock purchase plan	2,197	1,950	1,794
Issuance of common stock upon exercise of stock options	102,646	64,379	47,613
Stock-based compensation	13,463	37,865	15,736
Tax benefit on stock options exercised	20,435	11,825	583
Ending balance	<u>\$ 834,615</u>	<u>\$ 721,219</u>	<u>\$ 624,305</u>
<b>Retained Earnings</b>			
Beginning balance	\$ 431,604	\$ 405,914	\$ 443,702
Net income attributable to SEI Investments Company	318,713	288,124	206,848
Purchase and retirement of common stock	(252,933)	(190,769)	(135,819)
Dividends declared (\$0.46, \$0.42 and \$0.63 per share)	(77,158)	(71,665)	(108,817)
Ending balance	<u>\$ 420,226</u>	<u>\$ 431,604</u>	<u>\$ 405,914</u>
<b>Accumulated Other Comprehensive (Loss) Income</b>			
Beginning balance	\$ 1,487	\$ 6,239	\$ 1,900
Other comprehensive (loss) income	(10,382)	(4,752)	4,339
Ending balance	<u>\$ (8,895)</u>	<u>\$ 1,487</u>	<u>\$ 6,239</u>
<b>Total SEI Investments Shareholders' Equity</b>	<u>\$ 1,247,613</u>	<u>\$ 1,156,002</u>	<u>\$ 1,038,180</u>
<b>Noncontrolling interest</b>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 19,149</u>
<b>Total Equity</b>	<u>\$ 1,247,613</u>	<u>\$ 1,156,002</u>	<u>\$ 1,057,329</u>

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

**Consolidated Statements of Cash Flows**  
(In thousands)

SEI Investments Company  
and Subsidiaries

Year Ended December 31,	2014	2013	2012
<b>Cash flows from operating activities:</b>			
Net income	\$ 318,713	\$ 288,474	\$ 208,034
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	22,448	22,497	22,586
Amortization	38,679	34,602	33,258
Equity in earnings of unconsolidated affiliates	(127,786)	(118,076)	(98,671)
Distributions received from unconsolidated affiliate	137,866	137,104	92,227
Stock-based compensation	13,463	37,865	15,736
Provision for losses on receivables	133	(154)	(119)
Deferred income tax expense	(3,330)	(22,825)	(1,191)
Gain from sale of SEI AK	(5,582)	(22,112)	—
Net realized gains from investments	(614)	(659)	(14,067)
Change in other long-term liabilities	1,720	1,575	(1,244)
Change in other assets	(5,886)	600	(619)
Other	(2,439)	(3,972)	6,680
Change in current assets and liabilities:			
Decrease (increase) in:			
Restricted cash for broker-dealer operations	—	500	—
Receivables from regulated investment companies	(9,029)	(8,280)	(5,284)
Receivables	(7,888)	(17,513)	(30,852)
Other current assets	(2,027)	1,971	(282)
Increase (decrease) in:			
Accounts payable	(6,283)	5,000	9,249
Accrued liabilities	12,873	15,102	21,627
Deferred revenue	(228)	(475)	422
Total adjustments	56,090	62,750	49,456
<b>Net cash provided by operating activities</b>	<b>\$ 374,803</b>	<b>\$ 351,224</b>	<b>\$ 257,490</b>

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

**Consolidated Statements of Cash Flows**  
(In thousands)

SEI Investments Company  
and Subsidiaries

Year Ended December 31,	2014	2013	2012
<b>Cash flows from investing activities:</b>			
Additions to restricted cash	(301)	—	—
Additions to property and equipment	(28,469)	(16,351)	(23,070)
Additions to capitalized software	(34,877)	(39,500)	(31,004)
Purchases of marketable securities	(56,754)	(57,560)	(33,662)
Prepayments and maturities of marketable securities	38,973	40,257	53,352
Sales of marketable securities	24,461	7,317	54,830
Purchases of other investments	(2,000)	(2,604)	(3,819)
Sale of subsidiary, net of cash transferred	5,582	6,028	—
<b>Net cash (used in) provided by investing activities</b>	<b>(53,385)</b>	<b>(62,413)</b>	<b>16,627</b>
<b>Cash flows from financing activities:</b>			
Purchase and retirement of common stock	(275,788)	(206,577)	(157,543)
Proceeds from issuance of common stock	104,897	66,367	49,439
Tax benefit on stock options exercised	20,435	11,825	583
Payment of dividends	(74,294)	(34,400)	(135,335)
<b>Net cash used in financing activities</b>	<b>(224,750)</b>	<b>(162,785)</b>	<b>(242,856)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(7,495)</b>	<b>—</b>	<b>—</b>
<b>Net increase in cash and cash equivalents</b>	<b>89,173</b>	<b>126,026</b>	<b>31,261</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>578,273</b>	<b>452,247</b>	<b>420,986</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 667,446</b>	<b>\$ 578,273</b>	<b>\$ 452,247</b>
Interest paid	\$ 458	\$ 458	\$ 367
Income taxes paid	\$ 151,250	\$ 163,834	\$ 113,160
<b>Non-cash financing activities</b>			
Dividends declared but not paid	\$ 40,178	\$ 37,314	\$ —

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

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

**Nature of Operations**

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

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

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

**Principles of Consolidation**

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

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

**Variable Interest Entities**

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

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

manager that are VIEs qualify for the deferral; therefore, the Company will continue to apply the previous guidance for the consolidation of VIEs (See Note 3).

### **Management's Use of Estimates**

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

### **Revenue Recognition**

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

### **Cash and Cash Equivalents**

The Company considers investment instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include \$435,268 and \$387,201 at December 31, 2014 and 2013, respectively, primarily invested in SEI-sponsored open-ended money market mutual funds. The SEI-sponsored mutual funds are considered Level 1 assets.

### **Restricted Cash**

Restricted cash includes \$5,000 at December 31, 2014 and 2013 segregated for regulatory purposes related to trade-execution services conducted by SIEL. Restricted cash also includes \$500 at December 31, 2014 and 2013 segregated in special reserve accounts for the benefit of SIDCO customers in accordance with certain rules established by the Securities and Exchange Commission for broker-dealers.

### **Allowances for Doubtful Accounts**

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

### **Concentration of Credit Risk**

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

### **Property and Equipment**

Property and Equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. Construction in progress includes the cost of construction and other direct costs attributable to the construction. When property and equipment are retired or disposed of, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives using the straight line method for financial statement purposes. No provision for depreciation is made for construction in progress until such time as the relevant assets are completed and put into service. The Company uses other depreciation methods, generally accelerated, for tax purposes where appropriate. Buildings and building improvements are depreciated over 25 to 39 years. Equipment, purchased software and furniture and fixtures have useful lives ranging from 3 to 5 years. Amortization of leasehold improvements is computed using the straight line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.



## **Marketable Securities**

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

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

## **Fair Value of Financial Instruments**

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

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

Level 2 – Observable inputs other than Level 1 prices, such as quoted prices for similar assets, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 financial assets consist of Government National Mortgage Association (GNMA) mortgage-backed securities, Federal Home Loan Bank (FHLB) and other U.S. government agency short-term notes and investment grade commercial paper, and investment funds sponsored by LSV. The investments in GNMA mortgage-backed securities were purchased for the sole purpose of satisfying applicable regulatory requirements imposed on our wholly-owned limited purpose federal thrift subsidiary, SPTC. The investments in FHLB and other U.S. government agency short-term notes and investment grade commercial paper were purchased as part of a cash management program requiring only short term, top-tier investment grade government and corporate securities. The investment funds sponsored by LSV primarily invest in equity securities of non-U.S. developed nations which are traded in active markets.

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 had no Level 3 financial assets at December 31, 2014 or 2013.

The fair value of an asset or liability may include inputs from more than one level in the fair value hierarchy. The lowest level of significant inputs used to value the asset or liability determines which level the asset or liability is classified in its entirety. Transfers between levels of the fair value hierarchy are reported at fair value as of the beginning of the period in which the transfers occur.

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

## **Capitalized Software**

Costs incurred for the development of internal use software to be offered in a hosting arrangement is capitalized during the development stage of the software application. These costs include direct external and internal costs to design the software configuration and interfaces, coding, installation, and testing. Costs incurred during the preliminary and post-implementation stages of the software application are expensed as incurred. Costs associated with significant enhancements to a software application are capitalized while costs incurred to maintain existing software applications are expensed as incurred. The capitalization of software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life. Amortization of

capitalized software development costs begins when the product is ready for its intended use. Capitalized software development costs are amortized on a product-by-product basis using the straight-line method over the estimated economic life of the product or enhancement.

The Company's capitalized software development costs primarily relate to the further development of the SEI Wealth Platform<sup>SM</sup> (the Platform). The initial version of the Platform was placed into service in July 2007. Further enhancements and upgrades will continue to occur. As of December 31, 2014, the net book value of the Platform was \$309,040. The Company capitalized \$34,877, \$39,500 and \$31,004 of software development costs during 2014, 2013 and 2012, respectively. Included in the amount for 2013 is a one-time contractual payment of \$8,812 to exercise a conversion option in lieu of periodic fee payments pertaining to a software license for functionality utilized by the Platform.

The Platform has an estimated useful life of 15 years and a weighted average remaining life of 7.5 years. Amortization expense for the Platform was \$38,357, \$34,045 and \$32,177 in 2014, 2013 and 2012, respectively, and is included in Amortization expense on the accompanying Consolidated Statements of Operations. During 2012, the Company decided to discontinue the use of specific functionality within the Platform and expensed the remaining net book value of \$2,661 related to previously capitalized software development costs of the component. This cost is included in total amortization expense on the accompanying Consolidated Statements of Operations.

The Company evaluates the carrying value of capitalized software development costs when circumstances indicate the carrying value may not be recoverable. The review of capitalized software development costs for impairment requires significant assumptions about operating strategies, underlying technologies utilized, and external market factors. External market factors include, but are not limited to, expected levels of competition, barriers to entry by potential competitors, stability in the target market and governmental regulations. The Company did not recognize any impairment charges related to its capitalized software development costs in 2014 or 2013.

### Income Taxes

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

### Foreign Currency Translation

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

Transaction gains and losses from exchange rate fluctuations are included in the results of operations in the periods in which they occur. There were no material gains or losses from exchange rate fluctuations in 2014, 2013 or 2012.

### Earnings Per Common Share

Basic earnings per common share is computed by dividing net income attributable to SEI Investments common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is computed by dividing net income attributable to SEI Investments common shareholders by the combination of the weighted average number of common shares outstanding and the dilutive potential common shares, such as stock options, outstanding during the period.

The calculations of basic and diluted earnings per share for 2014, 2013 and 2012 are:

	For the Year Ended December 31, 2014		
	Net income attributable to SEI (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings per common share	\$ 318,713	168,246,000	\$ 1.89
Dilutive effect of stock options	—	4,319,000	
Diluted earnings per common share	\$ 318,713	172,565,000	\$ 1.85

For the Year Ended December 31, 2013			
	Net income attributable to SEI (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings per common share	\$ 288,124	171,561,000	\$ 1.68
Dilutive effect of stock options	—	4,157,000	
Diluted earnings per common share	\$ 288,124	175,718,000	\$ 1.64

For the Year Ended December 31, 2012			
	Net income attributable to SEI (Numerator)	Shares (Denominator)	Per-Share Amount
Basic earnings per common share	\$ 206,848	174,295,000	\$ 1.19
Dilutive effect of stock options	—	1,577,000	
Diluted earnings per common share	\$ 206,848	175,872,000	\$ 1.18

Employee stock options to purchase approximately 10,166,000, 7,736,000 and 13,202,000 shares of common stock, with an average exercise price per share of \$30.00, \$30.54 and \$24.76, were outstanding during 2014, 2013 and 2012, respectively, but not included in the computation of diluted earnings per common share because the option's exercise price was greater than the average market price of the Company's common stock or the performance conditions have not been satisfied or would have been satisfied if the reporting date was the end of the contingency period and the effect on diluted earnings per common share would have been anti-dilutive (See Note 8).

### Stock-Based Compensation

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

### New Accounting Pronouncements

On May 28, 2014, the FASB issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The updated standard permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. ASU 2014-09 becomes effective for the Company during the first quarter 2017. The Company is currently evaluating the transition method that will be elected and the effect that the updated standard will have on its consolidated financial statements and related disclosures.

On February 18, 2015, the FASB issued Accounting Standards Update No. 2015-02, Consolidation (Topic 810) - Amendments to the Consolidation Analysis (ASU 2015-02). The new guidance applies to entities in all industries and provides a new scope exception to registered money market funds and similar unregistered money market funds. It makes targeted amendments to the current consolidation guidance and ends the deferral granted to investment companies from applying the VIE guidance. ASU 2015-02 becomes effective for the Company during the first quarter 2016. The Company is currently evaluating the effect that the standard will have on its consolidated financial statements and related disclosures.

### Reclassifications

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

## Note 2 – Investment in Unconsolidated Affiliates

### LSV Asset Management

The Company has an investment in the general partnership LSV Asset Management (LSV), a registered investment advisor that provides investment advisory services primarily to institutions, including pension plans and investment companies. LSV is currently an investment sub-advisor for a limited number of SEI-sponsored mutual funds. As of December 31, 2014, the Company's total partnership interest in LSV was approximately 39.3 percent. The Company accounts for its interest in LSV

using the equity method because of its less than 50 percent ownership. The Company's interest in the net assets of LSV is reflected in Investment in unconsolidated affiliates on the accompanying Consolidated Balance Sheets and its interest in the earnings of LSV is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations.

At December 31, 2014, the Company's total investment in LSV was \$52,940. The Company's proportionate share in the earnings of LSV was \$140,211, \$118,983 and \$99,989 in 2014, 2013 and 2012, respectively. The Company receives partnership distributions from LSV on a quarterly basis. The Company received partnership distribution payments from LSV of \$137,866, \$137,104 and \$92,227 in 2014, 2013 and 2012, respectively. The Company received an additional partnership distribution payment from LSV during 2013 due to a change in the payment schedule.

These tables contain condensed financial information of LSV:

<b>Condensed Statement of Operations</b> Year ended December 31,	<b>2014</b>	<b>2013</b>	<b>2012</b>
Revenues	\$ 422,064	\$ 354,094	\$ 296,261
Net income	\$ 356,824	\$ 302,316	\$ 250,165

<b>Condensed Balance Sheets</b> December 31,	<b>2014</b>	<b>2013</b>
Current assets	\$ 133,657	\$ 118,630
Non-current assets	2,269	2,588
Total assets	<u>\$ 135,926</u>	<u>\$ 121,218</u>
Current liabilities	\$ 35,208	\$ 26,103
Partners' capital	100,718	95,115
Total liabilities and partners' capital	<u>\$ 135,926</u>	<u>\$ 121,218</u>

#### **Guaranty Agreement with LSV Employee Group II**

In April 2011, a group of existing employees of LSV formed a new limited liability company, LSV Employee Group II, and agreed to purchase a partnership interest of an existing LSV employee for \$4,300 of which \$3,655 was financed through a term loan with Bank of America, N.A. The Company provided an unsecured guaranty to the lenders of all the obligations of LSV Employee Group II. In May 2014, LSV Employee Group II made the final principal payment for the term loan and the Company has no further obligation related to the guaranty provided for LSV Employee Group II.

#### **Guaranty Agreement with LSV Employee Group III**

In October 2012, a group of existing employees of LSV formed a new limited liability company called LSV Employee Group III and agreed to purchase a portion of the partnership interest of existing LSV employees for \$77,700, of which \$69,930 was financed through syndicated term loan facilities contained in a credit agreement with The PrivateBank and Trust Company. LSV Employee Group III owns the purchased partnership interest. The Company provided an unsecured guaranty for \$45,000 of the obligations of LSV Employee Group III to the lenders through a guaranty agreement. In addition, LSV agreed to provide an unsecured guaranty for the remaining \$24,930 of the obligations of LSV Employee Group III to the lenders through a separate guaranty agreement. In September 2014, LSV Employee Group III made the final principal payment related to the term loan guaranteed by LSV.

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

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

As of January 30, 2015, the remaining unpaid principal balances of the term loan guaranteed by the Company was \$38,658. The Company, in its capacity as guarantor, currently has no obligation of payment relating to the term loan of LSV Employee Group III and, furthermore, fully expects that LSV Employee Group III will meet all of their future obligations regarding the term loan.

### **Investment in Gao Fu Limited**

The Company has an investment in Gao Fu, a wealth services firm based in Shanghai, China. The Company accounts for its interest in Gao Fu using the equity method. As of December 31, 2014, the Company owns approximately 27.6 percent of the outstanding voting stock of Gao Fu. The Company's interest in the net assets of Gao Fu is reflected in Investment in unconsolidated affiliates on the accompanying Consolidated Balance Sheets and its interest in the gains and losses of Gao Fu is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations.

The Company's proportionate share in the losses of Gao Fu was \$1,159, \$907 and \$1,318 in 2014, 2013 and 2012, respectively. The Company's investment in Gao Fu resulted from a series of cash purchases of common stock between 2011 and 2013 which, in total, amounted to \$13,000. In June and December of 2014, the Company funded an aggregate of \$3,000 of convertible loans to Gao Fu. The June 2014 convertible loan agreement contains specific revenue and net income targets for Gao Fu to achieve by December 31, 2014. In December 2014, the Company conducted a review of the financial statements of Gao Fu and determined that the achievement of such performance targets as stipulated in the June 2014 convertible loan agreement was unlikely. As a result, the Company wrote down its investment in Gao Fu to its net realizable value based on its ownership percentage of the remaining net assets of the firm and recognized an impairment charge of \$11,266 during the three months ended December 31, 2014. The impairment charge is reflected in Equity in earnings of unconsolidated affiliates on the accompanying Consolidated Statements of Operations.

### **Note 3 – Variable Interest Entities – Investment Products**

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

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

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

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

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

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

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

#### Note 4 – Composition of Certain Financial Statement Captions

##### Receivables

Receivables on the accompanying Consolidated Balance Sheets consist of:

	2014	2013
Trade receivables	\$ 48,394	\$ 44,502
Fees earned, not billed	139,038	128,248
Other receivables	7,771	14,565
	<u>195,203</u>	<u>187,315</u>
Less: Allowance for doubtful accounts	(784)	(651)
Receivables, net	<u>\$ 194,419</u>	<u>\$ 186,664</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.

##### Property and Equipment

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

	2014	2013
Buildings	\$ 149,890	\$ 138,426
Equipment	78,266	70,117
Land	9,997	9,929
Purchased software	104,964	96,268
Furniture and fixtures	16,944	17,060
Leasehold improvements	5,675	4,670
Construction in progress	1,094	2,589
	<u>366,830</u>	<u>339,059</u>
Less: Accumulated depreciation	(241,295)	(220,064)
Property and Equipment, net	<u>\$ 125,535</u>	<u>\$ 118,995</u>

Depreciation expense related to property and equipment for 2014, 2013 and 2012 was \$22,448, \$22,497 and \$22,586, respectively.

##### Other Assets

Other assets consist of long-term prepaid expenses, deposits, other investments at cost and various other assets. Amortization expense for certain other assets for 2014 and 2013 was \$227 and for 2012 was \$611.

##### Accrued Liabilities

Accrued Liabilities on the accompanying Consolidated Balance Sheets consist of:

	2014	2013
Accrued employee compensation	\$ 73,269	\$ 69,256
Accrued employee benefits and other personnel	6,482	9,647
Accrued consulting, outsourcing and professional fees	18,915	19,311
Accrued sub-advisory, distribution and other asset management fees	31,913	25,018
Accrued dividend payable	40,178	37,314
Other accrued liabilities	36,672	27,577
Accrued liabilities	<u>\$ 207,429</u>	<u>\$ 188,123</u>

#### Note 5 – Fair Value Measurements

The fair value of the Company's financial assets and liabilities is determined in accordance with the fair value hierarchy. The fair value of the Company's Level 1 financial assets consist mainly of investments in open-ended mutual funds that are quoted daily. The fair value of the Company's Level 2 financial assets consist of GNMA mortgage-backed securities held by SPTC, FHLB and other U.S. government agency short-term notes and investment grade commercial paper held by SIDCO, and investment funds sponsored by LSV. The financial assets held by SIDCO were purchased as part of a cash management



program requiring only short term, top-tier investment grade government and corporate securities. The financial assets held by SPTC are debt securities issued by GNMA and are backed by the full faith and credit of the U.S. government. These securities were purchased for the sole purpose of satisfying applicable regulatory requirements as a limited-purpose federal thrift subsidiary and have maturity dates which range from 2020 to 2043.

The valuation of the Company's Level 2 financial assets held by SIDCO and SPTC are based upon securities pricing policies and procedures utilized by third-party pricing vendors. As a practical expedient, the Company relies on the net asset values (NAVs) of the investment funds sponsored by LSV as the fair value. The NAVs of the funds are calculated by the funds' independent custodian and are derived from the fair values of the underlying investments as of the reporting date. The Company had no Level 3 financial assets or liabilities at December 31, 2014 or 2013.

#### Valuation of GNMA, Other U.S. Government Agency Securities and Investment Grade Commercial Paper

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

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

	December 31, 2014		
	Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Assets</b>			
Equity available-for-sale securities	\$ 11,588	\$ 11,588	\$ —
Fixed-income available-for-sale securities	66,021	—	66,021
Fixed income securities owned	21,175	—	21,175
Investment funds sponsored by LSV	4,523	—	4,523
	<u>\$ 103,307</u>	<u>\$ 11,588</u>	<u>\$ 91,719</u>
	December 31, 2013		
	Fair Value Measurements at Reporting Date Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Assets</b>			
Equity available-for-sale securities	\$ 11,633	\$ 11,633	\$ —
Fixed-income available-for-sale securities	71,690	—	71,690
Fixed income securities owned	21,133	—	21,133
Investment funds sponsored by LSV	4,849	4,849	—
	<u>\$ 109,305</u>	<u>\$ 16,482</u>	<u>\$ 92,823</u>

## Note 6 – Marketable Securities

### Investments Available For Sale

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

At December 31, 2014				
	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SEI-sponsored mutual funds	\$ 8,685	\$ 134	\$ (95)	\$ 8,724
Equities and other mutual funds	2,695	169	—	2,864
Debt securities	64,333	1,688	—	66,021
	<u>\$ 75,713</u>	<u>\$ 1,991</u>	<u>\$ (95)</u>	<u>\$ 77,609</u>

At December 31, 2013				
	Cost	Gross Unrealized Gains	Gross Unrealized (Losses)	Fair Value
SEI-sponsored mutual funds	\$ 7,612	\$ 1,242	\$ —	\$ 8,854
Equities and other mutual funds	2,615	164	—	2,779
Debt securities	71,280	410	—	71,690
	<u>\$ 81,507</u>	<u>\$ 1,816</u>	<u>\$ —</u>	<u>\$ 83,323</u>

Net unrealized holding gains at December 31, 2014 and 2013 were \$1,193 (net of income tax expense of \$703) and \$1,386 (net of income tax expense of \$430), respectively. These net unrealized gains are reported as a separate component of Accumulated other comprehensive (loss) income on the accompanying Consolidated Balance Sheets.

There were gross realized gains of \$1,401 and gross realized losses of \$448 from available-for-sale securities during 2014. In 2013, there were gross realized gains of \$1,236 and gross realized losses of \$772 from available-for-sale securities. There were no material gross realized gains or losses from available-for-sale securities during 2012. Gains and losses from available-for-sale securities, including amounts reclassified from accumulated comprehensive income, are reflected in Net gain from investments on the accompanying Consolidated Statements of Operations.

### Investments in Affiliated Funds

The Company has an investment related to the startup of investment funds sponsored by LSV. The Company records this investment on the accompanying Consolidated Balance Sheets at fair value. Unrealized gains and losses from the change in fair value of these funds are recognized in Net gain from investments on the accompanying Consolidated Statements of Operations.

The investment primarily consists of U.S. dollar denominated funds that invests in equity securities of Canadian, Australian and Japanese companies. The underlying securities held by the funds are translated into U.S. dollars within the funds. The funds had a fair value of \$4,523 and \$4,849 at December 31, 2014 and 2013, respectively. The Company recognized losses of \$326 and gains of \$143 and \$1,004 from the change in fair value of the funds during 2014, 2013 and 2012, respectively.

### Securities Owned

The Company's broker-dealer subsidiary, SIDCO, has investments in U.S. government agency and commercial paper securities with maturity dates less than one year. These investments are reflected as Securities owned on the accompanying Consolidated Balance Sheets. Due to specialized accounting practices applicable to investments by broker-dealers, the securities are reported at fair value and changes in fair value are recorded in current period earnings. The securities had a fair value of \$21,175 and \$21,133 at December 31, 2014 and 2013, respectively. There were no material net gains or losses from the change in fair value of the securities during 2014, 2013 and 2012.

## Note 7 – Line of Credit

On February 2, 2012, the Company entered into a five-year \$300,000 Credit Agreement (the Credit Facility) with Wells Fargo Bank, National Association, and a syndicate of other lenders. The Credit Facility is scheduled to expire in February 2017, at which time any aggregate principal amount of loans outstanding becomes payable in full. Any borrowings made under the Credit Facility will accrue interest at 1.25 percent above the London Interbank Offer Rate (LIBOR). There is also a commitment fee equal to 0.15 percent per annum on the daily unused portion of the facility. The aggregate amount of the Credit Facility may be increased by an additional \$100,000 under certain conditions set forth in the agreement. The Credit Facility contains covenants that restrict the ability of the Company to engage in mergers, consolidations, asset sales, investments,



transactions with affiliates, or to incur liens, as defined in the agreement. In the event of a default under the Credit Facility, the Company would also be restricted from paying dividends on, or repurchasing, its common stock without the approval of the lenders. None of the covenants of the Credit Facility negatively affect the Company's liquidity or capital resources. Both the interest rate and commitment fee prices may increase if the Company's leverage ratio reaches certain levels. Upon the occurrence of certain financial or economic events, significant corporate events, or certain other events of default constituting an event of default under the Credit Facility, all loans outstanding may be declared immediately due and payable and all commitments under the Credit Facility may be terminated. The Company had no borrowings through the Credit Facility at December 31, 2014 or 2013. The Company was in compliance with all covenants of the Credit Facility during 2014.

The Company incurred \$458 during 2014 and 2013 and \$585 during 2012 in commitment fees related to the Credit Facility which are reflected in Interest expense on the accompanying Consolidated Statements of Operations.

## Note 8 – Shareholders' Equity

### Stock-Based Compensation

On March 19, 2014, the Company's Board of Directors approved the 2014 Omnibus Equity Compensation Plan (the 2014 Plan), which was later approved by the shareholders of the Company on May 21, 2014. The 2014 Plan became effective upon receipt of the shareholders' approval on May 21, 2014 and is the successor equity compensation plan to the 2007 Equity Compensation Plan (the 2007 Plan) which was merged with and into the 2014 Plan. The 2014 Plan provides for the grant of stock options, stock units, stock awards, stock appreciation rights, dividend equivalents and other stock-based awards.

Outstanding grants under the 2007 Plan will continue according to the terms in effect before the plan merger, but the outstanding shares will be issued or transferred under the 2014 Plan. Permitted grantees under the 2014 Plan include employees, non-employee directors and consultants who perform services for the Company. The plan is administered by the Compensation Committee of the Board of Directors of the Company. The Company has only non-qualified stock options outstanding under the 2014 Plan.

All outstanding stock options have performance-based vesting provisions that tie the vesting of stock options to the Company's financial performance. The Company's stock options vest at a rate of 50 percent when a specified diluted earnings per share target is achieved, and the remaining 50 percent when a second, higher-specified diluted earnings per share target is achieved. Options do not vest due to the passage of time but solely as a result of achievement of the financial vesting targets. Earnings per share targets are calculated exclusive of stock-based compensation expense, net of tax. The diluted earnings per share targets are established at time of grant and are measured annually on December 31. The amount of stock-based compensation expense is based upon management's estimate of when the earnings per share targets may be achieved. If management's estimate of the attainment of the earnings per share targets proves to be inaccurate, the remaining amount of stock-based compensation expense could be accelerated, spread out over a longer period, or reversed. This may cause volatility in the recognition of stock-based compensation expense in future periods and could materially affect the Company's net income and net income per share.

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

The weighted average fair value of the Company's stock options granted during 2014, 2013 and 2012 were \$10.88, \$10.45 and \$6.73, respectively, using the following assumptions:

	2014	2013	2012
Expected term (in years)	6.79	6.92	6.75
Expected volatility	26.98%	31.46%	34.90%
Expected dividend yield	1.15%	1.21%	1.46%
Risk-free interest rate	2.04%	2.12%	1.03%

The Company recognized stock-based compensation expense in its Consolidated Financial Statements in 2014, 2013 and 2012 as follows:

	2014	2013	2012
Stock-based compensation expense	\$ 13,463	\$ 37,865	\$ 15,736
Less: Deferred tax benefit	(4,704)	(13,823)	(5,650)
Stock-based compensation expense, net of tax	\$ 8,759	\$ 24,042	\$ 10,086

During 2013, the Company revised its estimates of when some vesting targets were expected to be achieved. These changes in management's estimates resulted in an increase of \$19,637 in stock-based compensation expense in 2013.

As of December 31, 2014, there was approximately \$45,115 of unrecognized compensation cost, adjusted for estimated forfeitures, related to unvested employee stock options that the Company expects will vest and be expensed through 2020 with a weighted average period of 2.4 years.

This table presents certain information relating to the Company's stock option plans for 2014, 2013 and 2012:

	Number of Shares	Weighted Avg. Price
Balance as of December 31, 2011	27,043,000	\$ 20.06
Granted	2,470,000	22.40
Exercised	(3,136,000)	15.19
Expired or canceled	(767,000)	22.61
Balance as of December 31, 2012	25,610,000	\$ 20.81
Granted	2,281,000	33.67
Exercised	(3,733,000)	17.26
Expired or canceled	(521,000)	22.25
Balance as of December 31, 2013	23,637,000	\$ 22.58
Granted	2,293,000	40.05
Exercised	(5,261,000)	19.52
Expired or canceled	(208,000)	28.83
Balance as of December 31, 2014	20,461,000	\$ 25.26
Exercisable as of December 31, 2014	10,295,000	\$ 20.58
Available for future grant as of December 31, 2014	28,626,000	

As of December 31, 2013 and 2012, there were 14,601,000 and 9,760,000 shares exercisable, respectively. The expiration dates for options outstanding at December 31, 2014 range from December 14, 2015 to December 9, 2024 with a weighted average remaining contractual life of 5.8 years.

Upon exercise of stock options, the Company will issue new shares of its common shares. The Company does not hold any shares in treasury. The total intrinsic value of options exercised during 2014 and 2013 was \$83,196 and \$47,392, respectively. The total options exercisable as of December 31, 2014 had an intrinsic value of \$200,328. The total options outstanding as of December 31, 2014 had an intrinsic value of \$302,441. The total intrinsic value for options outstanding and options exercisable is calculated as the difference between the market value of the Company's common stock as of December 31, 2014 and the exercise price of the shares. The market value of the Company's common stock as of December 31, 2014 was \$40.04 as reported by the Nasdaq Stock Market, LLC.

This table summarizes information relating to all options outstanding and exercisable at December 31, 2014:

Range of Exercise Prices (Per Share)	Options Outstanding at December 31, 2014			Options Exercisable at December 31, 2014		
	Number of Shares	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Contractual Life (Years)	Number of Shares	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Contractual Life (Years)
\$ 14.62 - 15.77	4,073,000	\$ 15.19	5.48	2,915,000	\$ 14.95	5.69
17.65 - 21.05	3,534,000	18.20	3.71	3,519,000	18.27	4.49
22.45 - 23.86	4,399,000	23.20	6.93	1,960,000	21.92	4.35
27.03 - 32.49	4,073,000	30.95	2.68	1,901,000	26.57	5.09
33.73 - 40.64	4,382,000	37.10	9.50	—	31.17	4.00
	<u>20,461,000</u>			<u>10,295,000</u>		

### Employee Stock Purchase Plan

The Company has an employee stock purchase plan that provides for offerings of common stock to eligible employees at a price equal to 85 percent of the fair market value of the stock at the end of the stock purchase period, as defined. The Company has reserved 15,600,000 shares for issuance under this plan. At December 31, 2014, 11,732,000 cumulative shares have been issued. There were no material costs incurred by the Company related to the employee stock purchase plan in 2014, 2013 and 2012.

### Common Stock Buyback

The Board of Directors, under multiple authorizations, has authorized the purchase of the Company's common stock on the open market or through private transactions. As of December 31, 2014, the Company had approximately \$102,713 of authorization remaining for the purchase of common stock. The following table provides the total number of shares repurchased and the related total costs in 2014, 2013 and 2012:

Year	Total Number of Shares Repurchased	Total Cost
2014	7,888,000	\$ 278,357
2013	6,789,000	209,942
2012	7,528,000	155,264

The Company immediately retires its common stock when purchased. Upon retirement, the Company reduces Capital in excess of par value for the average capital per share outstanding and the remainder is charged against Retained earnings. If the Company reduces its Retained earnings to zero, any subsequent purchases of common stock will be charged entirely to Capital in excess of par value.

### Rights Agreement

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

## Cash Dividends

On May 21, 2014, the Board of Directors declared a cash dividend of \$0.22 per share on the Company's common stock, which was paid on June 24, 2014, to shareholders of record on June 16, 2014. On December 9, 2014, the Board of Directors declared a cash dividend of \$0.24 per share on the Company's common stock, which was paid on January 6, 2015, to shareholders of record on December 22, 2014.

The cash dividends declared in 2014, 2013 and 2012 were \$77,158, \$71,665 and \$108,817 respectively. Cash dividends declared in 2012 includes a special cash dividend of \$55,149 declared and paid in December 2012. The Board of Directors has indicated its intention to declare future cash dividends on a semiannual basis.

## Note 9 – Accumulated Other Comprehensive Income (Loss)

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

	Foreign Currency Translation Adjustments	Unrealized Holding Gains (Losses) on Investments	Accumulated Other Comprehensive Income (Loss)
Balance, January 1, 2012	\$ (674)	\$ 2,574	\$ 1,900
Other comprehensive income before reclassifications	4,084	341	4,425
Amounts reclassified from accumulated other comprehensive income	—	(86)	(86)
Net current-period other comprehensive income	4,084	255	4,339
Balance, December 31, 2012	\$ 3,410	\$ 2,829	\$ 6,239
Other comprehensive loss before reclassifications	(3,309)	(1,149)	(4,458)
Amounts reclassified from accumulated other comprehensive income	—	(294)	(294)
Net current-period other comprehensive loss	(3,309)	(1,443)	(4,752)
Balance, December 31, 2013	\$ 101	\$ 1,386	\$ 1,487
Other comprehensive loss before reclassifications	(10,189)	441	(9,748)
Amounts reclassified from accumulated other comprehensive income	—	(634)	(634)
Net current-period other comprehensive loss	(10,189)	(193)	(10,382)
Balance, December 31, 2014	\$ (10,088)	\$ 1,193	\$ (8,895)

## Note 10 – Employee Benefit Plan

The Company has a tax-qualified defined contribution plan (the Plan). The Plan provides retirement benefits, including provisions for early retirement and disability benefits, as well as a tax-deferred savings feature. After satisfying certain requirements, participants are vested in employer contributions at the time the contributions are made. All Company contributions are discretionary and are made from available profits. The Company contributed \$6,157, \$5,664 and \$5,168 to the Plan in 2014, 2013 and 2012, respectively.

## Note 11 – Commitments and Contingencies

The Company leases certain of its facilities, data processing equipment, and software under non-cancelable operating leases, some which contain escalation clauses for increased taxes and operating expenses. The Company has entered into maintenance agreements primarily for its data processing equipment. Rent expense was \$23,011, \$21,519 and \$21,614 in 2014, 2013 and 2012, respectively.

The aggregate noncancellable minimum commitments at December 31, 2014 are:

2015	\$	3,779
2016		3,023
2017		3,741
2018		6,704
2019 and thereafter		43,601
	\$	<u>60,848</u>

In the ordinary course of business, the Company from time to time enters into contracts containing indemnification obligations of the Company. These obligations may require the Company to make payments to another party upon the occurrence of certain events including the failure by the Company to meet its performance obligations under the contract. These contractual indemnification provisions are often standard contractual terms of the nature customarily found in the type of contracts entered into by the Company. In many cases, there are no stated or notional amounts included in the indemnification provisions. There are no amounts reflected on the Consolidated Balance Sheets as of December 31, 2014 and 2013 related to these indemnifications.

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

SEI has been named in six lawsuits filed in Louisiana. Five lawsuits were filed in the 19th Judicial District Court for the Parish of East Baton Rouge. One of the five actions purports to set forth claims on behalf of a class and also names SPTC as a defendant. Two of the other actions also name SPTC as a defendant. All five actions name various defendants in addition to SEI, and, in all five actions, the plaintiffs purport to bring a cause of action against SEI and/or SPTC under the Louisiana Securities Act. Two of the five actions include claims for violations of the Louisiana Racketeering Act and possibly conspiracy. In addition, another group of plaintiffs filed a lawsuit in the 23rd Judicial District Court for the Parish of Ascension against SEI and SPTC and other defendants, asserting claims of negligence, breach of contract, breach of fiduciary duty, violations of the uniform fiduciaries law, negligent misrepresentation, detrimental reliance, violations of the Louisiana Securities Act and Louisiana Racketeering Act, and conspiracy. The underlying allegations in all actions relate to the purported role of SPTC in providing back-office services to Stanford Trust Company. The petitions allege that SEI and SPTC aided and abetted or otherwise participated in the sale of “certificates of deposit” issued by Stanford International Bank.

The case filed in Ascension Parish was removed to federal court and transferred by the Judicial Panel on Multidistrict Litigation to the United States District Court for the Northern District of Texas. The schedule for responding to that petition has not yet been established.

The plaintiffs in two of the cases filed in East Baton Rouge have granted SEI and SPTC an indefinite extension to respond to the petitions.

In a third East Baton Rouge action, brought as a class action, SEI and SPTC filed exceptions, which the Court granted in part, dismissing the claims under the Louisiana Unfair Trade Practices Act. Plaintiffs then filed a motion for class certification, and SEI and SPTC also filed a motion for summary judgment. The Court deferred the motion for summary judgment, stating that the motion would not be set for hearing until after the hearing on class certification. After the Court held a hearing on class certification, it certified a class composed of persons who purchased or renewed any Stanford International Bank certificates of deposit (SIB CDs) in Louisiana between January 1, 2007 and February 13, 2009 or any person for whom the Stanford Trust Company purchased SIB CDs in Louisiana between January 1, 2007 and February 13, 2009. SEI and SPTC filed motions for appeal from the class certification judgments. On February 1, 2013, plaintiffs filed a motion for Leave to File a First Amended and Restated Class Action Petition in which they asked the Court to allow them to amend the petition and add claims against certain of SEI's insurance carriers. On February 5, 2013, the Court granted two of the motions for appeal and the motion for leave to amend. On February 28, 2013, SEI responded to the First Amended and Restated Class Action Petition by seeking dismissal of the action. On March 11, 2013, the newly-added insurance carrier defendants removed the case to the Middle District of Louisiana. SEI notified the Judicial Panel on Multidistrict Litigation (MDL) of this case as a potential tag-along action. Plaintiffs filed a motion to remand the action to state court. On March 25, 2013, SEI filed a motion requesting that the federal court decline to adopt the state court's order regarding class certification, which the court dismissed without prejudice to renew upon a determination of the jurisdictional issue. On August 7, 2013, the MDL Panel transferred the matter against SEI to the Northern District of Texas. On October 1, 2014, SEI filed a renewed motion to dismiss in the Northern District of Texas, and on October 6, 2014, the District Court denied plaintiffs' motion to remand. This case is now pending in the Northern District of Texas, and SEI is awaiting a ruling on its motion to dismiss.

In the two other cases filed in East Baton Rouge, brought by the same counsel who filed the class action, virtually all of the litigation to date has involved motions practice and appellate litigation regarding the existence of federal subject matter jurisdiction under the federal Securities Litigation Uniform Standards Act (SLUSA). After the matter was removed to the United States District Court for the Northern District of Texas, that court dismissed the action under SLUSA. The Court of



Appeals for the Fifth Circuit reversed that order, and the Supreme Court of the United States affirmed the Court of Appeals judgment on February 26, 2014. The matter was remanded to state court and no material activity has taken place since that date.

While the outcome of this litigation is uncertain given its early phase, SEI and SPTC believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuits vigorously. Because of the uncertainty of the make-up of the classes, the specific theories of liability that may survive a motion for summary judgment or other dispositive motion, the lack of discovery regarding damages, causation, mitigation and other aspects that may ultimately bear upon loss, the Company is not reasonably able to provide an estimate of loss, if any, with respect to the foregoing lawsuits.

A lawsuit entitled Steven Curd and Rebel Curd v. SEI Investments Management Corporation was filed against SIMC in the United States District Court for the Eastern District of Pennsylvania on December 11, 2013. On August 28, 2014, the Court granted SIMC's motion to dismiss the initial complaint in the lawsuit, but also granted plaintiffs leave to amend the complaint. On October 2, 2014, plaintiffs filed an amended complaint. In the amended complaint, SEI Investments Global Funds Services (SGFS) was added as a defendant. The plaintiffs bring the case as a shareholder derivative action against SIMC and SGFS on behalf of certain SEI funds. The claims are based on Section 36(b) of the Investment Company Act of 1940, as amended, which allows shareholders of a mutual fund to sue the investment adviser of the fund or its affiliates for an alleged breach of fiduciary duty with respect to compensation received by the adviser or its affiliates. The plaintiffs have brought the suit against SIMC and SGFS with respect to five specific SEI Funds: the High Yield Bond, Tax-Managed Large Cap, and Tax-Managed Small/Mid Cap Funds, each of which is a series of the SEI Institutional Managed Trust, the Intermediate Term Municipal Fund, which is a series of the SEI Tax Exempt Trust, and the International Equity Fund, which is a series of the SEI Institutional International Trust (the SEI Funds). The plaintiffs seek: (1) damages for the SEI Funds in the amount of the alleged "excessive" fees earned by SIMC and SGFS beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees; (2) orders declaring that SIMC and SGFS allegedly violated Section 36(b) and enjoining SIMC and SGFS from further alleged violations; and (3) rescission of SIMC's and SGFS's contracts with the funds, and restitution of all allegedly excessive fees paid beginning from the one year period prior to the filing of the lawsuit, plus interest, costs, and fees. On November 24, 2014, SIMC and SGFS filed a motion to dismiss the amended complaint. The court has not yet ruled on that motion. While the outcome of this litigation is uncertain given its early phase, SIMC and SGFS believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuit vigorously, and SIMC and SGFS are not reasonably able to provide an estimate of the ultimate loss, if any, with respect to this lawsuit.

On November 26, 2014, a Writ of Summons was issued to two of our subsidiaries, SEI Investments - Global Fund Services Limited (GFSL) and SEI Investments - Trustee & Custodial Services (Ireland) Limited (T&C), to appear before the Court of First Instance Antwerp, Belgium on March 11, 2015. The plaintiffs in this case allege that through their initial investments in collective investment funds domiciled in Netherlands and subsequent transfer of claim rights to a Belgium domiciled partnership, they are beneficial owners of a portfolio of life settlement policies (the Portfolio) which lapsed due to a failure to make premium payments. The plaintiffs seek to recover jointly and severally from nine defendants including GFSL and T&C, damages of approximately \$84 million. GFSL and T&C's involvement in the litigation appears to arise out of their historical provision of administration and custody services respectively, to the Strategic Life Settlement Fund PLC, who, together with its managers, appear to be the principal defendants in this claim. While the outcome of this action is uncertain given its early phase and the lack of specific theories of liability asserted against GFSL and T&C, each of GFSL and T&C believe that they have valid defenses to plaintiffs' claims and intend to defend the lawsuit vigorously.

## Note 12 – Income Taxes

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

Year Ended December 31,	2014	2013	2012
<b>Current</b>			
Federal	\$ 155,273	\$ 153,856	\$ 112,247
State	8,744	11,542	5,284
Foreign	5,254	4,727	4,511
	<u>169,271</u>	<u>170,125</u>	<u>122,042</u>
<b>Deferred, including current deferred</b>			
Federal	1,667	(2,214)	(2,708)
State	11	(16,264)	(2,199)
Foreign	—	(4,814)	3,970
	<u>1,678</u>	<u>(23,292)</u>	<u>(937)</u>
Income taxes attributable to the noncontrolling interest	—	91	357
Total income taxes	<u>\$ 170,949</u>	<u>\$ 146,924</u>	<u>\$ 121,462</u>

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

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

Year Ended December 31,	2014	2013	2012
Domestic	\$ 475,175	\$ 427,915	\$ 319,907
Foreign	14,487	7,042	8,046
	<u>\$ 489,662</u>	<u>\$ 434,957</u>	<u>\$ 327,953</u>

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

Year Ended December 31,	2014	2013	2012
Statutory rate	35.0%	35.0%	35.0%
State taxes, net of Federal tax benefit	1.2	1.5	1.0
Foreign tax expense and tax rate differential	(0.7)	0.5	1.6
Research and development tax credit	(0.4)	(0.8)	—
Domestic Production Activities Deduction	(0.4)	(0.5)	(0.6)
PA Tax Law changes and change in valuation allowance on loss carryforwards	—	(2.4)	(0.3)
Net change in uncertain tax positions	0.3	0.1	0.5
Other, net	(0.1)	0.3	(0.3)
	<u>34.9%</u>	<u>33.7%</u>	<u>36.9%</u>

The impact on the Company's effective income tax rate from the net change in uncertain tax positions in 2014 relates to federal issues mainly associated with the compilation of foreign tax credits and state tax issues. For 2013 and 2012, the impact from the net change in uncertain tax positions relates to federal and state tax issues and foreign tax issues.

Undistributed earnings of the Company's foreign subsidiaries amounted to approximately \$61,833 at December 31, 2014. Those earnings are considered to be indefinitely reinvested and, accordingly, no U.S. federal and state income taxes have been provided thereon. Upon distribution of those earnings, in the form of dividends or otherwise, the Company would be subject to both U.S. income taxes, subject to an adjustment for foreign tax credits, and withholding taxes payable to the various foreign countries. Determination of the amount of unrecognized deferred U.S. income tax liability is not practicable because of the complexities associated with its hypothetical calculation, including the availability, or lack thereof, of foreign tax credits to reduce a portion of the U.S. liability.

Deferred income taxes for 2014, 2013 and 2012 reflect the impact of temporary differences between the amount of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations. In 2013, the Company's deferred income tax net liability decreased significantly due to the following: (1) Pennsylvania Tax Law changes enacted on July 18, 2013 which became effective on January 1, 2014. These changes reduced the deferred tax liability which had accumulated during prior years. In accordance with the tax accounting rules, the effect of the law change is recorded in the year in which the law was signed. The primary change that affects the Company results from the reduction of net income apportioned to the State of Pennsylvania. The bill adopts "market-based" sourcing for apportionment. This method apportions sales to the state where the benefits are being derived by the customer. The current method apportions sales of services to the state where the cost was incurred to perform those services; (2) the Company's current payable was increased by unfavorable temporary differences such as stock option compensation which is not currently deductible but will reverse in the future; thus reducing the Company's deferred tax liability; (3) the Company's current payable decreased as a result of the sale of SEI AK.

The net deferred income tax liability is comprised of:

Year Ended December 31,	2014	2013
<b>Current deferred income taxes:</b>		
Gross assets	\$ 2,952	\$ 2,458
Gross liabilities	(4,366)	(4,111)
	(1,414)	(1,653)
Valuation allowance	—	—
	(1,414)	(1,653)
<b>Long-term deferred income taxes:</b>		
Gross assets	66,335	69,483
Gross liabilities	(113,581)	(121,317)
	(47,246)	(51,834)
Valuation allowance	(16,509)	(14,738)
	(63,755)	(66,572)
<b>Net deferred income tax liability</b>	<b>\$ (65,169)</b>	<b>\$ (68,225)</b>

The valuation allowances against deferred tax assets at December 31, 2014 and 2013 are related to state net operating losses from certain domestic subsidiaries. Certain state tax statutes significantly limit the utilization of net operating losses for domestic subsidiaries. Furthermore, these net operating losses cannot be used to offset the net income of other subsidiaries. In 2014, the valuation also includes valuation of foreign tax credit.

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

Year Ended December 31,	2014	2013
Difference in financial reporting and income tax depreciation methods	\$ (3,637)	\$ (7,043)
Reserves not currently deductible	209	235
Capitalized software currently deductible for tax purposes, net of amortization	(118,841)	(119,800)
State deferred income taxes	(420)	251
Revenue and expense recognized in different periods for financial reporting and income tax purposes	6,212	3,856
Unrealized holding gain on investments	(475)	(308)
Stock-based compensation expense	38,989	45,555
State net operating loss carryforward	24,150	21,215
Valuation allowance on deferred tax assets	(16,509)	(14,738)
Federal benefit of state tax deduction for uncertain tax positions	2,913	2,643
Foreign tax credit	2,327	—
Foreign deferred including taxes on cumulative undistributed earnings of SEI AK	(87)	(91)
<b>Net deferred income tax liability</b>	<b>\$ (65,169)</b>	<b>\$ (68,225)</b>

The Company recognizes uncertain tax positions in accordance with the applicable accounting guidance and adjusts these liabilities when management's judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. The Company's total unrecognized tax benefit, not including interest and penalties, as of December 31, 2014 was \$14,018, of which \$12,162 would affect the effective tax rate if the Company were to recognize the tax benefit. The gross amount of uncertain tax liability of \$4,757 which is expected to be paid within one year is netted against the current payable account while the remaining amount of \$10,327 is included in Other long-term liabilities on the accompanying Consolidated Balance Sheets. During the year ended December 31, 2014, the Company recognized \$1,336 of previously unrecognized tax benefits relating to the lapse of the statute of limitation for certain state filings.

The Company files a consolidated federal income tax return and separate income tax returns with various states. Certain subsidiaries of the Company file tax returns in foreign jurisdictions. The Company is no longer subject to U.S. federal income tax examination for years before 2011 and is no longer subject to state, local or foreign income tax examinations by authorities for years before 2010.



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

	2014	2013	2012
Balance as of January 1	\$ 12,028	\$ 11,553	\$ 9,410
Tax positions related to current year:			
Gross additions	1,957	1,834	2,196
Gross reductions	—	—	—
	<u>1,957</u>	<u>1,834</u>	<u>2,196</u>
Tax positions related to prior years:			
Gross additions	1,369	3,435	1,990
Gross reductions	—	—	—
	<u>1,369</u>	<u>3,435</u>	<u>1,990</u>
Settlements	—	(3,772)	(99)
Lapses on statute of limitations	<u>(1,336)</u>	<u>(1,022)</u>	<u>(1,944)</u>
Balance as of December 31	<u>\$ 14,018</u>	<u>\$ 12,028</u>	<u>\$ 11,553</u>

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

The Company classifies all interest and penalties as income tax expense. The Company has recorded \$1,066, \$754 and \$770 in liabilities for tax related interest and penalties in 2014, 2013 and 2012, respectively.

The Company estimates it will recognize \$1,700 of unrecognized tax benefits within the next twelve months due to lapses on the statute of limitation.

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

### Note 13 – Business Segment Information

The Company's reportable business segments are:

Private Banks – provides investment processing and investment management programs to banks and trust institutions, independent wealth advisers and financial advisers worldwide;

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

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

Investment Managers – provides investment operations outsourcing solutions to fund companies, banking institutions and both traditional and non-traditional investment managers worldwide; and

Investments in New Businesses – focuses on providing investment management programs to ultra-high-net-worth families residing in the United States; developing internet-based investment services and advice solutions; entering new markets; and conducting other research and development activities.

In 2014, 2013 and 2012, no single customer accounted for more than ten percent of revenues in any business segment.

The following tables highlight certain financial information about each of the Company's business segments for the years ended December 31, 2014, 2013 and 2012:

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
<b>For the Year Ended December 31, 2014</b>						
Revenues	\$ 441,467	\$ 283,811	\$ 284,677	\$ 251,310	\$ 4,740	\$ 1,266,005
Expenses	399,620	146,500	140,659	159,176	18,377	864,332
Operating profit (loss)	\$ 41,847	\$ 137,311	\$ 144,018	\$ 92,134	\$ (13,637)	\$ 401,673
Gain on sale of subsidiary	5,582	—	—	—	—	5,582
Total profit (loss)	\$ 47,429	\$ 137,311	\$ 144,018	\$ 92,134	\$ (13,637)	\$ 407,255

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
<b>For the Year Ended December 31, 2013</b>						
Revenues	\$ 397,138	\$ 241,252	\$ 257,658	\$ 226,081	\$ 4,003	\$ 1,126,132
Expenses	392,399	133,962	133,218	148,977	15,723	824,279
Operating profit (loss)	\$ 4,739	\$ 107,290	\$ 124,440	\$ 77,104	\$ (11,720)	\$ 301,853
Gain on sale of subsidiary	22,112	—	—	—	—	22,112
Total profit (loss)	\$ 26,851	\$ 107,290	\$ 124,440	\$ 77,104	\$ (11,720)	\$ 323,965

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

A reconciliation of the total reported for the business segments to income from operations in the Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012 is as follows:

Year Ended December 31,	2014	2013	2012
Total operating profit from segments above	\$ 401,673	\$ 301,853	\$ 256,350
Corporate overhead expenses	(48,889)	(53,733)	(45,759)
Noncontrolling interest reflected in segments	—	289	975
Income from operations	\$ 352,784	\$ 248,409	\$ 211,566

The following tables provide additional information for the years ended December 31, 2014, 2013 and 2012 pertaining to our business segments:

Year Ended December 31,	Capital Expenditures (1)			Depreciation		
	2014	2013	2012	2014	2013	2012
Private Banks	\$ 30,883	\$ 34,258	\$ 32,509	\$ 13,393	\$ 15,506	\$ 15,226
Investment Advisors	13,783	12,611	11,193	2,507	2,091	1,981
Institutional Investors	4,575	2,712	2,781	1,041	893	1,012
Investment Managers	9,505	4,871	5,494	2,917	1,970	1,914
Investments in New Businesses	2,547	639	632	1,983	1,589	1,716
Total from business segments	\$ 61,293	\$ 55,091	\$ 52,609	\$ 21,841	\$ 22,049	\$ 21,849
Corporate Overhead	2,053	760	1,465	607	448	737
	\$ 63,346	\$ 55,851	\$ 54,074	\$ 22,448	\$ 22,497	\$ 22,586

(1) Capital expenditures include additions to property and equipment and capitalized software.

Year Ended December 31,	Amortization		
	2014	2013	2012
Private Banks	\$ 24,993	\$ 22,379	\$ 22,218
Investment Advisors	9,228	8,234	7,167
Institutional Investors	1,430	1,274	1,208
Investment Managers	954	851	804
Investments in New Businesses	1,846	1,636	1,249
Total from business segments	\$ 38,451	\$ 34,374	\$ 32,646
Corporate Overhead	228	228	612
	<u>\$ 38,679</u>	<u>\$ 34,602</u>	<u>\$ 33,258</u>

	Total Assets	
	2014	2013
Private Banks	\$ 417,890	\$ 430,613
Investment Advisors	134,371	124,028
Institutional Investors	118,397	97,816
Investment Managers	134,614	122,969
Investments in New Businesses	21,830	6,064
Total from business segments	\$ 827,102	\$ 781,490
Corporate Overhead (2)	715,773	657,679
	<u>\$ 1,542,875</u>	<u>\$ 1,439,169</u>

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

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

For the Year Ended December 31,	2014	2013	2012
United States	\$ 1,063,223	\$ 962,266	\$ 843,407
International operations	202,782	163,866	149,115
	<u>\$ 1,266,005</u>	<u>\$ 1,126,132</u>	<u>\$ 992,522</u>

The following table presents assets based on their location:

	2014	2013
United States	\$ 1,315,036	\$ 1,231,565
International operations	227,839	207,604
	<u>\$ 1,542,875</u>	<u>\$ 1,439,169</u>

#### Note 14 – Related Party Transactions

The Company, either by itself or through its wholly-owned subsidiaries, is a party to Investment Advisory and Administration Agreements with regulated investment companies (RICs) and other investment products which are administered by the Company. These investment products are offered to clients of the Company and its subsidiaries. Under the Investment Advisory and Administration Agreements, the Company receives a fee for providing investment advisory, administrative, and accounting services. The investment advisory and administration fee is a fixed percentage, referred to as basis points, of the average daily net assets, subject to certain limitations. Investment advisory and administration fees received by the Company totaled \$489,066, \$422,825 and \$380,645 in 2014, 2013 and 2012, respectively. The Company is also a party to various agreements with several RICs which are advised and/or administered by the Company. The Company receives a fee for providing shareholder, administrative and distribution services pursuant to the provisions of various shareholder service, administrative service, and distribution plans adopted by the RICs. These fees totaled \$66,424, \$47,988 and \$37,827 in 2014, 2013 and 2012, respectively. A portion of the transaction costs incurred by the RICs for securities transactions are directed to the Company's broker-dealer subsidiary in its capacity as an introducing broker-dealer. The Company recognized \$1,733, \$620 and \$1,213 in commissions during 2014, 2013 and 2012, respectively.

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

### Note 15 – Sale of SEI Asset Korea

On July 31, 2012, the Company, MetLife International Holdings, Inc. (MetLife) and International Finance Corporation (IFC) entered into a definitive agreement with Baring Asset Management Limited (Barings) to sell all ownership interest in SEI Asset Korea (SEI AK). SEI AK was located in South Korea and provided domestic equity and fixed income investment management services to financial institutions and pension funds.

On March 28, 2013, all conditions subject to closing the transaction were satisfied and all ownership interests in SEI AK were transferred to Barings. The net working capital of SEI AK at closing in excess of required regulatory capital, and subject to certain other adjustments, was distributed to the Company, MetLife and IFC in accordance with the ownership interests. The Company recognized a pre-tax gain of \$22,112, or \$0.08 diluted earnings per share, during 2013. Under the terms of the agreement, a portion of the purchase price was paid upon closing with up to an additional \$11,220 payable to the Company as a contingent purchase price with respect to three one-year periods ending on December 31, 2013, 2014 and 2015 depending upon whether SEI AK achieves specified revenue measures during such periods. The Company recognized a pre-tax gain of \$5,582, or \$0.02 diluted earnings per share, during 2014 with respect to the first one-year period which ended December 31, 2013. The Company's gains from the sale of SEI AK are included in Gain on sale of subsidiary on the accompanying Consolidated Statement of Operations.

The operating results of SEI AK were included in the Private Banks business segment. SEI AK revenues and net income included in the Company's Consolidated Statement of Operations were as follows:

	<b>For the Period January 1, 2013 through March 28, 2013</b>	<b>2012</b>
Revenues	\$ 2,889	\$ 11,514
Net income	\$ 796	\$ 2,703
Less: Income attributable to the noncontrolling interests	(350)	(1,186)
Net income attributable to SEI AK	<u>\$ 446</u>	<u>\$ 1,517</u>

### Note 16 – Settlement Agreement

On April 24, 2013, the Company entered into a Settlement Agreement with respect to litigation captioned Abu Dhabi Commercial Bank, et. al. v. Morgan Stanley & Co., Incorporated, et. al., brought by a group of plaintiffs, including the Company, related to the purchase of securities by the Company and others of Cheyne Finance LLC, a SIV security. In accordance with the Settlement Agreement, the Company received a cash settlement payment of \$43,429 after fees and expenses during the three months ended June 30, 2013. The income related to the cash settlement payment is reflected in Other income on the accompanying Consolidated Statements of Operations.

**Note 17 – Quarterly Financial Data (Unaudited)**

2014	For the Three Months Ended			
	March 31	June 30	September 30	December 31
Revenues	\$ 302,386	\$ 318,815	\$ 322,047	\$ 322,757
Income before income taxes	\$ 116,665	\$ 128,854	\$ 128,618	\$ 115,525
Net income attributable to SEI	\$ 74,820	\$ 82,813	\$ 83,983	\$ 77,097
Basic earnings per share	\$ 0.44	\$ 0.49	\$ 0.50	\$ 0.46
Diluted earnings per share	\$ 0.43	\$ 0.48	\$ 0.49	\$ 0.45
Effective income tax rate	35.9%	35.7%	34.7%	33.3%
Gain on sale of subsidiary (Note 15)	\$ 5,582	\$ —	\$ —	\$ —
Diluted earnings per share (1)	\$ 0.02	\$ —	\$ —	\$ —
Loss from impairment charge (Note 2)	\$ —	\$ —	\$ —	\$ 11,266
Diluted earnings per share (2)	\$ —	\$ —	\$ —	\$ 0.06

- (1) Attributable to gain on sale of subsidiary.  
(2) Attributable to loss from impairment charge.

2013	For the Three Months Ended			
	March 31	June 30	September 30	December 31
Revenues	\$ 271,879	\$ 274,574	\$ 280,655	\$ 299,024
Income before income taxes	\$ 110,962	\$ 129,387	\$ 93,986	\$ 101,063
Net income attributable to SEI	\$ 71,920	\$ 83,494	\$ 67,195	\$ 65,515
Basic earnings per share	\$ 0.42	\$ 0.48	\$ 0.39	\$ 0.39
Diluted earnings per share	\$ 0.41	\$ 0.47	\$ 0.38	\$ 0.37
Effective income tax rate	34.9%	35.5%	28.5%	35.2%
Gain on sale of subsidiary (Note 15)	\$ 22,112	\$ —	\$ —	\$ —
Diluted earnings per share (3)	\$ 0.08	\$ —	\$ —	\$ —
Settlement agreement (Note 16)	\$ —	\$ 43,429	\$ —	\$ —
Diluted earnings per share (4)	\$ —	\$ 0.16	\$ —	\$ —

- (3) Attributable to gain on sale of subsidiary.  
(4) Attributable to settlement agreement.

**Schedule II - Valuation and Qualifying Accounts and Reserves**  
(In thousands)

SEI Investments Company  
and Subsidiaries

Year Ended December 31, Description	Balance at Beginning of Year	Additions		(Deductions)	Balance at End of Year
		Charged to Costs and Expenses	Charged to Other Accounts		
<b>Allowance for doubtful accounts:</b>					
<b>2014</b>	<b>\$ 651</b>	<b>\$ 133</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 784</b>
2013	805	—	—	(154)	651
2012	924	—	—	(119)	805
<b>Deferred income tax valuation allowance:</b>					
<b>2014</b>	<b>\$ 14,738</b>	<b>\$ —</b>	<b>\$ 1,771</b>	<b>\$ —</b>	<b>\$ 16,509</b>
2013	6,879	(485)	8,344	—	14,738
2012	8,585	(1,706)	—	—	6,879

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

On March 4, 2014, we filed a Current Report on Form 8-K reporting our appointment, upon the recommendation of our Audit Committee of the Board of Directors, of KPMG LLP to serve as our independent registered public accounting firm for the fiscal year 2014 and dismissal of Pricewaterhouse Coopers LLP from that role.

**Item 9A. Controls and Procedures.**

**Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

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

**Management's Report on Internal Control over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control – Integrated Framework (2013)*, our management concluded that our internal control over financial reporting was effective as of December 31, 2014.

The effectiveness of our internal control over financial reporting as of December 31, 2014 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which is included herein.

**Changes in Internal Control over Financial Reporting**

No change in our internal control over financial reporting occurred during the quarter ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information.**

None.

## PART III

### **Item 10. Directors, Executive Officers and Corporate Governance.**

#### **Identification of Directors**

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

#### **Identification of Executive Officers**

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

ALFRED P. WEST, JR., 72, has been the Chairman of the Board of Directors and Chief Executive Officer of the Company since its inception in 1968. Mr. West was President from June 1979 to August 1990.

KEVIN P. BARR, 49, has been an employee of the Company since May 2000. Mr. Barr has been an Executive Vice President since May 2008.

ROBERT F. CRUDUP, 67, has been an employee of the Company since 1987. Mr. Crudup has been an Executive Vice President since January 2001.

KATHY C. HEILIG, 56, has been an employee of the Company since November 1987. Ms. Heilig has been Chief Accounting Officer and Controller since May 1999. Ms. Heilig was Treasurer from May 1997 to May 2005.

N. JEFFREY KLAUDER, 62, has been Executive Vice President and General Counsel of the Company since August 2004. Prior to August 2004, Mr. Klauder was a partner of Morgan Lewis & Bockius, LLP, a law firm.

EDWARD D. LOUGHLIN, 64, has been an employee of the Company since September 1979. Mr. Loughlin has been an Executive Vice President since May 1993 and a Senior Vice President since January 1988.

DENNIS J. MCGONIGLE, 54, has been an employee of the Company since August 1985. Mr. McGonigle has been the Chief Financial Officer since December 2002 and an Executive Vice President since July 1996 and a Senior Vice President since May 1995.

STEPHEN G. MEYER, 50, has been an employee of the Company since November 1992. Mr. Meyer has been an Executive Vice President since December 2006 and a Senior Vice President since December 2005.

JOSEPH P. UJOBAL, 53, has been an employee of the Company since May 1998. Mr. Ujobal has been an Executive Vice President since May 2003 and a Senior Vice President since January 2001.

WAYNE M. WITHROW, 59, has been an employee of the Company since January 1990. Mr. Withrow has been an Executive Vice President since March 2000 and a Senior Vice President since January 1994. Mr. Withrow was Chief Information Officer from March 2000 to May 2002.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

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

#### **Code of Conduct**

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

### **Item 11. Executive Compensation.**

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



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

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

The following table provides information regarding the aggregate number of securities to be issued under all of our equity compensation plans upon exercise of outstanding options, warrants, and other rights and their weighted-average exercise price as of December 31, 2014. Material features of each of the plans reflected in the table are described below.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted –average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	20,460,957	\$ 25.26	28,626,322
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>20,460,957</b>	<b>\$ 25.26</b>	<b>28,626,322</b>

(1) Consists of: (i) the 2014 Omnibus Equity Compensation Plan, and (ii) the Amended and Restated 1998 Equity Compensation Plan.

The 2014 Omnibus Equity Compensation Plan:

On March 19, 2014, the Board of Directors adopted the 2014 Omnibus Equity Compensation Plan (the 2014 Plan), and the Company’s shareholders approved the adoption of the 2014 Plan on May 21, 2014 (the Effective Date). The 2014 Plan replaced the 2007 Equity Compensation Plan (The 2007 Plan). The 2007 Plan has been merged with and into the 2014 Plan as of the Effective Date. Outstanding grants under the 2007 Plan will continue according to the terms in effect before the plan merger, but the outstanding shares with respect to those outstanding grants will be issued or transferred under the 2014 Plan. No additional grants shall be made after the Effective Date under the 2007 Plan.

The 2014 Plan provides for grants of stock options (incentive stock options and nonqualified stock options), stock units, stock awards, stock appreciation rights (SARs), dividend equivalents and other stock-based awards to all employees (including employees who are also directors) of the Company or its subsidiaries, consultants who perform valuable services to the Company or its subsidiaries and members of the Board of Directors who are not employees of the Company. The Company has only granted nonqualified stock options under the 2014 Plan.

The 2014 Plan is administered and interpreted by the Compensation Committee (the Committee) or another committee appointed by our Board of Directors; however, the Board of Directors or its delegate will administer and interpret all grants under the 2014 Plan to non-employee directors. The Committee has the authority to (i) determine the individuals to whom grants will be made under the 2014 Plan, (ii) determine the type, size and terms and conditions of the grants, (iii) determine the time when grants will be made and the duration of any applicable exercise or restriction period, including the criteria for exercisability and the acceleration of exercisability, (iv) amend the terms and conditions of any previously issued grant, and (v) deal with any other matters arising under the 2014 Plan.

Options granted under the 2014 Plan may be “incentive stock options,” which are intended to qualify within the meaning of Section 422 of the Internal Revenue Code, and “nonqualified stock options” which are not intended to so qualify. Options are granted under the 2014 Plan with an exercise price equal to or greater than the fair market value of the Company’s common stock on the date of grant and the term of which may not exceed ten years from the date of grant. The vesting period for options commences on the date of grant, or upon the achievement of such vesting requirements, and ends on such date as is determined in each case by the Committee, in its sole discretion, which is specified in the grant agreement. Options may be exercised only while the participant is actively employed by or actively providing service to the Company unless the Committee provides for a period after such employment or service in which the option may be exercised. The Committee may only grant incentive stock options to employees of the Company or its subsidiaries.

The Committee may grant SARs to anyone eligible to participate in the 2014 Plan. Upon exercise of a SAR, the participant will receive an amount equal to the excess of the fair market value of the Company’s common stock on the date of exercise over the base amount set forth in the grant agreement. Such payment to the participant will be in cash, in shares of common stock, or in a combination of cash and shares of common stock as determined by the Committee. The Committee will determine the period when SARs vest and become exercisable, the base amount of the SARs, and whether SARs will be granted in connection with, or independently of, any options. SARs may be exercised only while the participant is actively

employed by or actively providing service to the Company unless the Committee provides for a period after such employment or service in which the option may be exercised.

The Committee may grant stock units to anyone eligible to participate in the 2014 Plan. A stock unit is a phantom unit that represents the right to receive a share of common stock or an amount based on the value of a share of the Company's common stock. The Committee will determine the number of stock units that a participant will receive and the terms and conditions applicable to such stock units as specified in the grant agreement. The Committee may grant stock units that are payable at the end of a specified vesting period or if specified performance goals or other conditions are met, or under other circumstances. Such payment to the participant will be in cash, in shares of common stock, or in a combination of cash and shares of common stock. The Committee will determine the period and conditions when stock units vest. The Committee will determine in the grant agreement under what circumstances a participant may retain stock units if after employment or service with the Company prior to the vesting of any stock units and the circumstances under which a participant will forfeit stock units.

The Committee may grant dividend equivalents in connection with stock units, under such terms and conditions the Committee deems appropriate. Dividend equivalents may be paid as and when the underlying stock units are paid, or may be deferred. The dividend equivalent amount with respect to a stock unit is determined by multiplying the number of shares of the Company's common stock subject to the stock unit by the per share cash dividend, or the per share fair market value for non-cash dividends, paid by the Company with respect to a dividend record date. Dividend equivalents may be accrued as a cash obligation, or may be converted to additional stock units, and deferred dividend equivalents may accrue interest, all as determined by the Committee. The Company may provide that dividend equivalents are payable based on the achievement of specific performance goals. Dividend equivalents may be paid in cash, shares of common stock, or in a combination of the two, as determined by the Committee.

The Committee may grant stock awards to anyone eligible to participate in the 2014 Plan. A stock award is a grant of shares of the Company's common stock, which may be subject to restrictions. The Committee will determine whether a stock award will be granted, the number of shares that will be subject to such award, when and how restrictions, if any, will lapse, and whether a purchase price must be paid for the shares subject to the award. The Committee will determine the period and conditions when stock awards vest. The Committee will determine in the grant agreement under what circumstances a participant may retain stock awards if after employment or service with the Company prior to the vesting of any stock awards and the circumstances under which a participant will forfeit stock awards.

For each share of common stock that is actually issued or transferred pursuant to a grant, other than a stock option or SAR, and which is settled by the issuance of common stock, will count as three shares against the share limits. Each share of common stock that is actually issued or transferred pursuant to a stock option or SAR will count as one share against the share limits. If and to the extent grants under the 2014 Plan (including stock options granted under the 2007 Plan) terminate, expire, or are canceled, forfeited, exchanged, or surrendered without having been exercised, the shares subject to such grants will again be available for purposes of the 2014 Plan, taking into account the ratios described above.

If there is any change in the number or kind of shares of common stock outstanding by reason of a stock dividend, spin-off, recapitalization, stock split, or combination or exchange of shares, by reason of a merger, reorganization or consolidation, by reason of a recapitalization or change in par value or by reason of any other extraordinary or unusual event affecting the outstanding common stock as a class without the Company's receipt of consideration, or if the value of outstanding shares of common stock is substantially reduced as a result of a spin-off or the Company's payment of an extraordinary dividend or distribution, the maximum number of shares of common stock available for issuance under the 2014 Plan, the maximum number of shares of common stock which any individual may receive pursuant to grants in any year, the kind and number of shares covered by outstanding grants, the kind and number of shares issued and to be issued under the 2014 Plan, and the price per share or the applicable market value of such grants shall be appropriately adjusted by the Committee, in such manner as the Committee deems appropriate, to reflect any increase or decrease in the number of, or change in the kind or value of, the issued shares of common stock to preclude, to the extent practicable, the enlargement or dilution of rights and benefits under the 2014 Plan and such outstanding grants.

Unless otherwise set forth in the grant agreement, with respect to stock options, stock units, stock awards, stock appreciation rights or other stock based awards, if (a) a change of control occurs and (b) during the period commencing on the date of the change of control and ending on the date that is 24 months following the change of control, the participant's employment or service is terminated (i) by the Company or its subsidiaries without "cause" (as defined in the 2014 Plan), (ii) by the participant for "good reason" (as defined in the 2014 Plan), (iii) by the Company or its subsidiaries on account of the participant's Disability (as defined in the 2014 Plan), or (iv) on account of the participant's death, then all outstanding stock options and stock appreciation rights will vest and become exercisable and all other outstanding grants will vest and all restrictions pertaining to such other grants will lapse and have no further effect.

The Board of Directors may amend or terminate the 2014 Plan at any time, subject to shareholder approval. No grants may be issued under the 2014 Plan after May 20, 2024.

As of December 31, 2014, options to acquire 17,164,907 shares were outstanding under the 2014 Plan, out of a total of 46,934,334 shares of common stock reserved for issuance under the 2014 Plan. The 2014 Plan authorizes the issuance of an additional 30,000,000 new shares of common stock. This is in addition to 16,235,712 shares of common stock which were subject to outstanding grants under the 2007 Plan as of the Effective Date and 698,622 shares of common stock which remained available for issuance or transfer under the 2007 Plan but not subject to previously exercised, vested or paid grants as of the Effective Date. A total of 28,626,322 shares of common stock remain available for issuance under the 2014 Plan for future grants.

#### The 2007 Equity Compensation Plan:

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

The 2007 Plan has been merged with and into the 2014 Plan as of May 21, 2014. Outstanding grants under the 2007 Plan will continue according to the terms in effect before the plan merger, but the outstanding shares with respect to those outstanding grants will be issued or transferred under the 2014 Plan. No additional grants shall be made after May 21, 2014 under the 2007 Plan.

#### The 1998 Equity Compensation Plan:

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

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

As of December 31, 2014, options to acquire 3,296,050 shares were outstanding under the 1998 Plan, out of a total of 40,444,000 shares of common stock reserved for issuance under the 1998 Plan.

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

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

### **Item 14. Principal Accounting Fees and Services.**

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

## PART IV

### **Item 15. Exhibits, Financial Statement Schedules.**

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

Reports of Independent Registered Public Accounting Firms

Consolidated Balance Sheets — December 31, 2014 and 2013

Consolidated Statements of Operations — For the years ended December 31, 2014, 2013 and 2012

Consolidated Statements of Comprehensive Income — For the years ended December 31, 2014, 2013 and 2012

Consolidated Statements of Changes in Equity — For the years ended December 31, 2014, 2013 and 2012

Consolidated Statements of Cash Flows — For the years ended December 31, 2014, 2013 and 2012

Notes to Consolidated Financial Statements

Schedule II - Valuation and Qualifying Accounts and Reserves — For the years ended December 31, 2014, 2013 and 2012

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

3. Exhibits, Including Those Incorporated by Reference. The exhibits to this Report are listed on the accompanying index to exhibits and are incorporated herein by reference or are filed as part of this Annual Report on Form 10-K.

SIGNATURES

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

SEI INVESTMENTS COMPANY

Date: February 23, 2015

By: /s/ Dennis J. McGonigle

Dennis J. McGonigle

Chief Financial Officer

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

Date: February 23, 2015

By: /s/ Alfred P. West, Jr.

Alfred P. West, Jr.

Chairman of the Board, Chief Executive Officer, and  
Director

Date: February 23, 2015

By: /s/ Carmen V. Romeo

Carmen V. Romeo

Director

Date: February 23, 2015

By: /s/ Richard B. Lieb

Richard B. Lieb

Director

Date: February 23, 2015

By: /s/ William M. Doran

William M. Doran

Director

Date: February 23, 2015

By: /s/ Kathryn M. McCarthy

Kathryn M. McCarthy

Director

Date: February 23, 2015

By: /s/ Sarah W. Blumenstein

Sarah W. Blumenstein

Director

Date: February 23, 2015

By: /s/ Carl A. Guarino

Carl A. Guarino

Director

## EXHIBIT INDEX

The following is a list of exhibits filed as part of this annual report on Form 10-K. For exhibits incorporated by reference, the location of the exhibit in the previous filing is indicated in parentheses.

- 3.1 Articles of Incorporation of the Registrant as amended on January 21, 1983. (Incorporated by reference to exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1982.)
  - 3.1.2 Amendment to Articles of Incorporation of the Registrant, dated May 21, 1992. (Incorporated by reference to exhibit 3.1.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1992.)
  - 3.1.3 Amendment to Articles of Incorporation of the Registrant, dated May 26, 1994. (Incorporated by reference to exhibit 3.1.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1994.)
  - 3.1.4 Amendment to Articles of Incorporation of the Registrant, dated November 21, 1996. (Incorporated by reference to exhibit 3.1.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.)
  - 3.1.5 Amendment to Articles of Incorporation of the Registrant, dated February 14, 2001. (Incorporated by reference to exhibit 3.1.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.)
  - 3.2 Amended and Restated By-Laws. (Incorporated by reference to exhibit 3.2 to the Registrant's Current Report on Form 8-K dated January 6, 2009.)
  - 3.2.1 Amendment of Section 3.02 of the Amended and Restated Bylaws. (Incorporated by reference to exhibit 3.2.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.)
  - 4.1 Rights Agreement dated January 6, 2009. (Incorporated by reference to exhibit 4.1 to the Registrant's Current Report on Form 8-K dated January 6, 2009.)
  - 4.2 Statement with Respect to Shares of a Domestic Corporation amending the designations of Series A Junior Participating Preferred Shares as a series of the Series Preferred Stock of the Company, dated January 6, 2009. (Incorporated by reference to exhibit 4.1 to the Registrant's Current Report on Form 8-K dated January 6, 2009.)
- Note: Exhibits 10.4 through 10.11 constitute the management contracts and executive compensatory plans or arrangements in which certain of the directors and executive officers of the Registrant participate.
- 10.4 1998 Equity Compensation Plan, Amended and Restated as of April 8, 2003. (Incorporated by reference to exhibit 99.1 to the Registrant's Registration Statement on Form S-8 (No. 333-111224) filed December 16, 2003.)
  - 10.4.1 Amendment 2006-1 to the 1998 Equity Compensation Plan, Amended and Restated as of April 8, 2003. (Incorporated by reference to exhibit 10.4.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
  - 10.5 Employee Stock Purchase Plan as Amended and Restated on May 20, 2008. (Incorporated by reference to the Registrant's Current Report on Form 8-K dated May 20, 2008.)
  - 10.6 SEI Capital Accumulation Plan. (Incorporated by reference to exhibit 99(e) to the Registrant's Registration Statement on Form S-8 (No. 333-41343) filed December 2, 1997.)
  - 10.9 Employment Agreement, dated June 25, 2004, between N. Jeffrey Klauder and the Registrant. (Incorporated by reference to exhibit 10.9 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.)
  - 10.10 2007 Equity Compensation Plan. (Incorporated by reference to exhibit 10.10 to the Registrant's Current Report on Form 8-K dated April 11, 2007.)
  - 10.11 2014 Omnibus Equity Compensation Plan. (Incorporated by reference to exhibit 10.11 to the Registrant's Current Report on Form 8-K dated May 21, 2014.)
  - 10.22 Credit Facility, dated January 14, 2003 between Royal Bank of Canada and SEI Investments Canada Company, a subsidiary of SEI Investments Company. (Incorporated by reference to exhibit 10.22 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.)
  - 10.22.1 First Amendment, dated June 15, 2005 to Credit Facility, dated January 14, 2003 between Royal Bank of Canada and SEI Investments Canada Company, a subsidiary of SEI Investments Company. (Incorporated by reference to exhibit 10.22.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.)

10.22.2	Second Amendment, dated February 20, 2006 to Credit Facility, dated January 14, 2003 between Royal Bank of Canada and SEI Investments Canada Company, a subsidiary of SEI Investments Company. (Incorporated by reference to exhibit 10.22.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2005.)
10.24	\$300,000 Credit Agreement, dated February 2, 2012, among SEI Investments Company, the Lenders Party thereto, U.S. Bank National Association, as Syndication Agent, Citizens Bank of Pennsylvania and Manufacturers and Traders Trust Company, each as Documentation Agent, and Wells Fargo Bank, National Association, as Administrative Agent (Incorporated by reference to exhibit 10.24 to the Registrant's Current Report on Form 8-K/A dated February 2, 2012.)
10.25	Guaranty and Collateral Agreement dated as of October 1, 2012 among SEI Investments Company, LSV Employee Group III, LLC, and The PrivateBank and Trust Company. (Incorporated by reference to exhibit 10.25 to the Registrant's Current Report on Form 8-K dated October 1, 2012.)
14	Code of Ethics for Senior Financial Officers. (Incorporated by reference to exhibit 14 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.)
21 *	Subsidiaries of the Registrant.
23.1 *	Consent of KPMG LLP.
23.2 *	Consent of KPMG LLP relating to the financial statements of LSV Asset Management.
23.3 *	Consent of PricewaterhouseCoopers LLP.
23.4 *	Consent of PricewaterhouseCoopers LLP relating to the financial statements of LSV Asset Management.
31.1 *	Rule 13a-15(e)/15d-15(e) Certification of Chief Executive Officer.
31.2 *	Rule 13a-15(e)/15d-15(e) Certification of Chief Financial Officer.
32 *	Section 1350 Certifications.
99.1	Financial Statements of LSV Asset Management dated December 31, 2010 and 2009. (Incorporated by reference to exhibit 99.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2010.)
99.2	Financial Statements of LSV Asset Management dated December 31, 2011 and 2010. (Incorporated by reference to exhibit 99.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2011.)
99.3	Financial Statements of LSV Asset Management dated December 31, 2012 and 2011. (Incorporated by reference to exhibit 99.3 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2012.)
99.4	Financial Statements of LSV Asset Management dated December 31, 2013 and 2012. (Incorporated by reference to exhibit 99.4 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2013.)
99.5 *	Financial Statements of LSV Asset Management dated December 31, 2014 and 2013.
101.INS *	XBRL Instance Document
101.SCH *	XBRL Taxonomy Extension Schema Document
101.CAL *	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB *	XBRL Taxonomy Extension Label Linkbase Document
101.PRE *	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF *	XBRL Taxonomy Extension Definition Linkbase Document

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

SUBSIDIARIES OF THE REGISTRANT

NAME	JURISDICTION OF ORGANIZATION OR INCORPORATION
SEI Investments Distribution Co.	Pennsylvania
SEI Investments Management Corporation	Delaware
SEI Investments Developments, Inc.	Delaware
SEI Investments Global Funds Services	Delaware
SEI Custodial Operations Company, LLC	Delaware
SEI Trust Company	Pennsylvania
SEI Funds, Inc.	Delaware
SEI Investments, Inc.	Delaware
SEI Global Investments Corporation	Delaware
SEI Investments Canada Company	Canada (Federal)
SEI Advanced Capital Management, Inc.	Delaware
SEI Global Capital Investments, Inc.	Delaware
SEI Investments Global (Cayman), Ltd.	Cayman Islands, B. W. I.
SEI Investments Global, Limited	Ireland
SEI Investments Global Fund Services, Ltd.	Ireland
SEI Global Holdings (Cayman) Inc.	Cayman Islands, B. W. I.
SEI Investments (South Africa) Limited	South Africa
SEI Primus Holding Corporation	Delaware
SEI Investments Trustee & Custodial Services (Ireland) Limited	Ireland
SEI Private Trust Company	Pennsylvania
SEI Ventures, Inc.	Delaware
SEI Investments (Europe) Limited	United Kingdom
SEI SIMC Holdings, LLC	Delaware
SIMC Subsidiary, LLC	Delaware
SEI Global Nominee Ltd.	United Kingdom
SEI Insurance Group, Inc.	Pennsylvania
SEI Global Services, Inc.	Delaware
SEI Investments (Asia), Limited	Hong Kong
SEI European Services Limited	United Kingdom
SEI Trustees Limited	United Kingdom
SEI Investment Strategies, LLC	Delaware
LSV Asset Management	Delaware
SEI Institutional Transfer Agent, Inc.	Delaware
SEI Investments - Guernsey Limited	Guernsey
Gao Fu Limited	Hong Kong



**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
SEI Investments Company:

We consent to the incorporation by reference in the registration statements (No. 2-73997, No. 333-41343, No. 333-111224, No. 333-149549 and No. 333-197598) on Form S-8 of SEI Investments Company of our reports dated February 23, 2015, with respect to the consolidated balance sheet of SEI Investments Company and subsidiaries as of December 31, 2014, and the related consolidated statements of operations, comprehensive income, changes in equity and cash flows for the year ended December 31, 2014, and the financial statement schedule, and the effectiveness of internal control over financial reporting as of December 31, 2014, which reports appear in the December 31, 2014 annual report on Form 10-K of SEI Investments Company.

/s/ KPMG LLP

Philadelphia, PA  
February 23, 2015

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
SEI Investments Company:

We consent to the incorporation by reference in the registration statements (No. 2-73997, No. 333-41343, No. 333-111224, No. 333-149549 and No. 333-197598) on Form S-8 of SEI Investments Company of our report dated February 23, 2015, with respect to the balance sheet of LSV Asset Management as of December 31, 2014, and the related statements of operations, changes in partners' capital and cash flows for the year ended December 31, 2014, which report appears in the December 31, 2014 annual report on Form 10-K of SEI Investments Company.

/s/ KPMG LLP

Philadelphia, PA  
February 23, 2015

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 2-73997, No. 333-41343, No. 333-111224, No. 333-149549 and No. 333-197598) of SEI Investments Company of our report dated February 27, 2014 relating to the financial statements and financial statement schedule which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania  
February 23, 2015

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 2- 73997, No. 333-41343, No. 333-111224, No. 333-149549 and No. 333-197598) of SEI Investments Company of our report dated February 27, 2014 relating to the financial statements of LSV Asset Management which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Philadelphia, Pennsylvania  
February 23, 2015

## CERTIFICATIONS

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

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

Date: February 23, 2015

/s/ Alfred P. West, Jr.

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Alfred P. West, Jr.

Chairman and Chief Executive Officer

## CERTIFICATIONS

I, Dennis J. McGonigle, certify that:

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

Date: February 23, 2015

/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-K for the annual period ended December 31, 2014 (the "Form 10-K") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 23, 2015

Date: February 23, 2015

/s/ Alfred P. West, Jr.

/s/ Dennis J. McGonigle

\_\_\_\_\_  
Alfred P. West, Jr.

\_\_\_\_\_  
Dennis J. McGonigle

Chairman and Chief Executive Officer

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.

# **LSV Asset Management**

**Financial Statements**

**As of December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014**



**LSV Asset Management**  
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**December 31, 2014**

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## Independent Auditors' Report

To the Management Committee and Partners of  
LSV Asset Management:

We have audited the accompanying financial statements of LSV Asset Management ("the Partnership"), which comprise the balance sheet as of December 31, 2014 and the related statements of operations, changes in partners' capital and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of LSV Asset Management as of December 31, 2014, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Philadelphia, PA  
February 23, 2015

## **Report of Independent Registered Public Accounting Firm**

To the Management Committee and Partners of  
LSV Asset Management:

We have audited the accompanying financial statements of LSV Asset Management (“the Partnership”) which comprise the balance sheet as of December 31, 2013 and the related statements of operations, changes in partners’ capital and cash flows for each of the two years in the period ended December 31, 2013.

### ***Management’s Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Partnership’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LSV Asset Management at December 31, 2013 and the results of its operations, changes in partners’ capital and its cash flows for each of the two years in the period ended December 31, 2013 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

Philadelphia, PA  
February 27, 2014

**LSV Asset Management**  
**Balance Sheets**  
**December 31, 2014 and 2013**

*(in thousands of dollars)*

	<b>2014</b>	<b>2013</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 29,496	\$ 20,769
Management fee receivables, net of allowance for doubtful accounts of \$6 and \$27	102,121	96,931
Prepaid expenses and other current assets	2,040	930
Total current assets	<u>133,657</u>	<u>118,630</u>
Fixed assets, net of accumulated depreciation and amortization of \$3,723 and \$3,121	2,269	2,588
Total assets	<u>\$ 135,926</u>	<u>\$ 121,218</u>
<b>Liabilities and Partners' Capital</b>		
Accrued compensation	\$ 32,780	\$ 23,419
Accrued other	1,506	1,601
Total accrued liabilities	34,286	25,020
Due to SEI Funds, Inc.	922	1,083
Total current liabilities	<u>35,208</u>	<u>26,103</u>
Commitments and contingencies		
Partners' capital	100,718	95,115
Total liabilities and partners' capital	<u>\$ 135,926</u>	<u>\$ 121,218</u>

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

**LSV Asset Management**  
**Statements of Operations**  
**Years Ended December 31, 2014, 2013 and 2012**

*(in thousands of dollars)*

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Revenue</b>			
Management fees	\$ 422,064	\$ 354,094	\$ 296,261
Interest income	102	80	31
Total revenue	422,166	354,174	296,292
<b>Expenses</b>			
Compensation, benefits and other personnel	43,027	31,210	29,759
Stock based compensation	7,063	5,689	3,348
Consulting and professional fees	3,235	2,899	2,685
Data processing and computer related	8,051	8,094	5,639
Facilities, supplies and other costs	3,171	3,129	3,838
Depreciation and amortization	795	837	858
Total expenses	65,342	51,858	46,127
Net income	<u>\$ 356,824</u>	<u>\$ 302,316</u>	<u>\$ 250,165</u>

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

**LSV Asset Management**  
**Statements of Changes in Partners' Capital**  
**Years Ended December 31, 2014, 2013 and 2012**

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*(in thousands of dollars)*

	<b>Partnership Capital</b>
<b>Balance, December 31, 2011</b>	\$ 126,548
Net income	250,165
Partnership distributions	(246,095)
<b>Balance, December 31, 2012</b>	130,618
Net income	302,316
Partnership distributions	(337,819)
<b>Balance, December 31, 2013</b>	95,115
Net income	356,824
Partnership distributions	(351,221)
<b>Balance, December 31, 2014</b>	<u>\$ 100,718</u>

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

**LSV Asset Management**  
**Statements of Cash Flows**  
**Years Ended December 31, 2014, 2013 and 2012**

*(in thousands of dollars)*

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities</b>			
Net income	\$ 356,824	\$ 302,316	\$ 250,165
Adjustments to reconcile net income to cash provided			
by operating activities			
Depreciation and amortization	795	837	858
Decrease in allowance for doubtful accounts	(21)	(618)	(159)
Change in assets and liabilities			
Decrease (increase)			
Management fee receivables	(5,169)	(17,160)	(4,043)
Prepaid expenses and other current assets	(1,110)	(34)	26
Increase (decrease)			
Accrued compensation	9,361	15,442	(2,960)
Accrued other	(95)	285	(239)
Due to SEI Funds, Inc.	(161)	(7,493)	7,135
Net cash provided by operating activities	<u>360,424</u>	<u>293,575</u>	<u>250,783</u>
<b>Cash flows from investing activities</b>			
Purchases of fixed assets	(476)	(305)	(156)
Proceeds from sale of fixed assets	—	—	58
Net cash used in investing activities	<u>(476)</u>	<u>(305)</u>	<u>(98)</u>
<b>Cash flows from financing activities</b>			
Partnership distributions	(351,221)	(337,819)	(246,095)
Net cash used in financing activities	<u>(351,221)</u>	<u>(337,819)</u>	<u>(246,095)</u>
Net increase (decrease) in cash and cash equivalents	8,727	(44,549)	4,590
<b>Cash and cash equivalents</b>			
Beginning of year	20,769	65,318	60,728
End of year	<u>\$ 29,496</u>	<u>\$ 20,769</u>	<u>\$ 65,318</u>

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

# LSV Asset Management

## Notes to Financial Statements

### December 31, 2014, 2013 and 2012

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(in thousands of dollars)

#### 1. Background

LSV Asset Management (“LSV” or the “Partnership”), a Delaware general partnership, is a registered investment advisor that provides management services to institutions, including pension plans and investment companies. LSV uses the Quantitative Value Analysis Method and Software to market its investment advisory services. SEI Funds, Inc. (a wholly-owned subsidiary of SEI Investments Company (“SEI”)) owns approximately 39 percent of the Partnership and the remaining portion, approximately 61 percent is owned by LSV employees/management. The general Partnership Agreement has been amended from time to time to include new partners when they are admitted. The partnership interest of each existing partner is diluted on a pro rata basis when a new partner is admitted.

The business and affairs of LSV are managed under the direction of the Management Committee. The Management Committee consists of the remaining original partners and certain other partners of the Partnership. The voting interest by each partner on the Management Committee differs from their partnership ownership percentage.

#### 2. Summary of Significant Accounting Policies

##### Cash and Cash Equivalents

LSV considers investment instruments purchased with an original maturity of three months or less to be cash and cash equivalents.

##### Allowance for Doubtful Accounts

LSV provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. LSV's estimate is based on historical collection experience and a review of the current status of Management fee receivables.

##### Revenue Recognition and Related Receivables

Management fee receivables on the accompanying Balance Sheets represent receivables earned and billed, as well as earned but unbilled. Unbilled receivables result from timing differences between services provided and contractual billing schedules. Management fee receivables on the accompanying Balance Sheets consist of the following:

	2014	2013
Management fee receivables	\$ 5,893	\$ 9,275
Unbilled management fee receivables	96,234	87,683
	102,127	96,958
Less: Allowance for doubtful accounts	(6)	(27)
Total management fee receivables	<u>\$ 102,121</u>	<u>\$ 96,931</u>

Revenues from management fees are recognized in the period in which services are performed and are calculated based upon a contractual percentage of net assets under management.

##### Allocations of Net Income or Net Loss

In accordance with the Partnership Agreement, all partnership net profits or losses are allocated among the partners in accordance with their respective ownership interests. Such allocations are included in the “Partnership Capital” balance on the accompanying Statements of Changes in Partners' Capital.



# **LSV Asset Management**

## **Notes to Financial Statements**

### **December 31, 2014, 2013 and 2012**

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#### **Partnership Distributions**

In accordance with the Partnership Agreement, Partners' distributions are based upon the net quarterly cash flows of the partnership. Such distributions represent reductions of partners' capital and are included in the Statements of Changes in Partners' Capital. Included in Partnership distributions are state taxes paid on certain partners' behalf and which represent a reduction in Partners' Capital.

#### **Guarantees and Indemnifications**

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

#### **Guaranty Agreement with LSV Employee Group II**

In April 2011, a group of existing employees of LSV agreed to purchase a partnership interest of an existing LSV employee for \$4,300 of which \$3,655 was financed through a new term loan with Bank of America. The group of existing LSV employees formed a new limited liability company, LSV Employee Group II, LLC (LSV Employee Group II). SEI provided an unsecured guaranty to the lenders of all the obligations of LSV Employee Group II. In addition, LSV entered into Guarantee and Collateral Agreements with the Borrowers and the Agent ("the LSV Guarantee Agreements"). According to the terms and conditions of the LSV Guarantee Agreements, LSV agreed to pay 51 percent of the distributable net cash flow if payment was not received in full from SEI Funds, Inc. within 30 days after delivery of its demand for payment.

LSV Employee Group II made principal payments of \$716, \$1,449 and \$1,031 during 2014, 2013 and 2012, respectively. The term loan was fully paid in 2014 and as a result LSV has no further obligation associated with the LSV Guarantee Agreements.

#### **Guaranty Agreement with LSV Employee Group III**

In October 2012, a group of existing employees of LSV agreed to purchase a portion of the partnership interest of three existing LSV employees for \$77,700, of which \$69,930 was financed through two syndicated term loan facilities contained in a Credit Agreement with The PrivateBank and Northern Trust Company. The group of existing LSV employees formed a new limited liability company called LSV Employee Group III which owns the purchased partnership interest. SEI provided an unsecured guaranty for \$45,000 of the obligations of LSV Employee Group III to the lenders through a Guaranty Agreement. LSV agreed to provide an unsecured guaranty for \$24,930 of the obligations of LSV Employee Group III to the lenders through a separate guaranty agreement. The loan facility guaranteed by LSV has a three year term and will be repaid from the quarterly distributions of LSV.

LSV Employee Group III made principal payments of \$16,450, \$14,822 and \$0 during 2014, 2013 and 2012, respectively. As of December 31, 2014, the remaining unpaid principal balance of the term loan was \$38,658.

**LSV Asset Management**  
**Notes to Financial Statements**  
**December 31, 2014, 2013 and 2012**

**Fixed Assets**

Fixed assets consist of the following at December 31:

	<u>2014</u>	<u>2013</u>	<b>Estimated Useful Lives</b>
Equipment	\$ 1,726	\$ 1,602	3 to 5 years
Leasehold improvements	3,252	3,067	Lease Term
Furniture and fixtures	1,014	1,040	5 years
	<u>5,992</u>	<u>5,709</u>	
Less: Accumulated depreciation and amortization	(3,723)	(3,121)	
	<u>\$ 2,269</u>	<u>\$ 2,588</u>	

Fixed assets are recorded at historical cost. Depreciation of fixed assets is computed using the straight-line method over the estimated useful lives. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

**Management's Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles 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 statement and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Concentration of Credit Risk**

Financial instruments which potentially expose the Partnership to concentrations of credit risk consist primarily of Cash and cash equivalents and Management fee revenue and receivables. Cash and cash equivalents deposits can be maintained with institutions in excess of federally insured limits.

Concentrations of credit risk with respect to our receivables are limited due to the large number of clients and their dispersion across geographic areas. No single group or customer represents greater than 10 percent of total revenue and Management fee receivables.

**Fair Value of Financial Instruments**

The Partnership's financial instruments consist primarily of cash and cash equivalents. The book value of Cash and cash equivalents, Management fee receivables and Accrued liabilities is considered to be representative of their fair value because of their short maturities. The recorded value of these financial instruments approximates their fair value at December 31, 2014 and 2013.

The accounting standard for fair value measurements 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. The accounting standard also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

**LSV Asset Management**  
**Notes to Financial Statements**  
**December 31, 2014, 2013 and 2012**

**3. Commitments and Contingencies**

The Partnership has entered into various operating leases for facilities. Some of these leases contain escalation clauses. The aggregate noncancellable minimum commitments at December 31, 2014 are as follows:

2015	\$	1,047
2016		1,064
2017		1,083
2018		1,101
2019 and thereafter		1,402
	<u>\$</u>	<u>5,697</u>

Rent expense which is included in Facilities, supplies and other costs on the accompanying Statements of Operations was \$1,059, \$1,047, and \$947 in 2014, 2013, and 2012, respectively.

**4. Income Taxes**

No federal or state income taxes are provided for by LSV as each partner is liable for income taxes on their respective share of LSV's taxable income, if any.

LSV's tax return is subject to examination by federal and state taxing authorities. If such examinations result in changes to LSV's taxable income, the tax liability of each partner would change accordingly.

**5. Related Party Transactions**

Under LSV's Partnership Agreement, SEI Funds, Inc. is responsible for performing various services to support LSV's advisory business. In connection with such services, SEI Funds, Inc. allocates certain of its costs including employee benefits and other general and administrative expenses to LSV. The amount payable to SEI Funds, Inc. is included in the Due to SEI Funds, Inc. balance on the accompanying Balance Sheets. The balance Due to SEI Funds, Inc. is paid on a monthly basis, is non-interest bearing, and includes compensation, benefit and other general and administrative expenses.

LSV is a party to a number of portfolio investment advisory agreements with SEI Investments Management Corporation, SEI Investments Global, Limited, and SEI Investments Canada Company (all wholly-owned subsidiaries of SEI). Under these agreements, LSV receives an annual fee based on the assets under LSV's management in various SEI-sponsored funds. Total fees earned under these agreements were \$9,726, \$7,860 and \$6,019 in 2014, 2013 and 2012, respectively. The Management fee receivables balance under these agreements on the accompanying Balance Sheets included \$826 and \$783 of such fees at December 31, 2014 and 2013, respectively.

Following completion of eligibility requirements, LSV employees are able to participate in the Capital Accumulation Plan ("CAP"), a SEI-sponsored employee benefit plan. CAP is a tax-qualified defined contribution plan which provides retirement benefits, including provisions for early retirement and disability benefits, as well as a tax-deferred savings feature. Participants are vested in employer contributions at the time the contributions are made. All contributions are discretionary and are made from available profits. The employer contribution expense is included in Compensation, benefits and other personnel on the accompanying Statements of Operations. Costs incurred by the Partnership related to the CAP were immaterial in 2014, 2013, and 2012.

Following completion of eligibility requirements, LSV employees are able to participate in a SEI-sponsored employee stock purchase plan. The plan provides for offering of common stock to eligible employees at a

# **LSV Asset Management**

## **Notes to Financial Statements**

### **December 31, 2014, 2013 and 2012**

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price equal to 85 percent of the fair value at the end of the stock purchase period, as defined. Costs incurred by the Partnership related to the employee stock purchase plan were immaterial in 2014, 2013, and 2012.

#### **6. Accrued stock-based compensation**

In March 2009, certain partners (the Contributing Partners) of LSV authorized for designation a portion of their partnership interest for the purpose of providing an interest in LSV. This interest was authorized and to be awarded to a select group of key employees. The partnership granted portions of the authorized partnership interest to key employees in March 2009, July 2010, April 2011, April 2012, and April 2013. The issuance in April 2013 reflected the remaining amount of the designated partnership interest of the Contributing Partners. At the time partnership interest is granted, rights to receive distributions equal to the full granted percentage transfers to the recipient of the grant. Partnership equity equal to the amount of interest granted is earned over a predetermined vesting period. All profits, losses, distributions and other rights and obligations relating to authorized but undesignated partnership interest remains with the Contributing Partners until such interest is granted. The granted partnership interest is treated as a liability and is calculated on projected net income. The granted partnership interest redemption liability amounted to \$19,871 and \$12,808 at December 31, 2014 and 2013, respectively and is included in Accrued compensation on the accompanying Balance Sheets. The associated expense is recorded as Stock based compensation on the accompanying Statement of Operations. Each issuance must be authorized by unanimous vote of all Contributing Partners. The issuance of an interest in LSV to a key employee provides them an interest in the future profits of LSV. It does not provide them any rights in the management of the partnership or the ability to direct the operations or affairs of LSV.

#### **7. Variable Interest Entities - Investment Products**

LSV has created investment products for its clients in various types of legal entity structures that may be considered variable interest entities (VIEs). LSV serves as the Manager for these investment products and its clients are the equity investors. LSV does not have an equity investment in any of the VIEs and does not have an obligation to enter into any guarantee agreements with the VIEs. LSV is not the primary beneficiary as they lack any equity investment and their fees are paid outside of the fund. Therefore, LSV is not required to consolidate any investment products that are VIEs into its financial statements.

#### **8. Subsequent Events**

The Partnership performed an evaluation of subsequent events through February 23, 2015, which is the date the financial statements were made available to be issued.