

Year in Review

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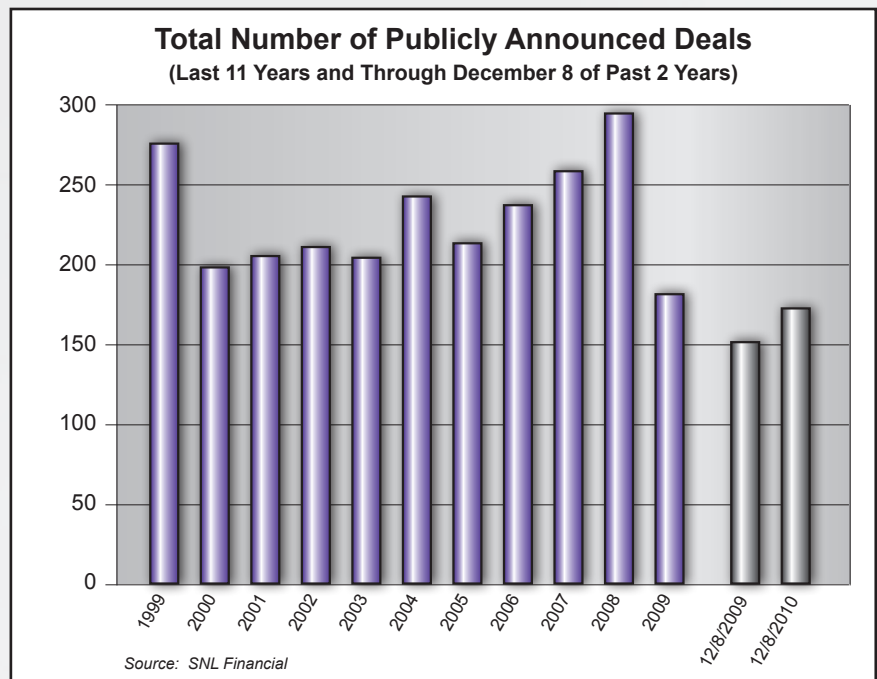
2010 began with M&A transactions closing at numbers consistent with the low levels seen in 2009. Deal count remained low in the first half given uncertainties about the economy, healthcare legislation, and weak pricing offered by buyers. Activity began to increase mid-year and now there is a firestorm of activity taking place. If all of the deals currently under letters of intent are consummated this year, the number of publicly announced transactions in 2010 will show a healthy increase over 2009 results, although not back up to 1999-2008 levels.

A portion of the increase in the number of deals this year is attributable to an anticipated increase in capital gains tax rates (which as of the writing of this newsletter may be delayed 2 years). Also providing a boost to the number of deals were improvements in deal pricing made by the major players in the insurance brokerage M&A market. Many buyers became much more aggressive given that deals had to close in order to offset their own weak organic growth performance.

A large number of transactions in 2010 were high-quality insurance agencies looking to cash in due to timing, pricing, or other reasons. But a number of firms sold out of necessity. This included small firms that felt the continued pressure of lower profits, but were attractive to a buyer as a roll-in acquisition. It also included agencies that saw the writing on the wall regarding their lack of an internal perpetuation strategy. While we hope that more agencies get serious about their succession planning, we believe that a number of firms will put themselves up for sale in 2011 due to a lack of a solid perpetuation focus. Roll-in opportunities should also continue to be available as it does not appear that the pressure on smaller agencies is abating.

Continued uncertainty in the healthcare arena has been an albatross around the neck of many benefits agencies, primarily those commodity players with a client list dominated by smaller accounts. For specialized benefits firms with a solutions-driven platform and a larger account focus, there has been a significant increase in interest as most buyers believe there is a future role for brokers to play in this segment. We anticipate that 2011 will see continued opportunity for those highly profitable, benefits consulting firms focused on the mid and large account market.

Will the current rush of activity boil over into 2011? We believe the active buyers who are currently burning the midnight oil trying to close deals in the fourth quarter will enter 2011 looking to reload their deal pipeline. This is good news to sellers looking to cash in next year. The law of supply and demand will ultimately find equilibrium, but we believe current deal pricing will remain fairly stable heading into the New Year.



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
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
1997-2009

Rank	Firm	1997 - 2009 # of Deals	2009 # of Deals
1	Marsh Berry & Co. Inc.*	275	23
2	Hales & Co. Inc.	123	14
3	Reagan Consulting Inc.	113	7
4	Mystic Capital Advisors Group, LLC	95	11
5	Macquarie Capital Advisors Group, LLC	44	8
6	Bank of America Merrill Lynch	22	2
7	B.H. Burke & Co., Inc.	16	0
7	Harbor Capital Advisors, Inc.	16	0
9	Keefe Bruyette & Woods, Inc.	15	0
9	Sica Consultants, Inc.	15	3
11	North Bridge Advisors, Inc.	13	0
11	Sandler O'Neill & Partners, L.P.	13	1
13	Philo Smith & Co.	10	0
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
21	2nd Generation Capital Corporation	6	0
21	Garland McPherson & Associates, Inc.	6	0
21	Goldman, Sachs & Co.	6	0
24	Lazard Freres & Co. LLC	5	0
24	Wells Fargo Securities, LLC	5	0
26	Austin Associates, LLC	4	0
26	Nomura Securities International, Inc.	4	0
26	Piper Jaffray & Co.	4	1
26	Russell Miller Corporate Finance, Inc.	4	0
26	UBS Investment Bank	4	0

All States // Completed Transactions
Whole deals as reported by SNL Financial, January 15, 2010

* 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.