Dealmaker's Dialogue

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MARSHBERRY *Exceeding the Standard*

A Seller's Market in the Year Ahead

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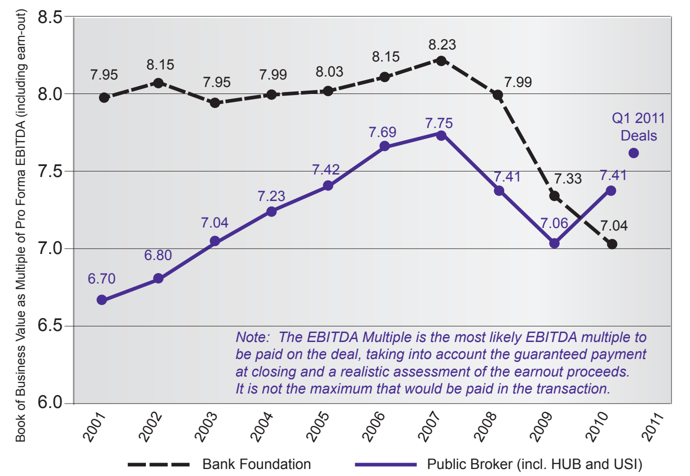
Potential sellers are being chased by innumerable suitors and valuations have rebounded. Valuations in this market, however, vary dramatically based on seller quality. From MarshBerry's compilation of 2010 and year-to-date 2011 results, we can draw the following conclusions:

- *Despite 2010 profit margins and growth rates being lower for the average agency seller, the multiples paid by most buyer segments increased.*
- *National brokers have become increasingly aggressive in chasing opportunities, driving valuations higher. This trend and resulting increase in transaction multiples continued in the first quarter of 2011.*
- *The multiple paid as guaranteed purchase price increased for national insurance brokers in 2010 compared to 2009 and continues in 2011: good news for agency sellers.*
- *2010 bank transactions were few and far between, resulting in lower multiples paid due to the financial condition and capital requirements of many banks. We should note a few bank-owned agencies continue to be aggressive in acquisition and pricing and this trend appears to be growing in 2011.*

Enterprise Value Comparables (Including Realistic Earnout)



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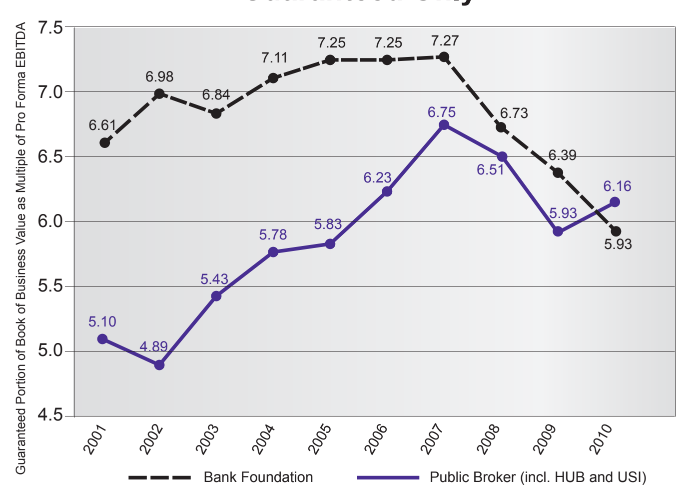

Information considered in preparing estimated market comparables includes private transactions in which we were involved and have detailed information, private transactions from which we have general knowledge, transactions in the public record, our knowledge of the current M&A marketplace, and discussions with buyers and sellers that are active in the marketplace. Value illustrated is net of WC requirement.

Multiples paid by national brokers increased back to 2008 levels and edged even higher in the 1st quarter of 2011. The first graph illustrates multiples including a realistic earn out (anticipated earn out based on realistic performance). 2010 transaction multiples, including a maximum earn out amount, averaged roughly 8 times for bank foundation purchases and more than 9 times for national brokers. This has continued to increase in the first quarter of 2011.

The average EBITDA margin (% of revenue) for transactions completed in 2010 by bank foundations and national brokers ranged from 28% - 29%, resulting in average guaranteed multiples of 1.70 to 1.80 times revenue. With a realistic earn out assumption, 2010 sellers have the ability to achieve a transaction price of 1.98 to 2.16 times revenue. 2010 transaction prices, including the maximum earn out amount, averaged 2.25 to 2.60 times revenues. These are averages. The best of breed commanded even higher multiples.

We see the trend of increased activity and pricing continuing throughout 2011. The entrance of additional firms (like newly announced Assured Agencies) focusing on acquisitions is providing even more competition for the traditional buyers. Larger agencies in particular are being targeted by numerous buyers interested in obtaining a strong foothold in various market territories. This, coupled with economic recovery and signs of potential growth, should fuel transactions and valuations through 2011 and into 2012.

MarshBerry M&A Advisory Services

Deal Strategy

1. Acquisition Planning
2. Deal Return Modeling
3. Strategic Options Analysis
4. Alternative Buyer Comparison

Deal Preparation

1. Sale Preparation Management
2. Offering Memorandum Development
3. Strategic Pitch Book Design
4. Candidate Profile Creation

Deal Representation

1. Buy Side Representation (inc. Search & Screen)
2. Sell Side Representation
3. Letter of Intent Development / Negotiation
4. Creative Deal Structure Alternatives

Deal Analysis

1. Agency Fair Market Valuation
2. Market Comparables / Deal Benchmarking
3. After-Tax Return Optimization
4. IRR, ROI and EPS Analysis

Deal Execution

1. Diagnostic and Confirmatory Due Diligence
2. Intangible Asset Allocation - GAAP Reporting
3. Fairness Opinion
4. Definitive Agreement Best Terms / Conditions

Post-Deal Management

1. Post-Closing Integration
2. Goodwill Impairment Testing
3. Peer-to-Peer CEO Exchange
4. Earn-Out Maximum Consultation

SNL Financial
M&A Advisor Rankings

Insurance Broker Merger & Acquisition Deals
1997-2010

Rank	Firm	1997 - 2010 # of Deals	2010 # of Deals
1	**Marsh, Berry & Co. Inc.***	**308**	**33**
2	Hales & Company, Inc.	145	21
3	Reagan Consulting, Inc.	117	4
4	Mystic Capital Advisors Group, LLC	111	16
5	Macquarie Capital Advisors Grp., LLC	49	4
6	Bank of America Merrill Lynch	22	0
7	B.H. Burke & Company, Inc.	17	1
7	Sica Consultants, Inc.	17	2
9	Harbor Capital Advisors, Inc.	16	0
9	Keefe Bruyette & Woods, Inc.	16	1
11	Sandler O'Neill & Partners, L.P.	14	1
12	North Bridge Advisors, Inc.	13	0
12	Philo Smith & Company	13	3
14	Credit Suisse (USA), Inc.	9	0
15	Business Management Group, Inc.	8	0
15	Curtis Financial Group, LLC	8	0
15	J.P. Morgan Securities, Inc.	8	0
18	Boenning & Scattergood, Inc.	7	0
18	Gill and Roeser Holdings, Inc.	7	0
18	Nexus Group, Inc.	7	0
18	Optis Partners, LLC	7	3
22	2nd Generation Capital Corporation	6	0
22	Goldman, Sachs & Company	6	0
24	Austin Associates, LLC	5	1
24	Garland McPherson & Assoc., Inc.	5	0
24	Lazard Freres & Co., LLC	5	0
24	Piper Jaffray & Co.	5	1
24	Wells Fargo Securities, LLC	5	0

All States // Completed Transactions
Whole deals as reported by SNL Financial, February 2, 2011

**** MarshBerry has closed 28% of total deal flow since 1997***

MarshBerry's clients are committed to realizing their fullest potential with respect to growth, profit, survival and shareholder value. Our agent, broker, bank and carrier clientele engage us to achieve their goals within the retail and wholesale channels of the insurance distribution system. Our unparalleled industry-specific services include consulting, performance benchmarking, peer-to-peer exchange networks, merger and acquisition intermediation and producer recruiting.

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