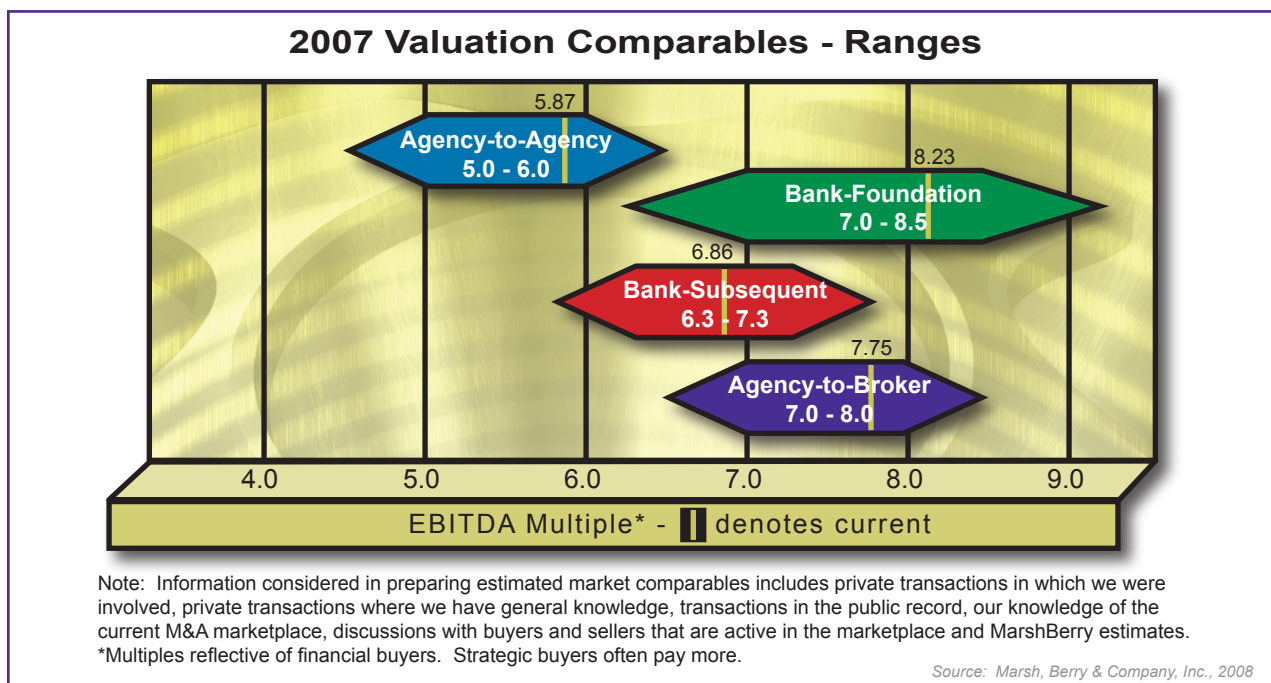


## Valuation Comparables

In 2007, agency values reached an all-time high as increasing demand and limited supply inflated deal pricing, despite the softening of the market. We project that during the next three years, there will be a surge in supply coupled with a decrease in demand, resulting in lower deal multiples, especially for average-performing agencies. For the minority that are willing and able to drive profitable organic growth, value will remain strong and in some cases increase. Factors that will lead to an exponential increase in the number of sellers include:

- *Inability or unwillingness to perpetuate internally*
- *Soft-market rate environment making sustainable and predictable earnings growth difficult*
- *Political changes and the threat of an increase in the capital gains rate*

Agency owners have three choices: cash out now while their value is high, initiate and drive a profitable organic growth strategy, or sit back and risk watching their current after-tax value dissipate due to the whims of the market.



Agencies that remain independent must orchestrate growth in the high single digits with controlled reinvestment to preserve current value on an after-tax basis. For more information on changes in the market or best practices that will lead to sustained premium value, please refer to our 2008 State of the Industry whitepaper that was included with April's For the Record or view at: <http://www.marshberry.com/Spring2008StateofIndustry/>.

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