SEI INVESTMENTS CO
Form 10-Q
April 26, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)*
ý Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the quarterly period ended March 31, 2013
or
¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
for the transition period from to
0-10200
(Commission File Number)

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

Pennsylvania	23-1707341
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)

1 Freedom Valley Drive, Oaks, Pennsylvania 19456-1100
(Address of principal executive offices)
(Zip Code)
(610) 676-1000
(Registrant's telephone number, including area code)
N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý 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 ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ý	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 Exchange Act). Yes ¨ No ý

The number of shares outstanding of the registrant's common stock as of April 24, 2013 was 172,403,637.

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SEI Investments Company

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements.

SEI Investments Company
Consolidated Balance Sheets
(unaudited)
(In thousands)

	March 31, 2013	December 31, 2012
Assets		
Current Assets:		
Cash and cash equivalents	$452,099	$452,247
Restricted cash	5,500	6,000
Receivables from regulated investment companies	36,557	31,084
Receivables, net of allowance for doubtful accounts of $1,021 and $805 (Note 4)	210,580	171,734
Deferred income taxes	1,102	2,012
Securities owned (Note 6)	21,107	20,088
Other current assets	20,603	18,239
Total Current Assets	747,548	701,404
Property and Equipment, net of accumulated depreciation of $205,209 and $201,418 (Note 4)	123,153	127,581
Capitalized Software, net of accumulated amortization of $157,933 and $149,747	305,352	307,490
Investments Available for Sale (Note 6)	72,295	75,869
Trading Securities (Note 6)	5,853	5,909
Investment in Unconsolidated Affiliates (Note 2)	77,165	77,398
Other Assets, net	11,244	14,173
Total Assets	$1,342,610	$1,309,824

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

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

	March 31, 2013	December 31, 2012
Liabilities and Equity		
Current Liabilities:		
Accounts payable	$6,617	$11,248
Accrued liabilities (Note 4)	140,610	138,305
Deferred revenue	1,500	2,452
Total Current Liabilities	148,727	152,005
Deferred Income Taxes	85,386	93,458
Other Long-term Liabilities (Note 11)	7,400	7,032
Total Liabilities	241,513	252,495
Commitments and Contingencies (Note 12)		
Equity:		
SEI Investments shareholders’ equity:		
Common stock, $.01 par value, 750,000 shares authorized;172,342 and 172,220 shares issued and outstanding	1,723	1,722
Capital in excess of par value	652,858	624,305
Retained earnings	445,233	405,914
Accumulated other comprehensive income, net	1,283	6,239
Total SEI Investments shareholders’ equity	1,101,097	1,038,180
Noncontrolling interest	—	19,149
Total Equity	1,101,097	1,057,329
Total Liabilities and Equity	$1,342,610	$1,309,824

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

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

	Three Months Ended March 31,	
	2013	2012
Revenues:		
Asset management, administration and distribution fees	$198,633	$172,954
Information processing and software servicing fees	64,532	56,200
Transaction-based and trade execution fees	8,714	8,744
Total revenues	271,879	237,898
Expenses:		
Subadvisory, distribution and other asset management costs	27,934	28,003
Software royalties and other information processing costs	7,487	6,941
Brokerage commissions	6,512	6,307
Compensation, benefits and other personnel	88,610	78,543
Stock-based compensation	5,293	4,033
Consulting, outsourcing and professional fees	31,849	26,955
Data processing and computer related	12,058	11,465
Facilities, supplies and other costs	18,148	14,508
Amortization	8,242	7,622
Depreciation	5,704	5,432
Total expenses	211,837	189,809
Income from operations	60,042	48,089
Net gain from investments	280	3,205
Interest and dividend income	1,053	1,487
Interest expense	(113)	(161)
Equity in earnings of unconsolidated affiliates	27,588	27,330
Gain on sale of subsidiary (Note 13)	22,112	—
Net income before income taxes	110,962	79,950
Income taxes	38,692	29,715
Net income	72,270	50,235
Less: Net income attributable to the noncontrolling interest	(350)	(270)
Net income attributable to SEI Investments Company	$71,920	$49,965
Basic earnings per common share	$0.42	$0.28
Shares used to compute basic earnings per share	172,598	176,348
Diluted earnings per common share	$0.41	$0.28
Shares used to compute diluted earnings per share	176,005	177,668

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

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SEI Investments Company
Consolidated Statements of Comprehensive Income
(unaudited)
(In thousands)

	Three Months Ended March 31,			
	2013		2012	
Net income		$72,270		$50,235
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments		(5,307)		2,703
Unrealized holding gain on investments:				
Unrealized holding gains during the period, net of income taxes of $41 and $7	121		31	
Less: reclassification adjustment for gains realized in net income, net of income taxes of $119 and $35	(221)	(100)	(60)	(29)
Total other comprehensive (loss) income, net of tax		(5,407)		2,674
Comprehensive income		$66,863		$52,909
Comprehensive loss (income) attributable to the noncontrolling interest		101		(753)
Comprehensive income attributable to SEI Investments Company		$66,964		$52,156

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

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

	Three Months Ended March 31, 2013	2012
Cash flows from operating activities:		
Net income	$72,270	$50,235
Adjustments to reconcile net income to net cash provided by operating activities	(32,795)	(11,011)
Net cash provided by operating activities	39,475	39,224
Cash flows from investing activities:		
Additions to property and equipment	(1,744)	(12,116)
Additions to capitalized software	(6,048)	(9,277)
Purchases of marketable securities	(11,578)	(9,646)
Prepayments and maturities of marketable securities	9,835	10,464
Sales of marketable securities	4,211	720
Purchases of other investments	20	—
Sale of subsidiary, net of cash transferred (See Note 13)	(26,694)	—
Net cash used in investing activities	(31,998)	(19,855)
Cash flows from financing activities:		
Purchase and retirement of common stock	(34,466)	(36,463)
Proceeds from issuance of common stock	24,278	12,362
Tax benefit on stock options exercised	2,563	(1,609)
Payment of dividends	—	(26,518)
Net cash used in financing activities	(7,625)	(52,228)
Net decrease in cash and cash equivalents	(148)	(32,859)
Cash and cash equivalents, beginning of period	452,247	420,986
Cash and cash equivalents, end of period	$452,099	$388,127

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

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

Note 1. Summary of Significant Accounting Policies
Nature of Operations
SEI Investments Company (the Company), a Pennsylvania corporation, provides investment processing, investment management, and investment operations solutions to corporations, financial institutions, financial advisors, and ultra-high-net-worth families in the United States, Canada, the United Kingdom, continental Europe, and other various locations throughout the world. Investment processing solutions consist of application and business process outsourcing services, professional services and transaction-based services. Revenues from investment processing solutions are recognized in Information processing and software servicing fees on the accompanying Consolidated Statements of Operations, except for fees earned associated with trade execution services.
Investment management programs consist of mutual funds, alternative investments and separate accounts. These include a series of money market, equity, fixed-income and alternative investment portfolios, primarily in the form of registered investment companies. The Company serves as the administrator and investment advisor for many of these products. Revenues from investment management programs are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.
Investment operations solutions offer investment managers support for traditional investment products such as mutual funds, collective investment trusts, exchange-traded funds, and institutional and separate accounts, by providing outsourcing services including fund and investment accounting, administration, reconciliation, investor servicing and client reporting. These solutions also provide support to managers focused on alternative investments who manage hedge funds, funds of hedge funds, private equity funds and real estate funds, across registered, partnership and separate account structures domiciled in the United States and overseas. Revenues from investment operations solutions are recognized in Asset management, administration and distribution fees on the accompanying Consolidated Statements of Operations.
On July 31, 2012, the Company entered into a definitive agreement to sell all ownership interest in the asset management firm SEI Asset Korea (SEI AK), a joint venture located in South Korea. The Company's ownership interest in SEI AK as of December 31, 2012 was 56.1 percent. On March 28, 2013, all conditions subject to closing the transaction were satisfied and all ownership interests in SEI AK were transferred to the buyer (See Note 13).
Basis of Presentation
The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Certain financial information and accompanying note disclosure normally included in the Company’s Annual Report on Form 10-K has been condensed or omitted. The interim financial information is unaudited but reflects all adjustments (consisting of only normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of financial position of the Company as of March 31, 2013, the results of operations for the three months ended March 31, 2013 and 2012, and cash flows for the three month periods ended March 31, 2013 and 2012. These interim Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.
There have been no significant changes in significant accounting policies during the three months ended March 31, 2013 as compared to the significant accounting policies described in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.
Cash and Cash Equivalents
Cash and cash equivalents includes $308,700 and $247,314 at March 31, 2013 and December 31, 2012, respectively, primarily invested in SEI-sponsored open-ended money market mutual funds.
Restricted Cash
Restricted cash includes $5,000 at March 31, 2013 and December 31, 2012 segregated for regulatory purposes related to trade-execution services conducted by SEI Investments (Europe) Limited. Restricted cash also includes $500 and

$1,000 at March 31, 2013 and December 31, 2012, respectively, segregated in special reserve accounts for the benefit of customers of the Company’s broker-dealer subsidiary, SEI Investments Distribution Co. (SIDCO), in accordance with certain rules established by the Securities and Exchange Commission for broker-dealers.

Capitalized Software

The Company capitalized $6,048 and $9,277 of software development costs during the three months ended March 31, 2013 and 2012, respectively. As of March 31, 2013, capitalized software placed into service included on the accompanying

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Consolidated Balance Sheet had a weighted average remaining life of approximately 9.3 years. Amortization expense related to capitalized software was $8,186 and $7,181 during the three months ended March 31, 2013 and 2012, respectively.

Software development costs capitalized during the three months ended March 31, 2013 and 2012 relates to the continued development of the SEI Wealth Platform (SWP), formerly known as the Global Wealth Platform or GWP. As of March 31, 2013, the net book value of SWP was $303,026, net of accumulated amortization of $128,007. Capitalized software development costs in-progress at March 31, 2013 associated with future releases to SWP were $2,020. SWP has an estimated useful life of 15 years and a weighted average remaining life of 9.3 years. Amortization expense for SWP was $8,068 and $7,064 during the three months ended March 31, 2013 and 2012, respectively.

Earnings per Share

The calculations of basic and diluted earnings per share for the three months ended March 31, 2013 and 2012 are:

	For the Three Months Ended March 31, 2013		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	$71,920	172,598	$0.42
Dilutive effect of stock options	—	3,407	
Diluted earnings per common share	$71,920	176,005	$0.41

	For the Three Months Ended March 31, 2012		
	Income (Numerator)	Shares (Denominator)	Per Share Amount
Basic earnings per common share	$49,965	176,348	$0.28
Dilutive effect of stock options	—	1,320	
Diluted earnings per common share	$49,965	177,668	$0.28

Employee stock options to purchase 6,863,000 and 14,329,000 shares of common stock, with an average exercise price of $28.05 and $23.43, were outstanding during the three months ended March 31, 2013 and 2012, respectively, but not included in the computation of diluted earnings per common share because the effect on diluted earnings per common share would have been anti-dilutive.

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Statements of Cash Flows

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

The following table provides the details of the adjustments to reconcile net income to net cash provided by operating activities for the three months ended March 31:

	2013	2012
Net income	$72,270	$50,235
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,704	5,432
Amortization	8,242	7,622
Equity in earnings of unconsolidated affiliates	(27,588)	(27,330)
Distributions received from unconsolidated affiliate	27,821	21,593
Stock-based compensation	5,293	4,033
Provision for losses on receivables	216	(48)
Deferred income tax expense	(7,730)	(517)
Gain from sale of SEI AK (See Note 13)	(22,112)	—
Net realized gains from investments	(280)	(3,205)
Change in other long-term liabilities	368	2,556
Change in other assets	2,832	(1,385)
Other	(7,996)	2,656
Change in current asset and liabilities		
Decrease (increase) in		
Restricted cash for broker-dealer operations	500	—
Receivables from regulated investment companies	(5,473)	(9,183)
Receivables	(9,127)	(4,413)
Other current assets	(2,466)	(1,687)
Increase (decrease) in		
Accounts payable	(4,618)	242
Accrued liabilities	4,571	(6,575)
Deferred revenue	(952)	(802)
Total adjustments	(32,795)	(11,011)
Net cash provided by operating activities	$39,475	$39,224

Reclassifications

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

Note 2. Investment in Unconsolidated Affiliates

LSV Asset Management

The Company has an investment in the general partnership LSV Asset Management (LSV). LSV is a registered investment advisor that provides investment advisory services to institutions, including pension plans and investment companies. LSV is currently an investment sub-advisor for a small number of SEI-sponsored mutual funds. As of March 31, 2013, the Company's total partnership interest in LSV was approximately 39.8 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 March 31, 2013, the Company's total investment in LSV was $68,701. The investment in LSV exceeded the underlying equity in the net assets of LSV by $3,171, of which $3,062 is considered goodwill embedded in the investment. The

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Company receives partnership distributions from LSV on a quarterly basis. The Company received partnership distribution payments from LSV for $27,821 and $21,593 in the three months ended March 31, 2013 and 2012, respectively.

The Company’s proportionate share in the earnings of LSV was $27,806 and $27,330 during the three months ended March 31, 2013 and 2012, respectively.

The following table contains the condensed statements of operations of LSV for the three months ended March 31, 2013 and 2012:

	Three Months Ended March 31,	
	2013	2012
Revenues	$80,916	$77,465
Net income	70,180	66,673

In March 2009, certain partners (the Contributing partners) of LSV, including the Company, designated a portion of their partnership interest for the purpose of providing an interest in the partnership to a select group of key employees. Until such time an interest in the partnership is issued to a key employee, all profits, losses, distributions and other rights and obligations relating to such unissued interests remains with the Contributing partners. Each issuance must be authorized by unanimous vote of all Contributing partners. In April 2013, the Contributing partners agreed to provide certain key employees an interest in LSV, thereby reducing the Company’s interest in LSV from approximately 39.8 percent to approximately 39.3 percent.

Guaranty Agreement with LSV Employee Group II

In April 2011, LSV Employee Group II 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. (Bank of America). The Company provided an unsecured guaranty to the lenders of all the obligations of LSV Employee Group II. The lenders have the right to seek payment from the Company in the event of a default by LSV Employee Group II.

As of April 24, 2013, the remaining unpaid principal balance of the term loan was $1,641. LSV Employee Group II has met all financial obligations to date regarding the scheduled repayment of the term loan since its origination. The Company, in its capacity as guarantor, currently has no obligation of payment relating to the term loan of LSV Employee Group II and, furthermore, fully expects that LSV Employee Group II will meet all of their future obligations regarding the term loan.

Guaranty Agreement with LSV Employee Group III

In October 2012, LSV Employee Group III purchased a portion of the partnership interest of three existing LSV employees for $77,700, of which $69,930 was financed through two syndicated term loan facilities contained in a credit agreement with The PrivateBank and Trust Company. The Company 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.

As of April 24, 2013, the remaining unpaid principal balances of the term loans guaranteed by LSV and the Company were $19,723 and $45,000, respectively. LSV Employee Group III has met all financial obligations to date regarding the scheduled repayment of the term loans since origination. The Company, in its capacity as guarantor, currently has no obligation of payment relating to the term loan of LSV Employee Group III and, furthermore, fully expects that LSV Employee Group III will meet all of their future obligations regarding the term loan.

Investment in Gao Fu Limited

The Company has an investment in Gao Fu Limited (Gao Fu), a wealth services firm based in Shanghai in the Republic of China. The Company accounts for its interest in Gao Fu using the equity method. At March 31, 2013, the Company's total investment in Gao Fu was $8,464. The Company's proportionate share in the losses of Gao Fu was $218 during the three months ended March 31, 2013.

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 and net capital gains 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. Some of the Company's investment products have been determined to be VIEs at inception.

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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 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, is not 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 not significant. The Company has no other financial obligation to the VIEs.

Amounts relating to fees received from the VIEs included in Receivables and amounts relating to equity investments in the VIEs included in Investments Available for Sale on the Company's Consolidated Balance Sheets are not significant to the total assets of the Company.

Note 4. Composition of Certain Financial Statement Captions

Receivables

Receivables on the accompanying Consolidated Balance Sheets consist of:

	March 31, 2013	December 31, 2012
Trade receivables	$48,600	$46,650
Fees earned, not billed	119,962	116,019
Other receivables	43,039	9,870
	211,601	172,539
Less: Allowance for doubtful accounts	(1,021)	(805)
	$210,580	$171,734

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

Other receivables include $32,722 relating to the closing of the sale of a subsidiary (See Note 13).

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

Property and Equipment

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

	March 31, 2013	December 31, 2012
Buildings	$137,940	$137,751
Equipment	65,996	66,167
Land	9,929	9,929
Purchased software	92,362	91,468
Furniture and fixtures	17,524	18,535
Leasehold improvements	4,495	5,037
Construction in progress	116	112
	328,362	328,999
Less: Accumulated depreciation	(205,209)	(201,418)
Property and Equipment, net	$123,153	$127,581

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The Company recognized $5,704 and $5,432 in depreciation expense related to property and equipment for the three months ended March 31, 2013 and 2012, respectively.

Accrued Liabilities

Accrued liabilities on the accompanying Consolidated Balance Sheets consist of:

	March 31, 2013	December 31, 2012
Accrued employee compensation	$25,689	$63,996
Accrued employee benefits and other personnel	6,952	7,299
Accrued consulting, outsourcing and professional fees	22,147	16,676
Accrued brokerage fees	5,028	5,733
Accrued sub-advisory, distribution and other asset management fees	20,630	17,548
Accrued income taxes	38,837	104
Other accrued liabilities	21,327	26,949
Total accrued liabilities	$140,610	$138,305

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 equity and fixed-income mutual funds that are quoted daily. Level 2 financial assets consist of Government National Mortgage Association (GNMA) mortgage-backed pass-through certificates, Federal Home Loan Bank (FHLB) and other U.S. government agency short-term notes and investment grade commercial paper. The Company's Level 2 financial assets, with the exception of the GNMA securities, were purchased as part of a cash management program requiring only short term, top-tier investment grade government and corporate securities. The GNMA mortgage-backed pass-through certificates were purchased for the sole purpose of satisfying specific regulatory requirements imposed on our wholly-owned limited purpose federal thrift subsidiary, SEI Private Trust Company (SPTC). As a result, the Company's Level 2 financial assets are limited to only these types of fixed income securities. The valuation of the Company's Level 2 financial assets are based upon securities pricing policies and procedures utilized by third-party pricing vendors. The pricing policies and procedures applied during the three months ended March 31, 2013 were consistent with those as described in our Annual Report on Form 10-K at December 31, 2012. The Company's Level 3 financial assets consist of an investment product in the process of liquidation that is closed to new investors. The Company had no Level 3 financial liabilities at March 31, 2013 or December 31, 2012. There were no transfers of financial assets between levels within the fair value hierarchy during the three months ended March 31, 2013.

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

	At March 31, 2013			
	Fair Value Measurements at Reporting Date Using			
Assets	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity available-for-sale securities	$12,546	$12,546	$—	$—
Fixed income available-for-sale securities	59,749	—	59,749	—
Fixed income securities owned	21,107	—	21,107	—
Trading securities	5,853	4,691	—	1,162
	$99,255	$17,237	$80,856	$1,162

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

The table below presents a reconciliation for all assets and liabilities of the Company measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the period from January 1, 2013 to March 31, 2013:

	Trading Securities
Balance, January 1, 2013	$ 1,203
Purchases	—
Issuances	—
Principal prepayments and settlements	—
Sales	—
Total gains or (losses) (realized/unrealized):	
Included in earnings	(41)
Included in other comprehensive income	—
Transfers in and out of Level 3	—
Balance, March 31, 2013	$ 1,162

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

	Trading Securities
Balance, January 1, 2012	$ 52,623
Purchases	—
Issuances	—
Principal prepayments and settlements	(3,267)
Sales	—
Total gains or (losses) (realized/unrealized):	
Included in earnings	2,885
Included in other comprehensive income	—
Transfers in and out of Level 3	—
Balance, March 31, 2012	$ 52,241

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Note 6. Marketable Securities

Investments Available for Sale

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

	At March 31, 2013			
	Cost Amount	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
SEI-sponsored mutual funds	$9,153	$817	$(9)	$9,961
Equities and other mutual funds	2,600	—	(15)	2,585
Debt securities	56,419	3,330	—	59,749
	$68,172	$4,147	$(24)	$72,295

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

Net unrealized holding gains at March 31, 2013 and December 31, 2012 were $2,729 (net of income tax expense of $1,394) and $2,829 (net of income tax expense of $1,554), respectively. These net unrealized gains are reported as a separate component of Accumulated other comprehensive income on the accompanying Consolidated Balance Sheets. There were no material gross realized gains or losses from available-for-sale securities during the three months ended March 31, 2013 and 2012. Gains and losses from available-for-sale securities are reflected in Net gain from investments on the accompanying Consolidated Statements of Operations.

The Company's debt securities classified as available-for-sale securities are issued by GNMA and are backed by the full faith and credit of the U.S. government. These securities were purchased to satisfy applicable regulatory requirements of SPTC and have maturity dates which range from 2020 to 2043.

Trading Securities

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

Trading securities of the Company primarily consist of an investment related to the startup of mutual funds sponsored by LSV. These mutual funds are U.S. dollar denominated funds that invests primarily in securities of Canadian and Australian companies as well as various other global securities. The underlying securities held by the funds are translated into U.S. dollars within the funds. The funds had a fair value of $4,691 and $4,706 at March 31, 2013 and December 31, 2012, respectively. There were no material gross realized gains or losses from the change in fair value of the funds during the three months ended March 31, 2013 and 2012, respectively.

During the three months ended March 31, 2012, the Company recognized gains from structured investment vehicle (SIV) securities of $2,882. The gains from SIV securities are reflected in Net gain from investments on the accompanying Consolidated Statements of Operations. In November 2012, the Company sold its remaining SIV securities and no longer owns any SIV securities.

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 $21,107 and $20,088 at March 31, 2013 and December 31, 2012, respectively. There were no material net gains or losses from the change in fair value of the securities during the three months ended March 31, 2013 and 2012.

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Note 7. Lines of Credit

The Company has 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 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 agreement may be terminated. The Company had no borrowings through the Credit Facility at March 31, 2013. The Company was in compliance with all covenants of the Credit Facility at March 31, 2013.

The Company's Canadian subsidiary has a credit facility agreement (the Canadian Credit Facility) for the purpose of facilitating the settlement of mutual fund transactions. The Canadian Credit Facility has no stated expiration date. The amount of the facility is limited to $2,000 Canadian dollars or the equivalent amount in U.S. dollars. The Canadian Credit Facility does not contain any covenants which restrict the liquidity or capital resources of the Company. The Company had no borrowings under the Canadian Credit Facility and was in compliance with all covenants during the three months ended March 31, 2013.

Note 8. Shareholders' Equity

Stock-Based Compensation

The Company currently has one active equity compensation plan, the 2007 Equity Compensation Plan (the 2007 Plan), which provides for the grant of incentive stock options, non-qualified stock options and stock appreciation rights with respect to up to 20 million shares of common stock of the Company, subject to adjustment for stock splits, reclassifications, mergers and other events. Permitted grantees under the 2007 Plan include employees, non-employee directors and consultants who perform services for the Company. The plan is administered by the Compensation Committee of the Board of Directors of the Company. The Company has only granted non-qualified stock options under the plan. All outstanding stock options have performance-based vesting provisions specific to each option grant that tie the vesting of the applicable stock options to the Company's financial performance. The Company's stock options vest at a rate of 50 percent when specified diluted earnings per share targets are achieved, and the remaining 50 percent when secondary, higher specified diluted earnings per share targets are achieved. The amount of stock-based compensation expense is based upon management's estimate of when the earnings per share targets may be achieved.

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

The Company recognized stock-based compensation expense in its Consolidated Financial Statements in the three months ended March 31, 2013 and 2012, respectively, as follows:

	Three Months Ended March 31,	
	2013	2012
Stock-based compensation expense	$5,293	$4,033
Less: Deferred tax benefit	(1,916)	(1,521)

Stock-based compensation expense, net of tax	$3,377	$2,512

As of March 31, 2013, there was approximately $45,567 of unrecognized compensation cost remaining, adjusted for estimated forfeitures, related to unvested employee stock options that management expects will vest and is being amortized.

The Company issues new common shares associated with the exercise of stock options. The total intrinsic value of options exercised during the three months ended March 31, 2013 was $13,602. The total options exercisable as of March 31, 2013 had an intrinsic value of $89,066. The total intrinsic value for options exercisable is calculated as the difference between the market value of the Company’s common stock as of March 31, 2013 and the exercise price of the shares. The market value

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of the Company’s common stock as of March 31, 2013 was $28.85 as reported by the Nasdaq Stock Market, LLC. The weighted average exercise price of the options exercisable as of March 31, 2013 was $18.24. Total options that were outstanding and exercisable as of March 31, 2013 were 24,087,000 and 8,393,000, respectively.

Common Stock Buyback

The Company’s Board of Directors, under multiple authorizations, has authorized the repurchase of the Company’s common stock on the open market or through private transactions. The Company purchased 1,268,000 shares at a total cost of $36,181 during the three months ended March 31, 2013. As of March 31, 2013, the Company has $54,831 of authorization remaining for the purchase of common stock under the program.

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.

Noncontrolling Interest

The following table provides a reconciliation of Noncontrolling interest on the Consolidated Balance Sheet for the period from January 1, 2013 to March 31, 2013:

	Noncontrolling interest
Balance, January 1, 2013	$19,149
Net income attributable to noncontrolling interest	350
Foreign currency translation adjustments	(451)
Sale of subsidiary (See Note 13)	(19,048)
Balance, March 31, 2013	$—

The following table provides a reconciliation of Noncontrolling interest on the Consolidated Balance Sheet for the period from January 1, 2012 to March 31, 2012:

	Noncontrolling interest
Balance, January 1, 2012	$16,143
Net income attributable to noncontrolling interest	270
Foreign currency translation adjustments	483
Balance, March 31, 2012	$16,896

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Note 9. Accumulated Comprehensive Income

Accumulated other comprehensive income, net of tax, consists of:

	Foreign Currency Translation Adjustments	Unrealized Holding Gains (Losses) on Investments	Accumulated Other Comprehensive Income
Total accumulated comprehensive income at December 31, 2012	$3,861	$2,829	$6,690
Less: Total accumulated comprehensive income attributable to noncontrolling interest at December 31, 2012	(451)	—	(451)
Total accumulated comprehensive income attributable to SEI Investments Company at December 31, 2012	$3,410	$2,829	$6,239
Total comprehensive loss for the three months ended March 31, 2013	$(5,307)	$(100)	$(5,407)
Less: Total comprehensive loss attributable to noncontrolling interest for the three months ended March 31, 2013	451	—	451
Total comprehensive loss attributable to SEI Investments Company for the three months ended March 31, 2013	$(4,856)	$(100)	$(4,956)
Total accumulated comprehensive income at March 31,2013	$(1,446)	$2,729	$1,283
Less: Total accumulated comprehensive income attributable to noncontrolling interest at March 31, 2013	—	—	—
Total accumulated comprehensive income attributable to SEI Investments Company at March 31, 2013	$(1,446)	$2,729	$1,283

Note 10. Business Segment Information

The Company’s reportable business segments are:

Private Banks – provides investment processing and investment management programs to banks and trust institutions worldwide, independent wealth advisers located in the United Kingdom, and financial advisors in Canada;

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

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

Investment Managers – provides investment operations outsourcing solutions to investment managers, fund companies and banking institutions located in the United States, and to investment managers worldwide of alternative asset classes such as hedge funds, funds of hedge funds, and private equity funds across both registered and partnership structures; and

Investments in New Businesses – provides investment management programs to ultra-high-net-worth families residing in the United States through the SEI Wealth Network® and conducts other research and development activities.

The information in the following tables is derived from the Company’s internal financial reporting used for corporate management purposes. There are no inter-segment revenues for the three months ended March 31, 2013 and 2012. Management evaluates Company assets on a consolidated basis during interim periods. The accounting policies of the reportable business segments are the same as those described in Note 1 to the Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.

The following tables highlight certain unaudited financial information about each of the Company’s business segments for the three months ended March 31, 2013 and 2012.

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	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Three Months Ended March 31, 2013					
Revenues	$98,746	$55,191	$63,162	$53,820	$960	$271,879
Expenses	96,298	31,625	31,509	35,162	3,738	198,332
Operating profit (loss)	$2,448	$23,566	$31,653	$18,658	$(2,778)	$73,547
Gain on sale of subsidiary	22,112	—	—	—	—	22,112
Total profit (loss)	$24,560	$23,566	$31,653	$18,658	$(2,778)	$95,659

	Private Banks	Investment Advisors	Institutional Investors	Investment Managers	Investments In New Businesses	Total
	For the Three Months Ended March 31, 2012					
Revenues	$87,988	$49,468	$53,317	$46,211	$914	$237,898
Expenses	87,517	29,301	28,100	30,426	3,698	179,042
Operating profit (loss)	$471	$20,167	$25,217	$15,785	$(2,784)	$58,856

A reconciliation of the total operating profit reported for the business segments to income from operations in the Consolidated Statements of Operations for the three months ended March 31, 2013 and 2012 is as follows:

	2013	2012
Total operating profit from segments above	$73,547	$58,856
Corporate overhead expenses	(13,794)	(11,082)
Noncontrolling interest reflected in segments	289	315
Income from operations	$60,042	$48,089

The following tables provide additional information for the three months ended March 31, 2013 and 2012 pertaining to our business segments:

	Capital Expenditures		Depreciation	
	2013	2012	2013	2012
Private Banks	$4,851	$11,842	$3,933	$3,728
Investment Advisors	1,775	4,141	509	494
Institutional Investors	363	1,231	230	262
Investment Managers	623	3,053	462	476
Investments in New Businesses	88	272	454	334
Total from business segments	$7,700	$20,539	$5,588	$5,294
Corporate overhead	92	854	116	138
	$7,792	$21,393	$5,704	$5,432

	Amortization	
	2013	2012
Private Banks	$5,336	$4,685
Investment Advisors	1,957	1,716
Institutional Investors	302	302
Investment Managers	202	201
Investments in New Businesses	388	277
Total from business segments	$8,185	$7,181
Corporate overhead	57	441
	$8,242	$7,622

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Note 11.   Income Taxes
The gross liability for unrecognized tax benefits at March 31, 2013 and December 31, 2012 was $11,887 and $11,553, respectively, exclusive of interest and penalties, of which $10,379 and $9,965 would affect the effective tax rate if the Company were to recognize the tax benefit.
The Company classifies interest and penalties on unrecognized tax benefits as income tax expense. As of March 31, 2013 and December 31, 2012, the combined amount of accrued interest and penalties related to tax positions taken on tax returns was $822