Registered number: 08116277

ASSUREDPARTNERS HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

ASSUREDPARTNERS HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS	D Curtis J Henderson S Kinnett S Quilter (appointed 16 August 2016) T Riley P Vredenburg
COMPANY SECRETARY	S Kinnett
REGISTERED NUMBER	08116277
REGISTERED OFFICE	25 Moorgate London EC2R 6AY
INDEPENDENT AUDITOR	Nexia Smith & Williamson Registered Auditors & Chartered Accountants 25 Moorgate London EC2R 6AY

ASSUREDPARTNERS HOLDINGS LIMITED

CONTENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors present their report and the financial statements for the year ended 31 December 2016.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £534,268 *(2015 - loss £19,932)*.

The Directors do not recommend that a final dividend is paid (2015 - £NIL).

DIRECTORS

The Directors who served during the year were:

D Curtis
J Henderson
S Kinnett
S Quilter (appointed 16 August 2016)
T Riley
P Vredenburg

COMPANY INFORMATION

On 10 February 2016 the Company changed its name from AssuredPartners Limited to AssuredPartners Holdings Limited.

FUTURE DEVELOPMENTS

The Company will continue to act as a holding company.

POST BALANCE SHEET EVENTS

On 11 January 2017, the Company applied to liquidate its subsidiary Chisholm Richards & Hart Limited following the transfer of the business to its remaining subsidiary AssuredPartners London on 2 November 2016.

There have been no other significant events affecting the Company since the year end.

DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

The auditor, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

DISCLOSURE EXEMPTIONS

In accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) we have taken advantage of certain disclosure exemptions in preparing the financial statements. Details of these exemptions can be found in note 2.1.

This Directors' Report has been prepared in accordance with the special provisions relating to small companies under section 415A (1) & (2) of the Companies Act 2006. The Company has not prepared a Strategic Report because it is entitled to the small companies exemption.

This report was approved by the board and signed on its behalf.

S Quilter
Director

Date: 11 May 2017

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under Company law the Directors must not approve the financial statements unless they are satisfied that they a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASSUREDPARTNERS HOLDINGS LIMITED

We have audited the financial statements of AssuredPartners Holdings Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 17. The relevant financial reporting framework that has been applied in their preparation is the Companies Act 2006 and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with those financial statements and this report has been prepared in accordance with applicable legal requirements.

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' Report.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASSUREDPARTNERS HOLDINGS LIMITED (CONTINUED)

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic Report or in preparing the Directors' Report.

Nexia Smith & Williamson

Keith Jackman (Senior Statutory Auditor)

for and on behalf of
Nexia Smith & Williamson

Registered Auditors & Chartered Accountants

25 Moorgate
London
EC2R 6AY

Date: 18 May 2017

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 £	*2015* *£*
Turnover		-	-
GROSS PROFIT		-	-
Administrative expenses		**(15,732)**	*(19,932)*
OPERATING LOSS		**(15,732)**	*(19,932)*
Income from investments	6	**550,000**	-
PROFIT/(LOSS) BEFORE TAX		**534,268**	*(19,932)*
Tax on profit/(loss)	7	-	-
PROFIT/(LOSS) FOR THE YEAR		**534,268**	*(19,932)*

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2016 (2015:£NIL).

The notes on pages 9 to 18 form part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note		2016 £		2015 £
FIXED ASSETS					
Investments	8		8,093,650		*5,408,689*
			8,093,650		*5,408,689*
CURRENT ASSETS					
Debtors: amounts falling due within one year	9	100		*100*	
		100		*100*	
Creditors: amounts falling due within one year	10	(6,891,946)		*(5,428,621)*	
NET CURRENT LIABILITIES			(6,891,846)		*(5,428,521)*
TOTAL ASSETS LESS CURRENT LIABILITIES			1,201,804		*(19,832)*
Creditors: amounts falling due after more than one year	11		(687,368)		*-*
NET ASSETS/(LIABILITIES)			514,436		*(19,832)*
CAPITAL AND RESERVES					
Called up share capital	13		100		*100*
Profit and loss account	14		514,336		*(19,932)*
			514,436		*(19,832)*

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

S Quilter
Director

Date: 11 May 2017

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital	Profit and loss account	Total equity / (deficit)
	£	£	£
At 1 January 2016	100	(19,932)	(19,832)
Comprehensive income for the year			
Profit for the year	-	534,268	534,268
At 31 December 2016	**100**	**514,336**	**514,436**

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital	Profit and loss account	Total equity / (deficit)
	£	£	£
At 1 January 2015	100	-	100
Comprehensive income for the year			
Loss for the year	-	(19,932)	(19,932)
At 31 December 2015	**100**	**(19,932)**	**(19,832)**

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

AssuredPartners Holdings Limited is a private limited company incorporated in England and Wales with the registered number 08116277.

The address of the registered office is 25 Moorgate, London, EC2R 6AY.

The Company's principal activity is to act as a holding company.

On 10 February 2016 the Company changed its name from AssuredPartners Limited to AssuredPartners Holdings Limited.

2. ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention.

The financial statements of AssuredPartners Holdings Limited present information about it as an individual company and not about its group.

The Directors have taken advantage of the exclusion allowed by section 9 of FRS 102 and section 401 of the Companies Act 2006 from preparing consolidated accounts.

Reduced disclosure exemptions

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows; and
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of Assured Partners Inc. as at 31 December 2016 and these financial statements are attached as an addendum to the financial statements of the Company.

2.2 Going concern

The Board of AssuredPartners Inc. have confirmed that they will continue to provide financial and management support to meet the commitments of the company. As a result of this support the Directors have prepared the financial statements on the going concern basis.

2.3 Operating profit/(loss)

Amounts included in operating profit are income and expenses directly related to the Company's principal activity.

2.4 Dividend income

Dividend income is recognised in the financial statements in the period in which they are declared by the Company's investments as there is no fixed right to receive income.

2. ACCOUNTING POLICIES (CONTINUED)

2.5 Current and deferred taxation

The tax expense represents the sum of tax currently payable and any deferred tax.

The current tax charged is based on the current profit for the year. Taxable profit differs from net profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the Balance Sheet date.

Deferred tax is recognised in respect of all timing differences between taxable profits and total comprehensive income that have originated but not yet reversed at the Balance Sheet date. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.6 Investments

Investments held as fixed assets are shown at cost less provision for impairment.

The cost of the investment has been initially recognised at the fair value of consideration paid and to be paid, where reasonably determinable. Changes in the purchase price relate to revised estimates of the amounts to be paid based on future revenues of the acquired companies.

Further information about impairment of investments can be found in note 3.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2. ACCOUNTING POLICIES (CONTINUED)

2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities such as other debtors and creditors and loans from group undertakings.

Debt instruments that are payable or receivable within one year, typically other creditors or debtors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, such as the payment of a debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an outright short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the Balance Sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the Balance Sheet date and the reported amounts of revenues and expenses during the reporting period.

Judgements

Financial instruments classification
The classification of financial instruments as "basic" or "other" requires judgement as to whether all the applicable conditions for classification as basic are met. This includes consideration of the form of the instrument and its return.

Key sources of estimation uncertainty

Impairment of investments
Investments held as fixed assets and shown at cost are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value of the asset exceeds its recoverable amount. Management judgement is required to establish indicators of impairment based upon knowledge of the business and results and upon future cash flows.

4. AUDITOR'S REMUNERATION

	2016 £	*2015 £*
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts:	9,000	*6,600*

Fees payable to the Company's auditor and its associates in respect of:

	2016 £	*2015 £*
Accounting services	1,800	*3,000*
Taxation compliance services	3,120	*4,860*
All other services	1,812	*5,472*
	6,732	*13,332*
Total fees payable to the Company's auditor and its associates	15,732	*19,932*

5. EMPLOYEES

The Company has no employees other than the Directors, who did not receive any remuneration *(2015 - £NIL)*.

6. INCOME FROM INVESTMENTS

	2016 £	*2015* *£*
Dividends received from investments	**550,000**	-

7. TAXATION

	2016 £	*2015* *£*
Current tax on profit/(loss) for the year	-	-
TOTAL CURRENT TAX	-	-

Factors affecting tax charge for the year

The tax assessed for the year is lower than *(2015 - higher than)* the standard rate of corporation tax in the UK of 20.00% *(2015 - 20.25%)*. The differences are explained below:

	2016 £	*2015* *£*
Profit/(loss) on ordinary activities before tax	**534,268**	*(19,932)*
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.00% (2015 - 20.25%)	**106,854**	*(4,036)*
EFFECTS OF:		
Expenses not deductible for tax purposes	**297**	-
Income not taxable for tax purposes	**(110,000)**	-
Group relief	**2,849**	*4,036*
TOTAL TAX CHARGE FOR THE YEAR	-	-

Factors that may affect future tax charges

The UK government has announced future changes to the corporation tax rate. These changes will result in a decrease in the standard rate of corporation tax to 19% from April 2017 and 17% from April 2020. As at 31 December 2016 the substantively enacted rate for the tax year ending March 2021 is 17%.

8. FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
COST	
At 1 January 2016	**5,408,689**
Additions	**3,219,700**
Disposals	**(534,739)**
At 31 December 2016	**8,093,650**
NET BOOK VALUE	
At 31 December 2016	**8,093,650**
At 31 December 2015	*5,408,689*

8. FIXED ASSET INVESTMENTS (CONTINUED)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
AssuredPartners London Limited	UK	Ordinary	100 %	Insurance broking
Chisholm Richards & Hart Limited	UK	Ordinary	100 %	Insurance broking

On the 2 November 2016 the Company acquired Chisholm Richards & Hart Limited for £2,684,961.

As part of a group reorganisation Paul Napier 2012 Limited was dissolved on 27 December 2016 and at that date its net assets were £nil. A share transfer took place between AssuredPartners London Limited and AssuredPartners Holdings Limited which resulted in AssuredPartners London Limited becoming a direct subsidiary of the holding company.

The aggregate of the share capital and reserves as at 31 December 2016 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit £
AssuredPartners London Limited	4,691,417	1,310,593
Chisholm Richards & Hart Limited	6,772	528,162

The aggregate of the share capital and reserves as at 31 December 2015 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit £
Paul Napier 2012 Limited	534,739	-
AssuredPartners London Limited*	3,280,824	298,905

As at 31 December 2015 the holding in AssuredPartners London Limited was indirectly held through ownership of Paul Napier 2012 Limited.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

9. DEBTORS

	2016 £	*2015* *£*
Due within one year		
Unpaid share capital	100	*100*

10. CREDITORS: Amounts falling due within one year

	2016 £	*2015* *£*
Amounts owed to group undertakings	6,878,026	*4,437,371*
Contingent consideration	-	*971,318*
Accruals	13,920	*19,932*
	6,891,946	*5,428,621*

The contingent consideration is wholly in respect of the acquisition of Paul Napier 2012 Limited which was settled in full during the year ended 31 December 2016.

11. CREDITORS: Amounts falling due after more than one year

	2016 £	*2015* *£*
Contingent consideration	687,368	*-*

The contingent consideration is wholly in respect of the acquisition of Chisholm Richards & Hart Limited, and is contingent on the future trading revenues of the acquired business. The current amount accounted for is management's best estimate of the total contingent liability.

12. FINANCIAL INSTRUMENTS

	2016 £	*2015* *£*
FINANCIAL ASSETS		
Financial assets that are debt instruments measured at amortised cost	**100**	*100*
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	**(7,579,314)**	*(5,428,621)*

The Company's financial instruments comprise unpaid share capital, amounts owed to group undertakings, contingent consideration and accruals. The main purpose of these financial instruments is to provide finance for the Company's operations.

13. SHARE CAPITAL

	2016 £	*2015* *£*
Shares classified as equity		
Allotted, called up and fully paid		
100 Ordinary Share Capital shares of £1 each	**100**	*100*

14. RESERVES

Profit & loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

15. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption conferred by FRS 102 Section 33 paragraph 33.1A from the requirement to disclose transactions entered into between members of a group, on the grounds that the Company is a wholly owned subsidiary of its parent company.

Key management personnel

Key management are those persons having authority and responsibility for planning, controlling and directing the activities of the company. The key management of the company is considered to be the Directors. During the year they received no remuneration (*2015 - £NIL*).

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The Company's ultimate parent company and controlling party is AssuredPartners Inc., a company registered in the United States of America.

The parent undertaking of the largest and smallest group of undertakings for which group accounts are drawn up is AssuredPartners Inc.

17. POST BALANCE SHEET EVENTS

On 11 January 2017, the Company applied to liquidate its subsidiary Chisholm Richards & Hart Limited following the transfer of the business to its remaining subsidiary AssuredPartners London Limited on 2 November 2016.

AssuredPartners, Inc.

Consolidated Financial Statements
December 31, 2016 and 2015

AssuredPartners, Inc.
Index
December 31, 2016 and 2015

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Report of Independent Certified Public Accountants

To the Board of Directors of
AssuredPartners, Inc.

We have audited the accompanying consolidated financial statements of AssuredPartners, Inc. and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, comprehensive (loss) income, equity and cash flows for the year ended December 31, 2016 (Successor) and for the periods from January 1, 2015 through October 22, 2015 (Predecessor) and October 23, 2015 through December 31, 2015 (Successor).

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Certified Public Accountants' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company'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 consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers LLP, 420 South Orange Avenue, Suite 200, Orlando, FL 32801
T: (407) 236 0550, F: (407) 236 5149, www.pwc.com/us

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AssuredPartners, Inc. and its subsidiaries as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the year ended December 31, 2016 (Successor) and for the periods from January 1, 2015 through October 22, 2015 (Predecessor) and October 23, 2015 through December 31, 2015 (Successor) in accordance with accounting principles generally accepted in the United States of America.

PricewaterhouseCoopers LLP

March 27, 2017

AssuredPartners, Inc.
Consolidated Balance Sheets
December 31, 2016 and 2015

(in thousands)	Successor 2016	2015
Assets		
Current assets		
Cash and cash equivalents	$ 79,499	$ 85,961
Restricted cash	31,312	29,654
Trust cash	57,054	52,721
Accounts receivable, net of allowance for doubtful accounts of $354 and $321, respectively	126,385	111,311
Other current assets	11,529	9,104
Total current assets	305,779	288,751
Fixed assets, net	13,850	9,670
Goodwill	1,282,379	1,125,526
Amortizable intangible assets, net	710,852	661,160
Noncurrent assets, net	17,816	5,209
Total assets	$ 2,330,676	$ 2,090,316
Liabilities and Equity		
Current liabilities		
Long-term obligations, current portion	$ 2,398	$ 1,321
Earn-out payables, current portion	54,333	41,620
Accounts payable	155,214	138,796
Customer advances	28,225	25,236
Producer payables	17,430	13,734
Accrued expenses and other	44,403	40,290
Total current liabilities	302,003	260,997
Earn-out payables	28,932	26,106
Long-term obligations, net	1,297,296	1,085,175
Other liabilities	10,569	12,338
Total liabilities	1,638,800	1,384,616
Commitments and contingencies		
Equity		
Capital contribution from the Parent, net	728,598	715,118
Accumulated other comprehensive loss	(2,084)	(1,350)
Retained deficit	(34,638)	(8,068)
Total equity	691,876	705,700
Total liabilities and equity	$ 2,330,676	$ 2,090,316

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

AssuredPartners, Inc.
Consolidated Statements of Operations
For the Year Ended December 31, 2016,
Period From October 23, 2015 Through December 31, 2015 (Successor), and
Period From January 1, 2015 Through October 22, 2015 (Predecessor)

	Successor		Predecessor
(in thousands)	**Year Ended December 31, 2016**	**Period From October 23, 2015 to December 31, 2015**	**Period From January 1, 2015 to October 22, 2015**
Revenues			
Commissions and fees	$ 567,605	$ 88,031	$ 365,912
Contingent revenue	46,639	2,771	31,254
Total revenues	614,244	90,802	397,166
Expenses			
Compensation expense	366,901	60,018	227,568
Selling expense	13,378	2,227	8,397
Administrative expense	77,463	12,720	49,036
Transaction expense	2,908	659	30,487
Increase (reduction) in estimated earn-out payables, net	16,145	(160)	(4,211)
Depreciation and amortization expense	57,934	9,952	25,717
Total operating expenses	534,729	85,416	336,994
Income from operations	79,515	5,386	60,172
Interest expense	(108,099)	(18,033)	(39,571)
Debt extinguishment loss	-	-	(17,010)
Other expense	(8,847)	(122)	(190)
(Loss) income before provision for income taxes	(37,431)	(12,769)	3,401
Benefit (provision) for income taxes	10,861	4,701	(3,634)
Net loss	$ (26,570)	$ (8,068)	$ (233)

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

AssuredPartners, Inc.
Consolidated Statements of Comprehensive (Loss) Income
For the Year Ended December 31, 2016,
Period From October 23, 2015 Through December 31, 2015 (Successor), and
Period From January 1, 2015 Through October 22, 2015 (Predecessor)

	Successor		Predecessor
(in thousands)	Year Ended December 31, 2016	Period From October 23, 2015 to December 31, 2015	Period From January 1, 2015 to October 22, 2015
Net loss	$ (26,570)	$ (8,068)	$ (233)
Other comprehensive (loss) income, before tax			
Foreign currency translation adjustments	45	(32)	(43)
Unrealized (loss) gain in interest rate hedges	(1,272)	(2,143)	170
Other comprehensive (loss) income, before tax	(1,227)	(2,175)	127
Income tax benefit (expense) related to items of other Comprehensive (loss) income	448	825	(65)
Other comprehensive (loss) income	(779)	(1,350)	62
Comprehensive loss	$ (27,349)	$ (9,418)	$ (171)

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

AssuredPartners, Inc.
Consolidated Statements of Equity
For the Year Ended December 31, 2016, Period From October 23, 2015 Through December 31, 2015 (Successor), and Period From January 1, 2015 Through October 22, 2015 (Predecessor)

(in thousands, except unit data)	Capital Contribution	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total
Predecessor				
Balances at December 31, 2014	$ 220,235	$ 13,153	$ (443)	$ 232,945
Purchase of units by employees	11,700	-	-	11,700
Units issued in lieu of cash compensation	274	-	-	274
Repurchase of shares from departing employees	(131)	-	-	(131)
Unrealized gain on interest rate hedges, net of taxes of ($65)	-	-	105	105
Foreign currency translation	-	-	(43)	(43)
Compensation expense related to incentive units	688	-	-	688
Dividends paid	-	(16)	-	(16)
Net loss	-	(233)	-	(233)
Balances at October 22, 2015	$ 232,766	$ 12,904	$ (381)	$ 245,289
Successor				
Opening Balance Subsequent to Merger	$ -	$ -	$ -	-
Capital contribution from the Parent, net	714,475	-	-	714,475
Unrealized loss on interest rate hedges, net of taxes of $825	-	-	(1,318)	(1,318)
Foreign currency translation	-	-	(32)	(32)
Compensation expense related to incentive units	643	-	-	643
Net loss	-	(8,068)	-	(8,068)
Balances at December 31, 2015	715,118	(8,068)	(1,350)	705,700
Purchase of units by employees	10,000	-	-	10,000
Repurchase of units from departing employees	(52)	-	-	(52)
Unrealized loss on interest rate hedges, net of taxes of $448	-	-	(779)	(779)
Foreign currency translation	-	-	45	45
Compensation expense related to incentive units	3,532	-	-	3,532
Net loss	-	(26,570)	-	(26,570)
Balances at December 31, 2016	$ 728,598	$ (34,638)	$ (2,084)	$ 691,876

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

AssuredPartners, Inc.
Consolidated Statements Cash Flows
For the Year Ended December 31, 2016,
Period From October 23, 2015 Through December 31, 2015 (Successor), and
Period From January 1, 2015 Through October 22, 2015 (Predecessor)

	Successor		Predecessor
(in thousands)	Year Ended December 31, 2016	Period From October 23, 2015 to December 31, 2015	Period From January 1, October 22, 2015
Cash flows from operating activities			
Net loss	$ (26,570)	$ (8,068)	$ (233)
Adjustments to net loss to net cash provided by operating activities			
Amortization	49,582	8,654	21,398
Depreciation	3,928	623	2,296
Debt extinguishment loss	-	-	17,010
Bad debt expense	371	(100)	208
Equity-based compensation	3,532	643	962
Change in estimated acquisition earn-out payables	30,368	1,693	2,206
Change in estimated acquisition earn-out receivables	(148)	71	47
Payments on acquisition earn-outs in excess of original estimated payables	(8,388)	(50)	(21,760)
Amortization of debt discount	3,344	599	616
Amortization of deferred loan fees	4,424	675	2,023
Deferred income taxes	(13,901)	(4,653)	2,707
Reclassification of predecessor currency translation adjustment	-	-	197
Change in fair value of interest rate caps	16	-	186
(Gain) on sale of book of business	(1,367)	-	-
Changes in operating assets and liabilities, net of effect from acquisitions			
Trust cash	2,914	(10,728)	27,195
Restricted cash	(2,130)	86	(2,266)
Accounts receivable	(5,328)	(9,972)	3,390
Other assets	(1,921)	1,217	1,205
Accounts payable	3,015	1,592	(8,569)
Customer advances	1,783	12,442	(15,202)
Producer payables	1,561	150	2,169
Accrued interest	(14,987)	15,376	(1,183)
Other accrued expenses	15,867	1,192	1,677
Other liabilities	1,667	1,338	913
Net cash provided by operating activities	47,632	12,780	37,192
Cash flows from investing activities			
Additions to fixed assets	(8,193)	(546)	(1,748)
Purchase of AssuredPartners, Inc. (Note 3)	-	(1,668,696)	-
Payments for businesses acquired, net of cash (Note 4)	(233,007)	(25,937)	(255,238)
Changes in restricted cash used for business acquisitions	472	37,136	-
Payments for customer accounts acquired	(1,499)	(409)	(299)
Proceeds from sales of books of business	2,560	-	1,105
Net cash used in investing activities	(239,667)	(1,658,452)	(256,180)
Cash flows from financing activities			
Capital contribution from the Parent, net	10,000	714,475	11,700
Payments on acquisition holdback	(1,750)	-	-
Payments on acquisition earn-out payables	(24,558)	(1,278)	(38,349)
Proceeds from earn-out receivable on financed sales of customer accounts	252	239	297
Proceeds from issuance of long-term debt	217,005	1,012,248	148,500
Payments on long-term debt	(8,763)	-	(16,865)
Borrowings on revolving credit facility	261,000	34,045	129,000
Payments on revolving credit facility	(264,045)	-	(69,000)
Repurchase of equity units from departing employees	(52)	-	(131)
Payments for loan fees related to long-term debt	(3,425)	(28,071)	(1,941)
Payments on capital leases	(91)	(25)	(119)
Cash dividends paid by Predecessor	-	-	(16)
Net cash provided by financing activities	185,573	1,731,633	163,076
Net (decrease) increase in cash and cash equivalents	(6,462)	85,961	(55,912)
Cash and cash equivalents			
Beginning of year	85,961	-	63,125
End of year	$ 79,499	$ 85,961	$ 7,213

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

1. Organization, Nature of Business and Basis of Presentation

AssuredPartners, Inc. (the "Company" or the "Successor Company"), is one of the leading insurance brokers in the United States and provides a broad array of insurance-related products and services on a retail basis to middle-market businesses, with a particular focus on property and casualty and employee benefits insurance products and solutions. The Company serves our clients through over 3,500 employees in approximately 120 offices in thirty states across the United States, the District of Columbia, United Kingdom (U.K.), and Canada. Since its founding in 2011, the Company has built a broad platform that is concentrated in the U.S. through an acquisition strategy and a focus on driving organic growth. Through its operations, the Company continues to provide a diversified services offering that markets and sells to its customers a broad range of insurance products and services to commercial, public entity and professional and individual customers.

Successor
On July 19, 2015, AssuredPartners, LLC and its primary shareholder and financial sponsor, GTCR, agreed to sell their equity interests in the insurance operations of AssuredPartners, Inc., to Apax Partners ("Apax") for the negotiated equity value of $930 million and entered into an Agreement and Plan of Merger (the "Merger Agreement") with Dolphin Holdco. L.P. (the "Parent") and Dolphin Merger Sub, Inc. (the "Merger Sub"). Pursuant to the Merger Agreement, the Merger Sub merged with and into the Company (the "Merger"), with the Company surviving as an indirect, wholly owned subsidiary of the Parent. On October 22, 2015, the Merger was completed, resulting in a recapitalization of the business through the issuance of $1.1 billion in new debt (Note 8) and $717.5 million of new equity including an $148.7 million rollover equity investment from the members of executive and operational leadership of the Company (the "Rollover").

Predecessor
AssuredPartners, LLC, AssuredPartners, Inc., AssuredPartners Capital, Inc. collectively ("Assured") was founded in 2011 through a partnership between insurance industry professionals and GTCR, to consolidate the middle-market property and casualty insurance and employee benefits industry brokerage.

Basis of Preparation
As a result of the Merger, the consolidated financial statements and certain note presentations separate the Company's presentations into two distinct periods, the period before the consummation of the Merger (labeled "Predecessor") and the period after the Merger (labeled "Successor"), to indicate the application of a different basis of accounting between the periods presented. The historical financial and other data prior to the closing of the Merger on October 22, 2015 have been prepared using the historical results of operations and basis of the assets and liabilities of the Predecessor.

2. Summary of Significant Accounting Policies

Principles of Consolidation
The accompanying consolidated financial statements include the accounts of AssuredPartners, Inc. and its subsidiaries. All intercompany account balances and transactions have been eliminated in the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosures of contingent assets and liabilities, as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The principal estimates used include, among others, the recognition of direct bill commission revenue, the allocation of purchase price to the fair value of net assets acquired in connection with acquisitions, the valuation of earn-out payables established as of the date of acquisitions, equity-based compensation, and the estimated fair value of derivative instruments. Actual results may differ from those estimates.

Revision of Previously Reported Consolidated Financial Statements

The Company revised the consolidated statements of operations and consolidated statements of cash flows for the Predecessor period ended, October 22, 2015, due to the incorrect presentation of debt extinguishment loss. The impact of the error did not result in a material misstatement of the previously issued financial statements or the related notes thereto for the Company.

The following table presents the effect of this revision on the affected line items in the Company's consolidated statements of operations and consolidated statements of cash flows:

Period from January 1, 2015 to October 22, 2015
Consolidated Statements of Operations

	Predecessor		
(in thousands)	As Reported	Adjustment	As Revised
Transaction expense	$ 31,834	$ (1,347)	$ 30,487
Total operating expenses	338,341	(1,347)	336,994
Income from operations	58,825	1,347	60,172
Debt extinguishment loss	(4,025)	(12,985)	(17,010)
Other expense	(11,828)	11,638	(190)

Consolidated Statements of Cash Flows

	Predecessor		
(in thousands)	As Reported	Adjustment	As Revised
Debt extinguishment loss	$ 4,025	$ 12,985	$ 17,010
Write-off of Predecessor deferred financing costs	11,638	(11,638)	-
Changes in operating assets and liabilities (Accounts Payable)	(7,222)	(1,347)	(8,569)

Revenue Recognition

Commission revenue is recognized at the later of the billing or the effective date of the insurance policy. Commission revenues are reported net of allowances for estimated policy cancellations, and commissions paid to sub-brokers or co-brokers. The allowances for estimated policy cancellations are established based on historic and current data evaluated by the management. Supplemental, or contingent, commissions from insurance companies are recognized when determinable. The Company recognizes supplemental commission revenues using internal data and information received from insurance carriers that allows us to reasonably estimate the supplemental commissions earned in the period. A supplemental commission is a commission paid by an insurance carrier that is above the base commission paid, is determined by the insurance carrier based on historical performance criteria, and is established annually in advance of the contractual period. The Company recognizes contingent commissions and commissions on premiums directly billed by insurance carriers as revenue when the Company has obtained the data necessary to reasonably determine such amounts. Typically, the Company cannot reasonably determine these types of commission revenues until the cash has been received or the related policy detail or other carrier specific information from the insurance carrier is known. A contingent commission is a commission paid by an insurance carrier, among other things, based on the overall profit and/or volume of the business placed with that insurance carrier during a particular calendar year and is determined after the contractual period. The primary manner in which such fees are determined to be earned is when the commissions are received, or when officially notified of the amount of such commissions. Fee revenue negotiated in lieu of commission is recognized in the same manner as commission revenue. Fee revenue generated from other services, which includes third party claims administration and other risk management consulting services, is recognized as services are rendered.

Acquisition Accounting
The assets acquired and liabilities assumed are recorded based on their respective fair values at the date of acquisition. Goodwill and other intangible assets generally represent the largest components of the Company's acquisitions. The intangible assets include noncompete agreements, customer accounts, and trade name and acquired leases. Goodwill is calculated as the excess of the cost of the acquired agency over the net of the fair value of the assets acquired and the liabilities assumed. Noncompete agreements, customer accounts, trade name, and acquired leases are valued using the income approach which is predicated on developing cash flow projections.

The Company also acquires other assets and assumes other liabilities. These other assets and other liabilities typically include accounts receivable, accounts payable and other working capital items. Because of their short-term nature in the insurance intermediary industry, the fair values of these other assets and liabilities generally approximate the book values on the balance sheets of the acquired business.

Transaction Expenses
In the process of acquiring companies, the Company incurs certain incremental costs associated with consummating the transactions. These costs include, but are not limited to, the sourcing of acquisition targets, legal, banking, accounting and valuations experts; and are expensed as incurred.

Cash and Cash Equivalents
Cash and Cash equivalents principally consist of demand deposits with financial institutions and highly liquid investments with quoted market prices having original maturities of three months or less when purchased.

Trust Cash and Accounts Receivable, Net
Unremitted net insurance premiums are held in a fiduciary capacity until the Company disburses them. The Company invests these unremitted funds primarily in cash and money market accounts. In certain states in which the Company operates, the use of investment alternatives for these funds are regulated and restricted by various state laws and agencies. These restricted funds are reported as trust cash on the consolidated balance sheets. The interest income earned on these unremitted funds is reported as other expense in the consolidated statements of operations.

The Company's accounts receivable, net is comprised of premiums and commissions receivable. In its capacity as an insurance agent or broker, the Company typically collects premiums from insureds and, after deducting its authorized commissions, remits the net premiums to the appropriate insurance company or companies. Accordingly, premiums receivables are accounts receivable from the insureds. In other circumstances, the insurance companies collect premiums directly from the insureds themselves. Upon collection, the insurance companies remit to the Company its earned commissions. Accordingly, commissions receivables are accounts receivable from insurance companies.

Fixed Assets, Net

Fixed assets, net include leasehold improvements that are carried at cost, less accumulated depreciation and amortization. Expenditures for leasehold improvements are capitalized, and expenditures for maintenance and repairs are expensed to operations as incurred. Upon sale or retirement, the cost and related accumulated depreciation and amortization are removed from the accounts and the resulting gain or loss, if any, is reflected in other expense in the consolidated statement of operations. Depreciation has been determined using the straight-line method over the estimated useful lives of the related assets, which range from three to 15 years. Useful lives of the leasehold improvements are generally the shorter of the useful life of the leasehold improvement or the term of the related lease.

Goodwill and Intangible Assets

The excess of the purchase price of an acquisition over the fair value of the identifiable tangible and intangible net assets is assigned to goodwill. While goodwill is not amortizable, in accordance with Accounting Standards Codification (ASC) Topic 350, *Intangibles — Goodwill & Other*, the Company is required to test goodwill for impairment at least annually, and more frequently in the presence of certain circumstances, by applying a fair value-based test. Amortizable intangible assets are amortized over their useful lives and are subject to an impairment review based on an estimate of the undiscounted future cash flows resulting from the use of the asset.

The Company reviews all intangible assets for impairment periodically (at least annually for goodwill) and whenever events or changes in business circumstances indicate that the carrying value of the assets may not be recoverable. The Company performs such impairment reviews at the operating platform (i.e. reporting unit) level with respect to goodwill and at the business unit level for amortizable intangible assets. In reviewing the intangible assets, if the fair value were less than the carrying amount of the respective asset, an indicator of impairment would exist and further analysis would be required to determine whether or not a loss would need to be charged against current period earnings as a component of amortization expense.

For purposes of goodwill impairment testing, if the carrying value of a reporting unit exceeds its estimated fair value, the implied fair value of the reporting unit goodwill is compared to the carrying value of that goodwill to measure the amount of impairment loss, if any. In such instances, the implied fair value of the goodwill is determined in the same manner as the amount of goodwill that would be determined in a business acquisition. The Company tests goodwill for impairment by either performing a qualitative assessment or a two-step quantitative test. The qualitative assessment is an assessment of historical information and relevant events and circumstances to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. The Company may elect not to perform the qualitative assessment for some or all of its reporting units and instead perform a two-step quantitative impairment test. In performing the two-step quantitative impairment test, the Company uses a discounted cash flow valuation method (the income approach).

The Company completed its annual goodwill impairment analysis as of September 30, 2016. There were no events or changes since the period following the annual impairment review through December 31, 2016 that caused the Company to perform an interim period impairment assessment.

Amortizable intangible assets are stated at cost, less accumulated amortization. Purchased customer accounts and noncompete agreements are amortized on a straight-line basis over the related estimated lives and contract periods, which range from five to 15 years. Purchased customer accounts primarily consist of records and files that contain information about insurance policies and the related insured parties that are essential to policy renewals. Purchased trade name is amortized over five years. The favorable lease assets or unfavorable lease liabilities that arose from the business combinations are amortized over remaining term of the respective lease agreements.

Equity-Based Compensation
The Company accounts for equity-based compensation in accordance with ASC Topic 718, *Compensation — Stock Compensation*. The Company measures the grant-date fair value of the equity-based compensation awards using Black-Scholes pricing model and recognizes the compensation expense within the consolidated statements of operations.

Advertising Costs
Advertising costs are expensed as incurred. Advertising expense for the year ended December 31, 2016, period from October 23, 2015 through December 31, 2015 ("Successor 2015"), and the period from the January 1, 2015 through October 22, 2015 ("Predecessor 2015") were $2.3 million, $0.4 million and $1.3 million, respectively.

Income Taxes
The Company accounts for income taxes in accordance with ASC Topic 740, *Income Taxes* (ASC 740). Deferred tax assets and liabilities are recognized for 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 to apply to the taxable income in years in which these temporary differences are expected to impact taxable income.

The Company reduces deferred tax assets by a valuation allowance if it is more likely than not that some portion or all of such deferred tax assets will not be realized. Available evidence which is considered in determining the amount of valuation allowance required includes, but is not limited to, the Company's estimate of future taxable income and any applicable tax-planning strategies. Establishment or reversal of certain valuation allowances may have a significant impact on both current and future results.

For uncertain tax positions, ASC 740 prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement.

Foreign Currency Translation
The Company's account balances have been translated in accordance with ASC Topic 830, *Foreign Currency Matters*. The functional currency of the United Kingdom's entities are either the U.S. dollar or British pound sterling. The functional currency of the Canadian entities is the Canadian dollar. The assets and liabilities of the United Kingdom and Canadian entities have been translated at the exchange rate in effect on the last day of the year. Income and expense accounts were translated at the average exchange rate in effect during the year. Translation adjustments

arising from the use of differing exchange rates from period to period are included in the accumulated other comprehensive (loss) within the consolidated statements of equity.

New Accounting Pronouncements Adopted
In September 2015, the Financial Accounting Standards Board ("FASB") issued new accounting guidance ("ASU 2015-16"), which simplifies the accounting for measurement period adjustments. ASU 2015-16 requires an acquirer of the business to recognize adjustments to the provisional amounts that are identified during the measurement period in the reporting period in which the adjusting amounts are determined. The guidance is effective for fiscal years beginning after December 15, 2016 and interim periods within fiscal years beginning after December 15, 2017. ASU 2015-16 should be applied prospectively for adjustments to provisional amounts after the effective date, with earlier application permitted for financial statements that have not been issued. The Company has early adopted this standard for the fiscal year 2016 and the adoption did not have a material impact on the Company's financial statements.

In August 2014, the FASB issued new accounting guidance ("ASU 2014-15"), which requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern. ASU 2014-15 provides guidance for determining whether conditions or events give rise to substantial doubt that an entity has the ability to continue as a going concern within one year following issuance of the financial statements and requires specific disclosures regarding the conditions or events leading to substantial doubt. The updated guidance is effective for annual reporting periods and interim periods within those annual periods ending after December 15, 2016. The adoption of this guidance did not have a material impact on the Company's consolidated financial statements.

In September 2014, the FASB issued new accounting guidance ("ASU 2014-12"), which requires that a performance target that affects vesting and that could be achieved after the requisite service period be treated as a performance condition. A reporting entity should apply existing guidance in FASB Accounting Standard Codification Topic 718, Stock Compensation, as it relates to awards with performance conditions that affect vesting to account for such awards. ASU 2014-12 is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015; early adoption is permitted. Entities may apply ASU 2014-12 either (1) prospectively to all awards granted or modified after the effective date or (2) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. The Company adopted ASU 2014-12 prospectively in 2016 and the adoption did not have a material impact on the Company's financial statements.

3. Merger

On July 19, 2015, AssuredPartners, LLC and GTCR agreed to sell their equity interests in the insurance operations of AssuredPartners, Inc. to Apax Partners for the negotiated equity value of $930 million. Pursuant to the Merger Agreement, the Merger Sub merged with and into the Company, with the Company surviving as an indirect, wholly owned subsidiary of Parent, on October 22, 2015.

The Parent's partnership interests are comprised of Class A-1 Units, Class A-2 Units and Class B Profits Interests Units. Dolphin Investment, L.P., a Delaware limited partnership ("Dolphin Investment"), owns substantially all of the Parent's Class A-1 Units, which are the only class that hold voting rights. Apax and certain co-investors own all the equity interests in the Dolphin Investment.

The Merger was funded through a combination of the issuance of new equity units in the amount of $568.8 million; from Apax and certain co-investors, $148.7 million of Rollover equity contribution from the existing members of executive and operational leadership; and a new credit agreement that provides for senior secured credit facilities consisting of $762 million new initial first lien term facility, $337 million new initial second lien term facility and $127.5 million revolving credit facility of which only $24 million was drawn for the acquisition (Note 8). The proceeds were utilized to repay all outstanding balances under the Company's previously existing credit facilities (which were contemporaneously cancelled), pay certain earn-out payables and acquisition notes payable that were required to be paid upon a change-in-control event, and fund the $930 million in negotiated equity value which includes $75.9 million of unpaid yield of the Class A preferred units of Assured.

The Merger has been accounted for using the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations*, which requires, among other things, that the assets acquired and liabilities assumed be recognized at their acquisition date fair values, with any excess of the consideration transferred over the estimated fair values of the identifiable net assets acquired recorded as goodwill. The purchase price allocation and the estimated useful lives of the significant intangible assets of the Merger are based on the results of management's assessment and an independent valuation.

The following is a summary of the fair values of the net assets acquired:

(in thousands)

Purchase price consideration to be allocated	$ 1,763,243
Allocation to assets acquired and liabilities assumed	
Cash and cash equivalents	7,213
Restricted cash	3,269
Trust cash	41,214
Accounts receivable	103,273
Other current assets	9,862
Fixed assets, net	9,601
Noncurrent assets	660
Amortizable intangible assets, net	657,953
Accounts payable	(134,493)
Customer advances	(12,795)
Producer payables	(12,776)
Accrued expenses and other	(20,201)
Unfavorable lease liability	(796)
Other liabilities	(16,424)
Net assets acquired	635,560
Goodwill	$ 1,127,683

Goodwill recorded in connection with the Merger transaction represents intangible assets that do not qualify for separate recognition, such as assembled workforce and geographic presence. The Company does not expect the incremental goodwill recorded in connection with the Merger to be deductible for tax purposes.

The $658.0 million of intangible assets acquired in connection with the Merger were assigned to the following:

	Fair Value	Weighted Average Life *(in years)*
Purchased customer accounts	$ 653,330	15.0
Noncompete agreements	2,520	3.2
Favorable lease assets	2,103	6.7
	$ 657,953	

The Company incurred transaction expenses in connection with the Merger of $29.8 million, which is mainly comprised of legal, investment and commercial banking fees. $29.4 million of the transaction expenses were recorded in Predecessor 2015 and $0.4 million of which were recorded in Successor 2015. As a result of the Merger, $0.2 million of currency translation adjustment in the accumulated other comprehensive income related to the Predecessor were reclassified to the other expense within the consolidated statements of operations.

4. Business Combinations

During the fiscal years ended 2016 and 2015, the Company acquired substantially all the net assets of the following companies in exchange primarily for cash. These acquisitions have been accounted for using the acquisition method for recording business combinations. Under the acquisition method of accounting, the effective date of the acquisitions is the date at which change of control of the acquired assets takes place, which is the date the transaction closes and consideration is transferred. The results of the following acquired companies are included in the Company's results from the time of acquisition during the fiscal year 2016, Successor 2015, and Predecessor 2015, respectively. Certain amounts recorded reflect management's best estimate at the consolidated balance sheet date and may change during the measurement period (not to exceed one year from date of acquisition). Such changes relate to final adjustments of working capital balances included in the purchase prices and are not expected to be material. During 2016, adjustments made within the permitted measurement period resulted in an immaterial increase in the aggregate purchase price.

Successor 2016 Acquisitions

(in thousands)	Date of Acquisition	Cash Paid	Notes / Other Payable	Purchase Price Holdback	Recorded Earn-Out Payable	Total Recorded Purchase Price	Maximum Potential Earn-Out Payable
Acquisition							
Archer A. Associates, Inc.	January 4, 2016	$ 9,017	$ -	$ -	$ 690	$ 9,707	$ 3,168
Suydam Insurance Agency, LLC	January 13, 2016	2,233	-	-	191	2,424	992
Van Zandt, Emrich & Cary, Inc.	January 15, 2016	13,331	-	700	-	14,031	-
Encompass Risk Solutions, Inc.	January 20, 2016	13,206	-	-	1,151	14,357	6,603
MRW Group, Inc.	February 8, 2016	8,569	-	-	1,022	9,591	3,096
Michael J. Hall & Company	February 12, 2016	12,897	-	-	1,236	14,133	7,272
Charles Lee Fitch, Limited	February 17, 2016	1,139	-	-	255	1,394	569
Bridgepoint Insurance Group, Inc.	February 17, 2016	1,314	-	-	64	1,378	508
Employee Benefit Services, Inc.	February 22, 2016	2,090	-	-	328	2,418	795
Clark Associates Inc.	February 22, 2016	2,167	-	50	395	2,612	920
E.L.M. Insurance Brokers Inc.	February 22, 2016	5,160	-	-	-	5,160	-
Velin	March 1, 2016	964	-	-	-	964	-
AssureSouth, Inc.	March 11, 2016	4,198	-	-	705	4,903	1,705
The Bynum Company, Inc.	April 1, 2016	8,915	-	-	800	9,715	3,443
Riverbend	April 5, 2016	1,206	-	-	193	1,399	540
Daly-Merritt Direct, Inc.	April 7, 2016	42,808	-	-	2,408	45,216	12,605
Maxim Insurance Services	May 2, 2016	9,023	-	-	849	9,872	3,376
Armada Administrators	July 1, 2016	1,330	-	-	72	1,402	477
Ferrario Insurance Agency	July 1, 2016	809	-	-	134	943	333
Gerrity, Baker, Williams	July 1, 2016	1,993	25	-	-	2,018	-
LJ Stein & Co	July 1, 2016	6,042	-	-	930	6,972	4,585
Legacy Texas Insurance	July 1, 2016	4,300	500	-	-	4,800	-
Centennial Surety Associates	July 1, 2016	6,031	-	-	599	6,630	2,012
Florida Insurance Specialists	July 7, 2016	28,474	3,350	-	2,017	33,841	8,175
National Healthcare Access, Inc.	July 12, 2016	8,191	-	-	921	9,112	2,928
Sowell Insurance	August 16, 2016	526	-	-	240	766	568
Benefit Specialists	September 1, 2016	2,487	-	-	-	2,487	-
Southern Risk	September 8, 2016	2,657	-	-	282	2,939	1,111
Kentucky Insurance Group	September 16, 2016	6,335	-	289	324	6,948	1,833
Insurance Resource Consultants	October 14, 2016	1,664	-	-	180	1,844	633
Don Ray	October 27, 2016	3,000	-	-	-	3,000	-
Chisholm Richards	November 2, 2016	1,814	-	-	263	2,077	846
Tucker, Johnson, & Smeltzer	November 7, 2016	20,268	-	250	1,509	22,027	6,875
8 Others		2,848	306	-	359	3,513	989
		$ 237,006	$ 4,181	$ 1,289	$ 18,117	$ 260,593	$ 76,957

Successor 2015 Acquisitions *(in thousands)*	**Date of Acquisition**	**Cash Paid**	**Notes / Other Payable**	**Purchase Price Holdback**	**Recorded Earn-Out Payable**	**Total Recorded Purchase Price**	**Maximum Potential Earn-Out Payable**
Acquisition							
Redmond	November 20, 2015	$ 9,950	$ -	$ 360	$ 1,114	$ 11,424	$ 2,545
Kleeber	December 8, 2015	1,834	-	-	-	1,834	-
Roehrs	December 22, 2015	2,697	-	-	725	3,422	1,484
Church	December 31, 2015	3,295	-	-	463	3,758	1,312
Glenn Davis	December 31, 2015	8,622	-	-	1,353	9,975	2,860
McKibbin	December 31, 2015	486	-	-	56	542	162
		$ 26,884	$ -	$ 360	$ 3,711	$ 30,955	$ 8,363

Predecessor 2015 Acquisitions *(in thousands)*	**Date of Acquisition**	**Cash Paid**	**Notes / Other Payable**	**Purchase Price Holdback**	**Recorded Earn-Out Payable**	**Total Recorded Purchase Price**	**Maximum Potential Earn-Out Payable**
Acquisition							
Omni Risk	January 7, 2015	$ 14,624	$ -	$ -	$ 2,016	$ 16,640	$ 3,861
MCM	February 4, 2015	38,058	-	500	2,297	40,855	19,000
Walsh Benefits	March 26, 2015	15,149	-	-	810	15,959	4,697
Greater South	April 1, 2015	14,183	-	-	1,456	15,639	4,983
CIA Group	April 14, 2015	12,663	-	-	1,117	13,780	4,590
TA Cummings	April 22, 2015	11,103	-	-	1,200	12,303	4,111
Workforcetactix	June 4, 2015	11,405	-	-	1,495	12,900	3,929
Stoudt Advisors	June 9, 2015	11,906	-	-	1,163	13,069	4,459
Founders	July 1, 2015	8,334	-	-	642	8,976	1,873
Waltz Sheridan Crawford	July 15, 2015	7,608	-	-	1,250	8,858	2,621
IBG	August 5, 2015	10,632	-	-	1,541	12,173	4,319
Sisk	August 28, 2015	13,324	-	-	1,042	14,366	6,000
Alliance	October 9, 2015	18,549	-	650	843	20,042	4,000
Insurance Marketing Center	October 15, 2015	8,055	-	-	917	8,972	2,129
21 Others		62,819	243	400	9,203	72,665	26,504
		$ 258,412	$ 243	$ 1,550	$ 26,992	$ 287,197	$ 97,076

The maximum potential earn-out payables disclosed in the foregoing table represent the maximum amount of additional consideration that could be paid pursuant to the terms of the purchase agreement for the applicable acquisition. The amounts recorded as earn-out payables, which are primarily based upon the estimated future operating results of the acquired entities over a one- to three-year period subsequent to the acquisition date, are measured at fair value as of the acquisition date and are included on that basis in the recorded purchase price consideration in the foregoing table.

The fair value of these earn-out payables is based on the present value of the expected future payments to be made to the sellers of the acquired entities in accordance with the provisions outlined in the respective purchase agreements. In determining fair value, the Company estimated the acquired entity's future performance using financial projections developed by management for the acquired entity and market participant assumptions that were derived for revenue growth and/or profitability. The Company estimated future payments using the earn-out formula and performance targets specified in each purchase agreement and these financial projections. The Company then utilized an option-pricing approach to incorporate the risks associated with financial projections, counterparty credit risk, as well as the nature of the earn-out payout structure. Subsequent changes in these estimated earn-out payables, including the accretion of discount and changes in fair value, are recorded in the consolidated statements of operations when incurred.

The following provides a reconciliation of the acquisition earn-out payables during the fiscal year 2016, Successor 2015, and Predecessor 2015 are as follows:

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The following is a summary of the estimated fair values of the net assets acquired at the date of each acquisition made during the fiscal year 2016 and fiscal year 2015:

Successor 2016 Acquisitions (in thousands)	Archer	Suydam	Van Zandt	Encompass	MRW Group	Hall & Company	Charles Lee Fitch
Cash	$ 59	$ 1	$ 1,062	$ 5	$ -	$ 474	$ -
Trust cash	177	-	-	96	872	2,688	-
Other current assets	372	91	713	230	232	826	72
Fixed assets	50	25	200	15	60	125	10
Goodwill	6,003	1,464	8,481	8,756	5,710	8,681	803
Noncompete agreements	-	-	-	-	-	-	-
Purchased customer accounts	3,522	859	4,975	5,256	3,349	4,726	528
Other noncurrent assets	-	-	-	-	-	-	-
Total assets acquired	10,183	2,440	15,431	14,358	10,223	17,520	1,413
Current liabilities	476	16	1,400	1	632	3,387	19
Non-current liabilities	-	-	-	-	-	-	-
Total liabilities assumed	476	16	1,400	1	632	3,387	19
Total net assets acquired	$ 9,707	$ 2,424	$ 14,031	$ 14,357	$ 9,591	$ 14,133	$ 1,394

(in thousands)	Bridgepoint	Employee Benefit Services	Clark Associates	E.L.M. Insurance	Velin	AssureSouth	Bynum
Cash	$ 5	$ -	$ -	$ -	$ -	$ 100	$ 305
Trust cash	(6)	-	-	-	-	-	-
Other current assets	139	120	365	(16)	(7)	151	212
Fixed assets	5	5	10	-	-	25	25
Goodwill	839	1,446	1,695	3,306	616	2,966	5,896
Noncompete agreements	-	-	-	-	-	-	-
Purchased customer accounts	492	848	994	1,870	355	1,740	3,459
Other noncurrent assets	-	-	-	-	-	-	-
Total assets acquired	1,474	2,419	3,064	5,160	964	4,982	9,897
Current liabilities	96	1	452	-	-	79	182
Non-current liabilities	-	-	-	-	-	-	-
Total liabilities assumed	96	1	452	-	-	79	182
Total net assets acquired	$ 1,378	$ 2,418	$ 2,612	$ 5,160	$ 964	$ 4,903	$ 9,715

(in thousands)	Riverbend	Daly-Merritt	Maxim	Armada Administrators	Ferrario Insruance	Gerrity, Baker, Williams	LJ Stein
Cash	$ -	$ 490	$ 52	$ -	$ -	$ -	$ 87
Trust cash	-	-	-	781	-	-	295
Other current assets	8	1,127	113	3,223	27	70	147
Fixed assets	5	50	50	-	1	1	15
Goodwill	875	25,629	6,221	853	570	1,210	4,403
Noncompete agreements	-	80	-	-	-	-	-
Purchased customer accounts	514	20,490	3,707	555	345	737	2,458
Other noncurrent assets	-	-	-	-	-	-	-
Total assets acquired	1,402	47,866	10,143	5,412	943	2,018	7,405
Current liabilities	3	985	271	4,010	-	-	433
Non-current liabilities	-	1,665	-	-	-	-	-
Total liabilities assumed	3	2,650	271	4,010	-	-	433
Total net assets acquired	$ 1,399	$ 45,216	$ 9,872	$ 1,402	$ 943	$ 2,018	$ 6,972

(in thousands)	Legacy Texas Insurance	Centennial Surety	FIS	National Healthcare Access	Sowell Insurance	Benefit Specialists	Southern Risk
Cash	$ 562	$ -	$ 265	$ 29	$ -	$ 26	$ 34
Trust cash	-	-	-	-	-	-	78
Other current assets	163	(15)	924	330	31	82	49
Fixed assets	10	26	267	30	5	4	10
Goodwill	2,901	4,379	19,627	5,304	459	1,445	1,769
Noncompete agreements	-	-	-	-	-	-	-
Purchased customer accounts	1,767	2,240	13,130	3,492	279	957	1,078
Other noncurrent assets	-	-	120	-	-	-	-
Total assets acquired	5,403	6,630	34,333	9,185	774	2,514	3,018
Current liabilities	603	-	492	73	8	27	79
Non-current liabilities	-	-	-	-	-	-	-
Total liabilities assumed	603	-	492	73	8	27	79
Total net assets acquired	$ 4,800	$ 6,630	$ 33,841	$ 9,112	$ 766	$ 2,487	$ 2,939

(in thousands)	Kentucky Insurance	Insurance Resource	Don Ray	Chisholm Richards	Tucker Johnson Smeltzer	Eight Others	Total
Cash	$ 815	$ 12	$ -	$ 27	$ 1	$ 1	$ 4,412
Trust cash	-	172	-	-	2,094	1	7,248
Other current assets	170	41	86	155	228	60	10,519
Fixed assets	5	97	-	-	50	10	1,191
Goodwill	4,576	1,033	1,832	1,249	13,460	2,119	156,576
Noncompete agreements	-	-	-	-	-	-	80
Purchased customer accounts	2,788	629	1,116	827	8,201	1,328	99,611
Other noncurrent assets	-	-	-	-	-	-	120
Total assets acquired	8,354	1,984	3,034	2,258	24,034	3,519	279,757
Current liabilities	1,406	140	34	181	2,007	6	17,499
Non-current liabilities	-	-	-	-	-	-	1,665
Total liabilities assumed	1,406	140	34	181	2,007	6	19,164
Total net assets acquired	$ 6,948	$ 1,844	$ 3,000	$ 2,077	$ 22,027	$ 3,513	$ 260,593

Of the total goodwill of $156.6 million, $132.6 million is currently deductible for income tax purposes and amortized over 15 years, and $6.7 million is nondeductible for tax purposes. The remaining $17.3 million relates to the recorded acquisition earn-out payables and will not be deductible until it is earned and paid. In addition to the purchase price, the Company incurred $2.9 million in acquisition related costs during 2016, which were expensed as incurred and recorded in transaction expenses in the consolidated statements of operations. The principal factor that resulted in recognition of goodwill is a combination of the value the Company expects to receive as it provides additional markets and capabilities to the acquired companies, as well as the value we assign to the assembled workforce which may not be recognized as an intangible asset.

Successor 2015 Acquisitions *(in thousands)*	Redmond	Kleeber	Roehrs	Church	Glenn Davis	McKibbin	Total
Cash	$ 640	$ -	$ 21	$ 32	$ 254	$ -	$ 947
Trust cash	-	-	779	-	-	-	779
Other current assets	428	95	132	88	232	13	988
Fixed assets	10	25	32	25	50	5	147
Goodwill	7,207	1,087	2,348	2,423	6,086	330	19,481
Noncompete agreements	-	-	-	-	-	-	-
Purchased customer accounts	4,244	639	1,381	1,370	3,586	194	11,414
Other noncurrent assets	-	-	-	-	-	-	-
Total assets acquired	12,529	1,846	4,693	3,938	10,208	542	33,756
Current liabilities	1,105	13	1,270	180	232	-	2,800
Non-current liabilities	-	-	-	-	-	-	-
Total liabilities assumed	1,105	13	1,270	180	232	-	2,800
Total net assets acquired	$ 11,424	$ 1,833	$ 3,423	$ 3,758	$ 9,976	$ 542	$ 30,956

Predecessor 2015 Acquisitions *(in thousands)*	Omni Risk	MCM	Walsh Benefits	Greater South	CIA Group	TA Cummings	Workforcetactix	Stoudt Advisors
Cash	$ -	$ -	$ 172	$ -	$ -	$ -	$ -	$ -
Trust cash	-	2,649	-	-	-	-	-	-
Other current assets	172	5,237	1,057	60	999	1,071	369	275
Fixed assets	50	250	13	75	100	160	50	450
Goodwill	10,292	22,665	9,378	9,475	8,203	8,102	7,708	7,582
Noncompete agreements	238	410	-	-	-	-	-	-
Purchased customer accounts	5,907	16,000	6,073	6,032	4,834	4,767	4,858	4,785
Other noncurrent assets	-	-	-	-	-	-	-	-
Total assets acquired	16,659	47,211	16,693	15,642	14,136	14,100	12,985	13,092
Current liabilities	19	6,355	734	3	356	1,797	85	22
Non-current liabilities	-	-	-	-	-	-	-	-
Total liabilities assumed	19	6,355	734	3	356	1,797	85	22
Total net assets acquired	$ 16,640	$ 40,856	$ 15,959	$ 15,639	$ 13,780	$ 12,303	$ 12,900	$ 13,070

(in thousands)	Founders	Waltz Sheridan Crawford	IBG	Sisk	Alliance	Insurance Marketing Center	21 Others	Total
Cash	$ -	$ 728	$ -	$ 494	$ 1,444	$ -	$ 449	$ 3,287
Trust cash	-	7	-	748	4,229	-	1,966	9,599
Other current assets	219	238	266	1,109	2,949	345	1,934	16,298
Fixed assets	27	86	50	95	100	200	245	1,951
Goodwill	5,509	5,103	7,801	8,354	11,126	5,234	44,056	170,589
Noncompete agreements	-	84	-	-	-	-	-	732
Purchased customer accounts	3,243	3,005	4,597	5,190	6,891	3,231	25,888	105,301
Other Noncurrent assets	-	-	-	-	-	-	287	287
Total assets acquired	8,999	9,249	12,714	15,990	26,740	9,010	74,825	308,044
Current liabilities	24	379	540	1,625	6,698	37	2,156	20,828
Non-current liabilities	-	12	-	-	-	-	-	12
Total liabilities assumed	24	391	540	1,625	6,698	37	2,156	20,840
Total net assets acquired	$ 8,975	$ 8,858	$ 12,174	$ 14,365	$ 20,042	$ 8,973	$ 72,669	$ 287,204

Of the total goodwill of $190.1 million, $144.8 million is currently deductible for income tax purposes and amortized over 15 years, and $17.0 million is nondeductible for tax purposes. The remaining $28.3 million relates to the recorded acquisition earn-out payables and will not be deductible until it is earned and paid. In addition to the purchase price, the Company incurred $0.3 million and $1.1 million in acquisition related costs for Successor 2015 and Predecessor 2015 which were expensed as incurred and recorded in transaction expenses in the consolidated statements of operations. The principal factor that resulted in recognition of goodwill is a combination of the value the Company expects to receive as it provides additional markets and capabilities to the acquired companies, as well as the value we assign to the assembled workforce which may not be recognized as an intangible asset.

5. Related Party Transactions

Successor

The Company entered into an agreement to reimburse certain out-of-pocket expenses incurred by Apax and its affiliates while providing professional oversight and advisory services. There are no fees or other forms of compensation payable for these services other than the out-of-pocket expenses that are incurred. During the year ended December 31, 2016, these expenses amounted to $0.1 million. The Company has not entered into any other arrangements with any of its affiliates as of December 31, 2016.

Other
The Company also occupies and leases certain office space owned by employees of the Company. Rent expense incurred in the fiscal year 2016, Successor 2015, and Predecessor 2015 under these leases totaled $4.8 million, $0.7 million, and $3.2 million, respectively.

Predecessor

Assured was required to pay a quarterly management fee to its primary equity sponsor, GTCR, in an amount equal to 0.625% of the Assured's trailing twelve month pro forma earnings before interest, taxes, depreciation and amortization (EBITDA) as defined in the security holder's agreement. The quarterly management fees are subject to an annual maximum payment of $1 million. During Predecessor 2015, Assured incurred management fees to GTCR of $0.5 million.

Assured also reimburses GTCR out-of-pocket expenses incurred while providing the above professional services. During the Predecessor 2015, these expenses were less than $0.1 million.

6. Equity

Successor

Upon the consummation of the Merger, the Parent made an equity contribution of $714.5 million which are comprised of $148.7 million of Rollover equity interests from the existing members of executive and operational leadership and $565.8 million of contribution from Apax and its affiliates. All equity units are held by the Parent.

Equity Offering to Employees
On February 18, 2016, the Parent agreed to sell Class A-2 Units to certain participating employees of the Company and its subsidiaries. As a result of the offering, the Parent issued 112.4 million of

Class A-2 units at $0.10 per unit and raised gross proceeds of $11.2 million. During the fiscal year 2016, the Parent made an equity contribution of $10.0 million to the Company.

Predecessor

Prior to the Merger, Assured had four classes of equity units: Class A preferred units, Class B common units, Class C common units, and Class D common units. Class D common units were subject to the terms of the certificate documenting the award, including time- and performance-based vesting, as they were granted to certain key employees in a form of management performance incentives and profits interests. Certain employees of the Company and its Board members held these equity units of Assured.

Upon the consummation of the Merger, Assured's equity unit holders were offered to opt-in for distribution either in a form of the Company's equity units or liquidation through a cash distribution. Concurrently, change-in-control provisions vested certain otherwise unvested Class D equity awards. Contractually, Class D equity awards not subject to change-in-control provisions were subject to cancellation and forfeiture. The Company amended these awards to allow the holders of unvested Class D equity awards the ability to receive equity in the Successor Company in the proportion to the amount of vested equity the holders decided to Rollover. All other existing shares of Assured's equity units that were not liquidated or rolled-over to the Successor Company's equity units were cancelled and forfeited.

Sale of Class A/D Strips

Prior to the Merger, Assured sold, at various dates, a strip of equity securities consisting of Class A preferred units and Class D common units (the "A/D strips") to specific employees. The A/D strip is comprised of 1 Class A preferred unit and 42.5 Class D common units at fair value. The Class D common units were issued at the determined fair value of Assured's common units. Proceeds and units are summarized below:

		Units Issued	
(in thousands, except unit data)	**Cash Received**	**Preferred A**	**Common D**
Date of Issuance			
February 12, 2015	$ 2,300	2,300	97,750
March 20, 2015	5,200	5,200	221,000
April 1, 2015	150	150	6,375
July 9, 2015	3,050	3,050	129,625

7. Equity-based Compensation Plan

Total equity-based compensation expense recognized in the consolidated statements of operations were as follows:

(in thousands)	Successor: Year Ended December 31, 2016	Successor: Period From October 23, 2015 to December 31, 2015	Predecessor: Period From January 1, 2015 to October 22, 2015[1]
Compensation expense	$ 3,532	$ 643	$ 962

[1] In connection with the Merger, a portion of Predecessor's unvested Class D profits interest units were immediately vested as described in Note 6 above. Accordingly, the Company recognized compensation expense of $0.7 million in the Predecessor 2015.

Successor

Upon the consummation of the Merger, the Parent adopted the Dolphin Holdco, L.P. Equity Incentive Plan (the "Plan"). The Plan is intended to align the interests of the Partnership and its executives and senior leadership by providing certain key employees who have a substantial responsibility for the management and growth of the organization with additional incentives by allowing such persons to participate in the equity value created.

Class B Profits Interests Award Units
On October 22, 2015, the Board of Directors of the Parent (the "Board") approved and granted 1,080,796,844 units of Class B Profits Interests Award Units (the "Award Units") with a distribution threshold amount of $0.10, effective October 23, 2015. These Award Units were granted to key Company employees and include certain time-based and performance-based vesting conditions. One-third of Award Units granted are time-based, which will vest ratably over five years from the date of grant subject to the employees' continued employment with the Company and its subsidiaries. The remainder of the Award Units granted are performance-based and will vest on the date, if any, that Dolphin Investment meets certain return thresholds on their investment in the Parent.

As part of 2016 issuances, on September 20, 2016, the Board approved and granted 285,060,624 Award Units with a distribution threshold amount of $0.115. These Award Units were granted to key Company employees and include time- and performance-based vesting conditions identical to the Award Units issued on October 22, 2015.

The fair value of Award Units was determined on the date of grant using the Black-Scholes pricing model that uses various assumptions noted in the following table. Expected volatility was based on historical volatility of a comparable group of entities within the similar industry that are public entities along with other factors. The expected term of the units granted represents the period of time that these profits interest units were expected to be outstanding at the time of grant. The Company's expected term of the units is based on historical experience, giving consideration to the contractual terms of the equity-based awards, vesting schedules, and expectations of future employee behavior. The risk-free rate was based on U.S. Treasury yields for the expected term of the Award Units.

The fair value of each Award Unit grant is estimated on the date of grant using the Black-Scholes pricing model using the following weighted-average assumptions:

	Successor	
	2016	**2015**
Risk-free interest rate	1.01 %	1.43 %
Expected volatility	35.0 %	35.0 %
Expected life (in years)	4.0	5.0
Weighted average grant-date fair value	$ 0.02	$ 0.02

The following table summarizes activity of the Award Units during the fiscal year 2016 and the Successor 2015:

	Units	**Weighted-Average Remaining Contractual Terms** *(in years)*
Outstanding at October 23, 2015		
Granted	1,080,796,844	
Exercised	-	
Forfeited or expired	(13,490,122)	
Outstanding at December 31, 2015	1,067,306,722	4.81
Granted	292,995,990	
Exercised	-	
Forfeited or expired	(37,519,785)	
Outstanding at December 31, 2016	1,322,782,927	4.01
Vested or expected to vest at December 31, 2016	89,748,085	4.01
Vested or expected to vest at December 31, 2015	13,450,989	4.81
Exercisable at December 31, 2016	-	-
Exercisable at December 31, 2015	-	-

Class A-2 Units – Nonvested

In connection with the Merger, the Parent entered into Management Unit Subscription Agreements (the "Subscription Agreement") with the Rollover unit holders. As described in Note 6, the unvested Class A-2 Units are limited partnership interests of the Successor that are comprised of rollover investments from the Predecessor's Class D unit holders who elected to rollover their eligible fully-vested units. These unvested Class A-2 units are granted effective October 22, 2015 with the fair value of $0.10 per unit and are subject to time-vesting which will vest 20% each year for five anniversaries of the grant date pursuant to the Subscription Agreement.

The following table summarizes activity of the Nonvested Class A-2 units during 2016 and Successor 2015:

	Units	Weighted-Average Grant Date Fair Value
Nonvested at October 22, 2015		
Granted	55,244,078	$ 0.10
Vested	(2,118,951)	0.10
Forfeited or expired	-	-
Nonvested at December 31, 2015	53,125,127	0.10
Granted	-	-
Vested	(11,079,086)	0.10
Forfeited or expired	-	-
Nonvested at December 31, 2016	42,046,041	$ -

Predecessor

Class D Profits Interest Award Units

On January 21, 2015, the Predecessor's Board adopted the AssuredPartners, LLC 2015 Equity Incentive Plan (the "Assured Plan"). The Assured Plan is intended to advance the best interests of Assured and its subsidiaries by providing those employees ("Participants") who have a substantial responsibility for their management and growth with additional incentives by allowing such persons to receive an equity interest in Assured thereby encouraging them to contribute to the success of the business and, in the case of employees, to remain employed. Initially, all award units were unvested and shall only become vested as provided in the Participant's unit award agreement with certain accelerated vesting provision included.

On February 15, 2015, Assured granted 1,697,500 Series 5 Class D units ("Class D Award Units") with a participation threshold of $2.56 each to certain key employees under the Assured Plan. Vesting is based on the type of incentive award granted. Leadership based Class D Award Units vest 50% on January 1, 2017, an additional 25% on January 1, 2018, and the remaining 25% vest on January 1, 2019. Production based Class D Award Units vest 50% on January 1, 2017, and the remaining 50% vests on January 1, 2019, only if certain performance criteria are met. As described in Note 6, these Class D Award Units became immediately vested upon change-in-control provision upon the Merger.

The fair value of Class D Award Units were determined on the date of grant using the Black-Scholes pricing model that uses various assumptions noted in the following table. Expected volatility was based on historical volatility of a comparable group of entities within the industry along with other factors. The expected term of the units granted represented the period of time that these Class D Award Units were expected to be outstanding at the time of grant. The expected term of the units are based on the historical experience, giving consideration to the contractual terms of the equity-based awards, vesting schedules, and expectations of future employee behavior. The risk-free rate was based on U.S. Treasury yields for the expected term of the Class D Award Units.

The fair value of each Class D Award Unit grant is estimated on the date of grant using the Black-Scholes pricing model using the following weighted-average assumptions:

		Predecessor 2015
Risk-free interest rate		0.60 % - 1.03 %
Expected volatility		35.7 %
Expected life (in years)		3.0
Weighted average grant-date fair value	$	0.65

The following table summarizes activity of the profits interest units during Predecessor 2015:

	Units	Weighted-Average Remaining Contractual Terms *(in years)*
Outstanding at January 1, 2015	279,148	1.31
Granted	2,087,500	3.21
Exercised	-	-
Forfeited or expired	(30,000)	3.20
Outstanding at October 22, 2015	2,336,648	2.99
Vested or expected to vest at October 22, 2015	1,268,523	2.81
Exercisable at October 22, 2015	-	-

Class D Common Units
As described in Note 6, in connection with the sale of A/D strips, Assured records the issuance of the security at fair value. The difference, if any, between the fair value of the securities being issued and the proceeds received by Assured, are recorded as compensation expense.

The fair value of Class D Common Units was determined on the date of grant using the Black-Scholes pricing model that uses various assumptions noted in the following table. Expected volatility was based on historical volatility of a comparable group of entities within the industry along with other factors. The expected term of the units represented the period of time that these Class D Common Units were expected to be outstanding at the time of sale. The expected term of the units is based on the historical experience, giving consideration to the contractual terms of the equity-based awards, vesting schedules, and expectations of future employee behavior. The risk-free rate was based on U.S. Treasury yields for the expected term of the Class D Common Units.

The fair value of each Class D Common Unit is estimated on the date of the transaction using the Black-Scholes pricing model using the following weighted-average assumptions:

	Predecessor 2015
Risk-free interest rate	0.43 % - 1.03 %
Expected volatility	33.4 %
Expected life (in years)	2.5
Weighted average grant-date fair value	$ 0.60

In connection with the sale of the A/D strips, the Company recorded compensation expense of $0.3 million during the Predecessor 2015.

8. Indebtedness

The following table set forth the components of Company's indebtedness at December 31, 2016 and 2015:

(in thousands)	Successor 2016	Successor 2015
First lien credit facility, net	$ 894,569	$ 733,611
Second lien credit facility, net	370,177	318,318
Revolving line of credit	31,000	34,045
Notes payable	3,850	333
Obligations under capital lease	98	189
Total debt	1,299,694	1,086,496
Less: Current portion	(2,398)	(1,321)
Long-term debt	$ 1,297,296	$ 1,085,175

Successor

New Credit Facility
Upon Merger, the Company entered into a new credit agreement (the "New Credit Facility") consisting of (i) $762 million new initial first lien term loans ("First Lien Term Loans"), (ii) $337 million new initial second lien term loans ("Second Lien Term Loans") and (iii) up to $127.5 million revolving loan credit facility ("Revolver Loans"). The proceeds from the First Lien Term Loans and the Second Lien Term Loans were utilized to fund the Merger, repay the prior credit facility and to pay transaction fees, costs, and expenses. The New Credit Facility is fully and unconditionally guaranteed on a joint-and-several basis by each of the select subsidiaries (collectively, the "Guarantors") of the Company and is secured by substantially all the assets of the borrower and the Guarantors.

Repayments and prepayments of the First Lien Term Loans may not be re-borrowed. Amounts borrowed on the Revolver Loans may be borrowed, repaid and re-borrowed prior to the maturity date. The First Lien Term Loans mature on the seventh anniversary of the Merger closing, which is October 22, 2022; the Revolver Loans mature on the fifth anniversary of the Merger date, October 22, 2020. The Second Lien Term Loans mature on the eighth anniversary of the Merger date, October 22, 2023. Repayments and prepayments of the Second Lien Term Loans may not be re-borrowed. The First Lien Term Loans will amortize in equal quarterly installments commencing on March 31, 2016 at 0.25% of the original principal amount. The Second Lien Term Loans do not amortize and are payable upon the maturity date.

Neither the First Lien Term Loans nor the Second Lien Term Loans are subject to any maintenance financial covenants. The Revolver Loans are subject to a springing leverage covenant that requires the Company to maintain a ratio of net first lien indebtedness (first lien debt outstanding less operating cash) to EBITDA of no greater than 7.0:1 at the end of each fiscal quarter beginning March 31, 2016 through September 30, 2017; 6.50:1 for December 31, 2017 through September 30, 2018; and 6.25:1 starting December 31, 2018 and thereafter, in the event the aggregate principal amount of outstanding Revolver Loans and letters of credit exceed 30% of the revolving commitments as of the end of each fiscal quarter for the aforementioned period. In addition, the New Credit Facility contains a number of affirmative covenants (e.g., the Company is required to make certain prepayments out of cash flow) and negative covenants (e.g., the Company is limited from incurring additional indebtedness, making payments to the Company's shareholders and selling certain of its assets, except, in each case, as otherwise permitted).

The First Lien Term Loans contained a six-month soft call provision, in which the Company would be able to call, or repay, the First Lien Term Loans within six months of origination in exchange for paying a 1% premium to the lenders, if the prepayment were a result of being able to secure lower priced financing. The Second Lien Term Loans contain a one-year and two-year hard call provisions in which the Company would be obligated to pay a 2% and 1% premium, respectively, if we were to prepay the New Credit Facility within one- or two-year period after the close, along with any accrued interests through the date such call provision gets activated.

The First Lien and Second Lien Term Loans were issued at discounts of 150 basis points and 350 basis points, respectively, totaling $23.2 million. The Company also incurred arrangement, up-front and professional fees of $25.1 million which have been directly deducted from the carrying value.

Incremental First Lien Term Loan
On April 11, 2016, the Company entered into an incremental agreement in order to fund the Company's business operations, primarily its acquisition program. As part of the arrangement, the Company borrowed $110.0 million of additional First Lien Term Loans (the "Incremental First Lien Term Loans") and increased the availability under the Revolver Loans by an additional $50.0 million. The Incremental First Lien Term Loans were issued at a discount of 150 basis points, totaling $1.7 million. The Company also incurred loan closing fees of $1.7 million which have been directly deducted from the carrying value. The scheduled amortization payment, maturity date, soft call provision, and the applicable interest rate are identical to those arrangements in the First Lien Term Loans.

November Refinancing
On November 15, 2016, the Company amended the New Credit Facility to raise additional capital in the form of incremental First and Second Lien Term Loans (collectively, the "Amendments"). Through these Amendments, the Company borrowed an additional $60 million from the First Lien Term Loans and $50 million from the Second Lien Term Loans. These incremental borrowings were used to repay borrowings under the Revolver Loans and to provide capital to fund the Company's acquisition program. In addition, key terms of the New Credit Facility were amended, which included reducing the rate on the First Lien Term Loans from 3.75% to 3.25%; and extending the six-month prepayment ("Soft Call") period, which is reset to begin from November 15, 2016. The Company also secured $25,999,219 of incremental First Lien Term Loans whose proceeds are

segregated and restricted solely for the purpose of funding the Company's acquisition program. Any amounts not utilized by January 15, 2017 are required to be utilized to repay the outstanding First Lien Term Loans. As of December 31, 2016, the entire amount of the aforementioned restricted amounts remained outstanding. As of January 15, 2017, all amounts have been fully utilized.

No material key terms were amended for the New Second Lien Term Loan upon entering the Amendments.

The additional borrowings were issued at a discount of 50 basis points and 100 basis points, for the First Lien Term Loans and the Second Lien Term Loans, respectively; and totaled $0.8 million. The Company paid $0.5 million for repricing of the First Lien Term Loans and also paid loan closing fees of $1.2 million which were directly deducted from the carrying value.

Amounts outstanding under both the First and Second Lien Term Loans accrue interest at rates that are variable. When the Company borrows funds, it is required to designate those borrowings as either Base Rate loans or LIBOR-based loans. All of the Company's borrowings are designated as LIBOR-based loans. These LIBOR-based loans accrue interest at an applicable margin above a threshold. The applicable margin is determined based on the types of loans the Company has outstanding. The threshold for LIBOR-based borrowings, generally, is the greater of the market LIBOR rate, or 1.00%. The applicable margin for First Lien Term Loans is 3.25% and the applicable margin for Second Lien Term Loans is 9.0%. The Revolver Loans accrue interest at LIBOR, plus the applicable rate.

Notes Payable

On occasion, the Company issues notes payable in connection with its acquisitions. The notes accrue interest and are payable in full, along with accrued interest at the maturity date. As of December 31, 2016 and 2015, the Company has $3.9 million and $0.2 million, respectively, of notes payable outstanding.

Some of the companies purchased by the Company had active acquisition programs prior to their acquisition in which they issued notes payable to the businesses they acquired. The Company assumed these liabilities upon purchasing the companies. As of December 31, 2016, there were no acquisition notes payables that were assumed as a result of these transactions.

Future annual principal payments due on the Company's indebtedness are as follows:

(in thousands)

2017	$ 9,925
2018	9,327
2019	12,607
2020	40,257
2021	9,257
Thereafter	1,264,143
Total future principal payments	$ 1,345,516

Predecessor

Assured was party to a credit facility ("Credit Facility") pursuant to two credit agreements both dated April 2, 2014. Upon the consummation of the Merger, the Company repaid all amounts outstanding under the Credit Facility and cancelled the Credit Facility. The write-off of deferred financing fees of $11.6 million, call premium on the Second lien credit facility of $1.3 million, and debt discount of $4.0 million were recorded in debt extinguishment loss within the consolidated statements of operations in Predecessor 2015.

9. Derivatives and Hedging Arrangements

The Company enters into hedging contracts with respect to interest rates under its credit facilities to manage the associated interest rate risk at what the Company believes are acceptable levels. The Company accounts for these instruments in accordance with ASC 815, *Derivatives and Hedging*. The Company does not hold or issue derivative financial instruments for trading purposes.

Interest Rate Cap and Swap Contracts
The Company is subject to variable rate debt obligations in connection with credit facilities that the Company is party to. These debt obligations expose the Company to variability in interest payments due to changes in interest rates. The Company believes it is prudent to limit the variability of a portion of its interest payments and the Company has protected against future increases in interest rates by entering into interest rate hedge agreements whereby the Company receives variable interest rate payments and makes fixed interest rate payments on a portion of its debt to a designated counterparty.

The Company is currently party to the following interest rate cap contracts and terms of the instrument are summarized as follows:

Beginning of Effective Period	Ending of Effective Period	Notional Value During Effective Period *(in thousands)*	90 Day LIBOR Rate Above Which Settlement Occurs
June 30, 2016	December 31, 2016	$ 375,000	3.25 %
December 31, 2016	June 30, 2017	375,000	3.50

As a result of the Merger and application of push-down accounting, the Company re-assessed all of the pre-existing hedging arrangements and discontinued applying the hedge accounting on its outstanding interest rate cap contracts. As a result, the Company reclassified related loss of $0.2 million in the accumulated other comprehensive loss into the Predecessor 2015 interest expense on the consolidated statements of operations.

In order to hedge interest rate risk on a portion of its variable-rate indebtedness, the Company has entered into two pay-fixed-receive-variable interest rate swap agreements:

Beginning of Effective Period	Ending of Effective Period		Notional Value at Reporting Date *(in thousands)*	30 Day LIBOR Rate Above Which Settlement Occurs
January 22, 2016	December 31, 2020	$	221,750	2.00 %
January 22, 2016	December 31, 2020		221,750	1.99

The Company has applied hedge accounting to account for changes in the fair value of its derivative instruments and classified the fair market value of these instruments within the line items 'Accrued expenses and other' within the current liabilities and 'Noncurrent assets, net' on the consolidated balance sheets. Changes in the fair value of the instrument are recorded as either increases or decreases in the recorded value of the assets or liabilities, with an offsetting increase or decrease to other comprehensive (loss) income.

10. Fixed Assets, Net

Major classes of fixed assets consist of the following as of December 31, 2016 and 2015:

	Successor			
(in thousands)		2016		2015
Office equipment	$	4,092	$	1,454
Furniture and fixtures		11,612		8,731
Computer equipment		5,618		4,007
Interest in company aircraft		1,422		1,422
Leasehold improvements		1,819		1,613
Software and other		2,293		1,521
		26,856		18,748
Accumulated depreciation		(13,006)		(9,078)
Fixed assets, net	$	13,850	$	9,670

11. Commitments and Contingencies

The Company leases facilities under noncancelable operating and capital lease arrangements expiring on various dates through 2027. The facility leases generally contain renewal options and escalation clauses based upon increases in the lessors' operating expenses and other charges. At December 31, 2016, the aggregate future minimum lease payments under all noncancelable operating lease agreements were as follows:

(in thousands)

Year Ended December 31,		
2017	$	20,991
2018		18,613
2019		14,890
2020		11,511
2021		8,546
Thereafter		18,955
Total minimum future lease payments	$	93,506

Rental expense during 2016, Successor 2015, and Predecessor 2015, for operating leases totaled $23.9 million, $4.2 million, and $15.5 million, respectively.

Employee Hiring Dispute
During May and June 2016, the Company hired certain producers and support staff who were formerly employed by a competing agency. Customary practice in the insurance intermediary industry is for the hiring agency to purchase the books of business for the employees hired. The Company made an offer to the competing agency to acquire the books of business for those customers who desired to follow the employees to the Company. On June 15, 2016, the competing agency filed a lawsuit, claiming certain violation of post-employment restrictive covenants of these former employees. These former employees asserted counterclaims against their former employer for breach of employment agreements and breach of implied condition of employment agreements. In October 2016, the Court granted a temporary injunction against the Company requiring the Company to divest itself of the competing agency's customers it had serviced, unless it could be show the customer would be harmed as a result. The Company continued to stand ready to pay fair market value for those accounts that elected to follow the employees who voluntarily joined the Company after leaving the competitor. The Company accrued for $10.6 million related to this matter as of December 31, 2016. See Note 16 for the settlement of this dispute.

There are a variety of legal proceedings pending or threatened against the Company. Accruals are recorded when it is probable a liability has been incurred and the amount of the liability can be reasonably estimated based on current law, progress of each case, opinions and views of legal counsel and other advisers, our experience in similar matters and intended response to the litigation. These amounts, which are not discounted and are exclusive of claims against third parties, are adjusted periodically as assessment efforts progress or additional information becomes available. The Company expenses amounts for administering or litigating claims as incurred. Neither the outcomes of these matters nor their effect upon the Company's business, financial condition or results of operations can be determined at this time.

12. Goodwill and Amortizable Intangible Assets

The change in goodwill for the years ended December 31, 2016 and 2015 is as follows:

(in thousands)

Predecessor balance as of December 31, 2014	$	570,136
Goodwill of acquired businesses		170,588
Goodwill adjustment related to purchase accounting		2,138
Goodwill disposed of relating to sales of businesses		(841)
Predecessor balance as of October 22, 2015		742,021
Merger of AssuredPartners, Inc.		364,024
Goodwill of acquired businesses		19,481
Successor balance as of December 31, 2015		1,125,526
Goodwill of acquired businesses		156,002
Goodwill adjustment related to purchase accounting		988
Goodwill disposed of relating to sales of businesses		(137)
Successor balance as of December 31, 2016	$	1,282,379

The carrying amount of the amortizable intangible assets, net are as follows:

(in thousands)		Gross Carrying Value		Accumulated Amortization		Net Carrying Value	Weighted Average Life *(years)*
Purchased customer accounts	$	764,489	$	(57,055)	$	707,434	15.0
Noncompete agreements		2,600		(960)		1,640	3.2
Trade name		120		(10)		110	5.0
Favorable lease assets		2,103		(435)		1,668	5.5
Successor balances as of December 31, 2016	$	769,312	$	(58,460)	$	710,852	
Purchased customer accounts	$	665,153	$	(8,393)	$	656,760	15.0
Noncompete agreements		2,520		(153)		2,367	3.2
Favorable lease assets		2,103		(70)		2,033	6.7
Successor balances as of December 31, 2015	$	669,776	$	(8,616)	$	661,160	

Amortization expense recorded for amortizable intangible assets for the fiscal year 2016, Successor 2015 and Predecessor 2015 was $49.9 million, $8.6 million, and $21.6 million, respectively.

Amortization expense for amortizable intangible assets for the years ending December 31, 2017, 2018, 2019, 2020 and 2021 is estimated to be $52.3 million, $52.1 million, $51.6 million, $51.4 million and $51.3 million, respectively.

13. Income Taxes

The components of the provision for income taxes for the fiscal year 2016, Successor 2015, and Predecessor 2015 are as follows:

	Successor		Predecessor
(in thousands)	Year Ended December 31, 2016	Period From October 23, 2015 to December 31, 2015	Period From January 1, 2015 to October 22, 2015
Current			
Foreign	$ 562	$ (83)	$ 549
State	2,478	35	378
Total current provision (benefit)	3,040	(48)	927
Deferred			
Federal	(12,341)	(3,989)	4,679
State	(1,560)	(664)	(1,972)
Total deferred (benefit) expense	(13,901)	(4,653)	2,707
Total (benefit) expense for income taxes	$ (10,861)	$ (4,701)	$ 3,634

A reconciliation between the effective tax rate and the federal statutory tax rate is as follows for fiscal year 2016, Successor 2015 and Predecessor 2015:

	Successor		Predecessor
(in thousands)	Year Ended December 31, 2016	Period From October 23, 2015 to December 31, 2015	Period From January 1, 2015 to October 22, 2015
Federal statutory rate	35.00 %	35.00 %	35.00 %
State income taxes, net of federal benefit	7.60	4.97	(53.29)
Valuation allowance	(9.91)	0.00	0.00
Meals and entertainment	(1.50)	(0.88)	11.04
Nondeductible transaction expenses	0.00	0.00	75.38
Equity-based compensation expenses	(3.30)	(1.76)	9.90
Permanent differences	0.00	0.00	35.23
Other	1.13	(0.52)	(6.42)
Effective tax rate	29.02 %	36.81 %	106.84 %

The Company's deferred tax assets and liabilities related to the following sources and differences between financial accounting and tax basis of the Company's assets and liabilities as of December 31, 2016 and 2015 are as follows:

	Successor	
(in thousands)	**2016**	**2015**
Gross deferred tax assets		
Accrued bonus and vacation	$ 361	$ 110
Advances	314	131
AMT credit	135	135
Transaction costs	8,089	7,683
State net operating losses	8,759	4,570
Federal net operating losses	23,322	13,527
E&O Reserve	2,432	2,495
IBNR Reserve	1,049	848
Charitable contribution carryover	846	508
Legal reserve	4,222	-
Other	939	417
Valuation Allowance	(3,708)	-
	46,760	30,424
Gross deferred tax liabilities		
Fixed assets	(1,406)	(628)
Intangible amortization	(23,264)	(24,098)
Direct bill	(9,465)	(7,482)
	(34,135)	(32,208)
Net deferred tax asset (liability)	$ 12,625	$ (1,784)

The Company evaluates the deferred tax asset for recoverability using a consistent approach which considers the relative impact of negative and positive evidence.

At December 31, 2016, the Company had no unrecognized tax benefits or associated interest or penalties that needed to be accrued for.

At December 31, 2016, the Company had a federal net operating loss carry forward of $66.6 million which will begin to expire in 2031. Additionally, the Company had $8.8 million of state net operating losses of varying amounts set to expire in 2036.

In 2016, the Company recorded net deferred tax asset which includes a valuation allowance of $3.7 million related to state net operating losses ("NOLs"). The state NOLs may be carried forward to offset future taxable income. Realization is dependent on generating sufficient taxable income prior to the expiration of the NOLs.

U.S. income taxes have not been provided on undistributed earnings of foreign subsidiaries. During the fiscal year 2016, Successor 2015 and Predecessor 2015, the Company had income of $2.7 million, loss of $0.4 million and income of $1.9 million, respectively, that are attributable to foreign subsidiaries. It is the Company's intention to reinvest these earnings permanently in active non-U.S. business operations. Therefore, no income tax liability has been accrued for these earnings. Because of the availability of U.S. foreign tax credits, it is not practicable to determine the amount of U.S. income tax payable if such earnings are not reinvested indefinitely.

The Company conducts business and files tax returns in the United States and in the U.K. The Company's U.S. federal and various state returns are subject to examination for the years 2011 and later due to NOLs generated in 2011. The Company's U.K. return for the year 2015 and later are subject to examination.

14. Fair Value of Measurements and Financial Instruments

Accounting standards establish a three tier fair value hierarchy, which prioritizes the inputs used in measuring fair values as follows:

Level 1 Observable inputs such as quoted prices for identical assets in active markets;

Level 2 Inputs other than quoted prices for identical assets in active markets, that are observable either directly or indirectly; and

Level 3 Unobservable inputs in which there is little or no market data which requires the use of valuation techniques and the development of assumptions.

The following methods and assumptions are used to estimate the fair values of the Company's financial instruments that are measured on a recurring basis:

Interest Rate Caps and Swaps
Interest rate caps and swaps are valued using pricing models, containing certain assumptions based on readily observable market-based inputs, including yield curves and implied volatilities of closely related instruments, for which transparent pricing is available. Additionally, the Company reflects the credit considerations inherent in the derivative contracts by adjusting benchmark discount rates to reflect the credit spread(s) of the owing party (i.e., the cap seller).

Earn-Out Payables
Purchase consideration for some acquisitions made by the Company includes earn-out payable arrangements. Earn-out payables are primarily based on meeting EBITDA and revenue targets over one to three years. The fair value of earn-out payables is estimated as the present value of future cash flows that would result from the projected revenue and earnings of the acquired entities. In each period, the Company reassesses its current estimates of performance relative to the projection and adjusts the liability to fair value.

	Successor Fair Value Measurements at December 31, 2016 Using			
(in thousands)	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value at December 31, 2016
Assets				
Interest rate swaps	$ -	$ 1,984	$ -	$ 1,984
Total assets at fair value	$ -	$ 1,984	$ -	$ 1,984
Liabilities				
Interest rate swaps	$ -	$ 5,399	$ -	$ 5,399
Earn-out payables	-	-	83,265	83,265
Total liabilities at fair value	$ -	$ 5,399	$ 83,265	$ 88,664

	Successor Fair Value Measurements at December 31, 2015 Using			
(in thousands)	Quoted Prices In Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value at December 31, 2015
Assets				
Interest rate caps	$ -	$ 16	$ -	$ 16
Interest rate swaps	-	1,607	-	1,607
Total assets at fair value	$ -	$ 1,623	$ -	$ 1,623
Liabilities				
Interest rate swaps	$ -	$ 3,750	$ -	$ 3,750
Earn-out payables	-	-	67,726	67,726
Total liabilities at fair value	$ -	$ 3,750	$ 67,726	$ 71,476

See Note 4 for a reconciliation of the beginning and ending balances of acquisition earn-out payables measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3).

The Company has certain financial instruments that are recognized at historical cost or some basis other than fair value. Below provides methodology and assumption used to measure the fair value:

Debt

The New First Lien and the New Second Lien credit facilities are collectively valued at $1,330.3 million and $1,073.5 million as of December 31, 2016 and 2015, respectively, based on the observable quoted prices in the inactive market; and as such, are classified as Level 2. The outstanding amounts due under the New Revolver Loans approximate fair value based on the fact that the variable interest rate approximates the current market rate.

15. Supplemental Disclosures of Cash Flow Information and Noncash Financing and Investing Activities

Cash paid during the fiscal year 2016, Successor 2015 and Predecessor 2015 are summarized as follows:

	Successor		Predecessor
(in thousands)	Year Ended December 31, 2016	Period From October 23, 2015 to December 31, 2015	Period From January 1, 2015 to October 22, 2015
Interest	$ 105,577	$ 980	$ 34,026
Taxes	1,273	45	2,098

Significant noncash investing and financing activities during the fiscal year 2016, Successor 2015 and Predecessor 2015 are summarized as follows:

	Successor		Predecessor
(in thousands)	Year Ended December 31, 2016	Period From October 23, 2015 to December 31, 2015	Period From January 1, 2015 to October 22, 2015
Estimated acquisition earn-out payables	$ 18,117	$ 3,711	$ 26,992
Purchase price holdback	1,289	360	1,550
Notes payable from acquisitions	4,181	-	243

16. Subsequent Events

The Company is required to evaluate events and transactions occurring after the date of the balance sheet to determine whether anything has come to the Company's attention that would require disclosure to the financial statements. The Company performed procedures to review subsequent events through March 27, 2017, the date that the financial statements are available to be issued.

Acquisitions

The following is the list of companies acquired subsequent to December 31, 2016:

(in thousands)	Seller(s)	Initial Payment	Maximum Potential Earn Out Payable	Basis of Potential Earn Out	Earn Out Term	Earn Out Period End Date
Date of Acquisition						
January 25, 2017	Phillips Agency, Inc.	$ 1,961	$ 762	Revenue	24 Months	December 31, 2018
January 27, 2017	Dealey, Renton & Associates, Inc.	48,800	N/A	N/A	N/A	N/A
March 10, 2017	M.F. Irvine Companies, LLC	12,204	4,679	EBITDA	24 Months	February 28, 2019
March 10, 2017	Janice Anderson Consulting, Inc.	2,026	900	Revenue	24 Months	February 28, 2019
March 17, 2017	Fleet Risk Management, Inc.	4,087	1,576	EBITDA	24 Months	February 28, 2019

On March 7, 2017, the Company entered into an Asset Purchase Agreement with Keenan & Associates for approximately $366.8 million which will be funded through a combination of cash, debt and the issuance of new equity units. The acquisition is expected to close by the end of March and will be accounted for as a business combination in the first quarter of 2017.

As of March 27, 2017, the Company has yet to engage a valuation expert or otherwise determined the allocation of the fair value of the purchase price of any acquisitions occurring after December 31, 2016. However, the nature of all the businesses acquired is similar in all material respects to the acquisitions previously completed by the Company, and as such the Company expects the purchase price to be allocated in a similar manner.

Equity Offering to Employees

On February 28, 2017, the Board approved to sell Class A-2 Units to certain participating employees of the Company and its subsidiaries. As a result of the offering, the Parent issued 34.3 million of Class A-2 units at $0.1331 per unit and raised gross proceeds of $4.6 million.

Repurchase of Equity Units From Departing Employees
On February 28, 2017, the Board approved the repurchase of 26.8 million of Class A-2 equity units and 0.8 million of vested Class B equity units from departing employees for $3.6 million.

Settlement of Employee Hiring Dispute
On February 28, 2017, as part of an agreement of settlement, the Company paid $20.0 million to a competing agency to secure, among other things, the release of the employment covenants for sixteen high-performing employees who chose to pursue employment with the Company. The Company also obtained a dismissal of any existing litigation with the competing agency. As additional consideration for the release of the employment covenants, the Company agreed to certain provisions limiting the Company's ability to hire employees from the competing agency who which to pursue employment with the Company for six months nationally and eighteen months locally. Management of the Company evaluated the elements of the settlement and concluded that customer relationship rights of approximately $9.4 million met the accounting guidance to qualify as a capitalizable asset at the settlement date and will be reflected as an intangible asset in 2017. The remainder of the payment is recorded as an expense of the settlement and is reflected in the statements of operations for the year ended December 31, 2016.