Registered number: 08116277

ASSUREDPARTNERS LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2013

ASSUREDPARTNERS LTD

COMPANY INFORMATION

DIRECTORS	A Cohen D Donnini J Henderson S Kinnett T Riley P Vredenburg D Curtis (appointed 25 September 2014)
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 LTD

CONTENTS

	Page
Directors' report	1
Directors' responsibilities statement	2
Independent auditor's report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 10

ASSUREDPARTNERS LTD

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2013

The directors present their report and the financial statements for the year ended 31 December 2013

PRINCIPAL ACTIVITIES

The principal activity of the company during the period was that of a holding company

RESULTS

The profit for the year, after taxation, amounted to £NIL *(2012 - £NIL)*

DIRECTORS

The directors who served during the year were

T Chapman (resigned 5 June 2013)
A Cohen
D Donnini
J Henderson
S Kinnett
J Nolen (resigned 2 July 2014)
T Riley
P Vredenburg

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 that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that 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

This report was approved by the board on 26/9/2014 and signed on its behalf

D Curtis
Director

DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that period In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 LTD

We have audited the financial statements of AssuredPartners Ltd for the year ended 31 December 2013, which comprise the Profit and loss account, the Balance sheet and the related notes 1 to 11 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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, 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 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 2013 and of its results 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 the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ASSUREDPARTNERS LTD

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

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 30 September 2014

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	Year ended 31 December 2013 £	*Penod from 22 June to 31 December 2012 £*
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		-	-
Tax on profit on ordinary activities		-	-
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		-	-
PROFIT BROUGHT FORWARD		-	-
RETAINED PROFIT CARRIED FORWARD		-	-

All amounts relate to continuing operations

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and loss account

The notes on pages 7 to 10 form part of these financial statements

ASSUREDPARTNERS LTD
REGISTERED NUMBER: 08116277

BALANCE SHEET
AS AT 31 DECEMBER 2013

	Note	£	2013 £	£	2012 £
FIXED ASSETS					
Investments	4		**2,249,670**		*2,664,816*
CURRENT ASSETS					
Debtors	5	**76,491**		*250,100*	
CREDITORS. amounts falling due within one year	6	**(2,095,583)**		*(1,793,717)*	
NET CURRENT LIABILITIES			**(2,019,092)**		*(1,543,617)*
TOTAL ASSETS LESS CURRENT LIABILITIES			**230,578**		*1,121,199*
CREDITORS: amounts falling due after more than one year	7		**(230,478)**		*(1,121,099)*
NET ASSETS			**100**		*100*
CAPITAL AND RESERVES					
Called up share capital	8		**100**		*100*
SHAREHOLDERS' FUNDS	9		**100**		*100*

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
26/9/14

D Curtis
Director

The notes on pages 7 to 10 form part of these financial statements

1. ACCOUNTING POLICIES

1 1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The directors have taken advantage of the exclusion allowed by Financial Reporting Standard 2 and section 401 of the Companies Act 2006 from preparing consolidated accounts

The accounts of AssuredPartners Limited present information about it as an individual company and not about its group

1.2 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

1.3 Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1

1.4 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

1 5 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

2. AUDITOR'S REMUNERATION

Auditor's remuneration has been borne by AssuredPartners Inc

3 STAFF COSTS

The company has no employees other than the directors, who did not receive any remuneration *(2012 - £NIL)*

4 FIXED ASSET INVESTMENTS

	Investments in subsidiary companies £
Cost	
At 1 January 2013	**2,664,816**
Change in purchase price	**(415,146)**
At 31 December 2013	**2,249,670**
Net book value	
At 31 December 2013	**2,249,670**
At 31 December 2012	*2,664,816*

Subsidiary undertakings

The following were subsidiary undertakings of the company

Name	Class of shares	Holding
Paul Napier 2012 Limited	Ordinary	100%
Paul Napier Limited*	Ordinary	100%

The aggregate of the share capital and reserves as at 31 December 2013 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows

Name	Aggregate of share capital and reserves £	Profit/(loss) £
Paul Napier 2012 Limited	534,739	-
Paul Napier Limited*	456,393	(61,761)

* The holding in Paul Napier Limited is indirectly held through ownership of Paul Napier 2012 Limited

On 22 November 2012, the company acquired the entire share capital, being 534,739 ordinary shares of £1 nominal value and 1,000 irredeemable preference shares of £1 nominal value

Details of the estimated earn outs are set out in notes 6 and 7

4 FIXED ASSET INVESTMENTS (continued)

5. DEBTORS

	2013	2012
	£	£
Completion payment due	76,391	-
Unpaid share capital	100	100
Other debtors	-	250,000
	76,491	250,100

The completion payment due represents monies due from the sellers of Paul Napier Limited in respect to an agreed working capital adjustment

6. CREDITORS:
Amounts falling due within one year

	2013	2012
	£	£
Amounts owed to group undertakings	1,543,717	1,543,717
Provisional contingent consideration	551,866	-
Deferred consideration	-	250,000
	2,095,583	1,793,717

The provisional contingent consideration is wholly in respect to the acquisition of Paul Napier 2012 Limited, and is contingent on the future trading revenues of the acquired group

7 CREDITORS·
Amounts falling due after more than one year

	2013	2012
	£	£
Provisional contingent consideration	**230,478**	*1,121,099*
	230,478	*1,121,099*

The provisional contingent consideration is wholly in respect to the acquisition of Paul Napier 2012 Limited, and is contingent on the future trading revenues of the acquired group

8. SHARE CAPITAL

	2013	2012
	£	£
Allotted, called up and fully paid		
100 Ordinary Share Capital shares of £1 each	**100**	*100*

On incorporation on 22 June 2012 one ordinary share was issued at a nominal value of £1

On 28 June 2012, 99 ordinary shares of nominal value £1 each were issued for consideration of £99

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2013	2012
	£	£
Opening shareholders' funds	**100**	-
Shares issued during the year/period	-	*100*
Closing shareholders' funds	**100**	*100*

10 RELATED PARTY TRANSACTIONS

The company has has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirement to make disclosure concerning certain transactions with group undertakings, on the grounds that the Company is a wholly owned subsidiary of its parent company and has been included in the accounts of its parent company

11 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 Amercia

AssuredPartners, LLC

Consolidated Financial Statements
December 31, 2013 and 2012

AssuredPartners, LLC
Index
December 31, 2013 and 2012

	Page(s)
Report of Independent Certified Public Accountants	1
Consolidated Financial Statements	
Balance Sheets	2
Statements of Operations	3
Statements of Comprehensive Income	4
Statements of Equity	5
Statements of Cash Flows	6
Notes to Financial Statements	7–25

pwc

Report of Independent Certified Public Accountants

To the Board of Directors and Shareholders of
AssuredPartners, LLC

We have audited the accompanying consolidated financial statements of AssuredPartners, LLC and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive income, of equity, and of cash flows for the years then ended

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

Independent 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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AssuredPartners, LLC and its subsidiaries at December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

PricewaterhouseCoopers LLP

April 28, 2014

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

AssuredPartners, LLC
Consolidated Balance Sheets
December 31, 2013 and 2012

	2013	2012
Assets		
Current assets		
Cash and cash equivalents	$ 41,107,818	$ 20,415,209
Trust cash and investments	41,487,807	56,935,695
Accounts receivable, net of allowance for doubtful accounts of $396,271 and $279,768, respectively	65,000,100	55,854,541
Other current assets	6,772,862	4,054,169
Total current assets	154,368,587	137,259,614
Fixed assets, net	4,866,537	3,985,646
Goodwill	399,292,557	323,039,681
Amortizable intangible assets, net	190,315,333	162,015,966
Noncurrent assets, net	12,681,860	10,055,553
Total assets	$ 761,524,874	$ 636,356,460
Liabilities and Equity		
Current liabilities		
Long-term obligations, current portion	$ 41,120,619	$ 5,159,452
Accounts payable	87,769,507	83,254,973
Customer advances	17,368,391	18,757,344
Producer payables	6,943,208	6,924,788
Accrued expenses and other	19,782,557	16,300,658
Total current liabilities	172,984,282	130,397,215
Long-term obligations	368,268,958	289,057,690
Total liabilities	541,253,240	419,454,905
Commitments and contingencies		
Equity		
Class A preferred units, par value $1,000 per share, issued and outstanding 206,387 and 206,206, respectively	206,203,126	204,919,262
Class B units, par value $0 10 per share, issued and outstanding 60,948,596 and 60,911,596 respectively	6,864,279	6,548,603
Class C units, par value $0 10 per share, issued and outstanding 9,841,362 and 9,841,362, respectively	984,137	984,137
Accumulated other comprehensive loss	(292,691)	(255,352)
Retained earnings	6,512,783	4,704,905
Total equity	220,271,634	216,901,555
Total liabilities and equity	$ 761,524,874	$ 636,356,460

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

AssuredPartners, LLC
Consolidated Statements of Operations
Years Ended December 31, 2013 and 2012

	2013	2012
Revenues		
Commissions and fees	$ 232,666,979	$ 165,122,386
Contingent revenue	15,523,055	11,045,416
Total revenue	248,190,034	176,167,802
Expenses		
Compensation	142,206,392	103,425,760
Selling expense	5,262,149	3,710,847
Administrative expense	38,998,651	29,292,795
Transaction expense	4,323,941	6,003,060
Increase (reduction) in estimated earn out payable	15,466,776	(14,381,224)
Depreciation and amortization expense	15,485,625	11,151,121
Total operating expenses	221,743,534	139,202,359
Income from operations	26,446,500	36,965,443
Interest expense, net	(23,955,420)	(16,842,526)
Other income	86,237	14,511
Income before provision for income taxes	2,577,317	20,137,428
Provision for income taxes	752,924	7,685,430
Net income	$ 1,824,393	$ 12,451,998

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

AssuredPartners, LLC
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2013 and 2012

	2013	2012
Net Income	$ 1,824,393	$ 12,451,998
Other comprehensive loss, before tax		
Foreign currency translation adjustments	(29,564)	(10,957)
Unrealized loss in interest rate hedge	(12,642)	(402,408)
Other comprehensive loss, before tax	(42,206)	(413,365)
Income tax benefit (loss) related to items of other comprehensive loss	(4,867)	158,013
Other comprehensive loss	(47,073)	(255,352)
Comprehensive income	$ 1,777,320	$ 12,196,646

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

AssuredPartners, LLC
Consolidated Statements of Equity
Years Ended December 31, 2013 and 2012

	Common B		Common C		Preferred A		Retained	Accumulated Other Comprehensive	
	Units	Amount	Units	Amount	Units	Amount	Earnings (Deficit)	Loss	Total
Opening balance December 31, 2011	54,841,512	$ 5,484 151	7 941 606	$ 794 161	160 930	$ 160 928 360	$ (7 747 093)	$ -	$ 159 459 579
Purchase of units by primary sponsor	-	-	-	-	17,666	17,665 726	-	-	17,665,726
Purchase of units by employees	5 754 973	1 024 629	1,899 756	189,976	25,988	25,987,270	-	-	27 201,875
Purchase of shares by others	-	-	-	-	78	77,729	-	-	77,729
Units issued in lieu of cash compensation	53 097	39 823	-	-	260	260 177			300 000
Unrealized loss on Interest Rate Hedge net of taxes of ($158 013)	-	-	-	-	-	-	-	(244,395)	(244 395)
Foreign Currency Translation	-	-	-	-	-	-	-	(10,857)	(10 957)
Net income	-	-	-	-	-	-	12 451 998	-	12 451 998
Balance December 31, 2012	60 649 582	$ 6 548 603	9 841 362	$ 984 137	204 922	$ 204 919 262	$ 4 704 905	$ (255 352)	$ 216,901,555
Purchase of units by employees	290 653	350,806	-	-	1,424	1 424 194	-	-	1 775 000
Units issued in lieu of cash compensation	8 361	9 030	-	-	41	40 970	-	-	50 000
Repurchase of shares from departing employees	(37 000)	(44,160)	-	-	(181)	(181 300)	-	-	(225 460)
Unrealized loss on Interest Rate Hedge net of taxes of ($4 867)	-	-	-	-	-	-	-	(7 775)	(7 775)
Foreign Currency Translation	-	-	-	-	-	-	-	(29 564)	(29,564)
Dividends paid	-	-	-	-	-	-	(16 515)	-	(16 515)
Net Income	-	-	-	-	-	-	1 824 393	-	1,824,393
Balance December 31, 2013	60 911 596	$ 6 864 279	9 841 362	$ 984 137	206 206	$ 206 203 126	$ 6 512 783	$ (292 691)	$ 220 271 634

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

AssuredPartners, LLC
Consolidated Statements Cash Flow
Years Ended December 31, 2013 and 2012

		2013		2012
Cash flows from operating activities				
Net income	$	1,824,393	$	12,451,998
Adjustments to net income to net cash from operating activities				
Amortization		14,316,763		10,363,346
Depreciation		1,168,862		787,775
Noncash stock units issued in lieu of payment for services		50,000		300,000
Noncash purchase accounting adjustments to Goodwill		92,295		-
Change in estimated acquisition earn-out payables		21,378,676		(10,220,427)
Change in estimated acquisition earn-out receivables		(36,219)		-
Deferred income taxes		(1,137,151)		7,423,531
Changes in operating assets and liabilities, net of effect from acquisitions				
Restricted cash and investments		15,723,585		(15,413,750)
Accounts receivable		(5,603,179)		(3,727,431)
Other assets		(4,766,585)		(6,675,541)
Accounts payable		(2,470,927)		5,836,170
Customer advances		(1,388,953)		8,289,897
Producer payables		(1,247,512)		240,659
Accrued interest		(786,666)		1,011,871
Other accrued expenses		4,376,265		2,784,944
Other liabilities		203,057		-
Net cash provided by operating activities		41,696,704		13,453,042
Cash flows from investing activities				
Additions to fixed assets		(1,207,405)		(947,508)
Payments for businesses acquired, net of cash		(101,824,217)		(147,648,853)
Proceeds from sales of fixed assets and customer accounts		1,909,499		1,703,078
Net cash used in investing activities		(101,122,123)		(146,893,283)
Cash flows from financing activities				
Payments on acquisition earn-outs		(9,940,966)		(2,696,415)
Proceeds from long-term debt		317,500,000		273,080,022
Payments on long-term debt		(228,722,031)		(164,910,401)
Borrowings on revolving credit facility		-		5,760,000
Payments on revolving credit facility		-		(5,760,000)
Proceeds from issuance of stock		1,775,000		44,945,330
Payment on interest rate hedge instrument		(252,000)		(447,000)
Repurchase of stock from departing employees		(225,460)		-
Cash dividends paid		(16,515)		-
Net cash provided by financing activities		80,118,028		149,971,536
Net increase in cash and cash equivalents		20,692,609		16,531,295
Cash and cash equivalents				
Beginning of year		20,415,209		3,883,914
End of year	$	41,107,818	$	20,415,209

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

1. Summary of Significant Accounting Policies

Nature of Operations

AssuredPartners, LLC, AssuredPartners, Inc , AssuredPartners Capital, Inc collectively ("Assured" or the "Company") was founded in 2011 through a partnership between insurance industry professionals and the private equity investment firm GTCR (Primary Sponsor), to consolidate the middle-market property and casualty ("P&C") insurance brokerage and employee benefits ("EB") industry The Company primarily focuses on acquiring high quality small to medium sized businesses whose owners are seeking exit strategies, partnerships and access to capital

Through its operations, the Company provides 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

Principals of Consolidation

The accompanying Consolidated Financial Statements include the accounts of AssuredPartners, LLC and its subsidiaries All intercompany account balances and transactions have been eliminated in the Consolidated Financial Statements

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 commissions paid to sub-brokers or co-brokers 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 for a reasonable estimate of 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 It is determined by the insurance carrier based on historical performance criteria, and is established annually in advance of the contractual period Assured 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 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 income is recognized as services are rendered

Transaction Expenses

In the process of acquiring companies, Assured incurs certain incremental costs associated with consummating the transactions that are expensed as incurred These costs are directly related to activities that would not likely occur absent such a program The nature of the costs are both incremental internal costs associated primarily with the sourcing of acquisition targets, as well as external professional costs which include fees to attorneys, accountants and valuations experts, among others

Use of Estimates
The preparation of the 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 principle estimates used in the preparation of the Consolidated Balance Sheets 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 the acquisitions, and the valuations of liabilities established as of the date of business acquisitions Actual results may differ from those estimates

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 Investments, and Premiums, Accounts Receivable
In its capacity as an insurance agent or broker, Assured typically collects premiums from insureds and, after deducting its authorized commissions, remits the net premiums to the appropriate insurance company or companies Accordingly, as reported in the Consolidated Balance Sheets, "premiums" are accounts receivables from insureds Unremitted net insurance premiums are held in a fiduciary capacity until Assured disburses them Assured invests these unremitted funds primarily in cash and money market accounts In certain states in which Assured 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 and investments on the Consolidated Balance Sheets The interest income earned on these unremitted funds is reported as other income in the Consolidated Statement of Operations

In other circumstances, the insurance companies collect premiums directly from the insureds themselves In these situations, the insurance companies remit to Assured its commissions

Fixed Assets
Fixed assets, including leasehold improvements, are carried at cost less accumulated depreciation and amortization Expenditures for 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 income 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 Leasehold improvements are amortized using the straight-line method over the shorter of the useful life of the 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") 350 "Intangibles – Goodwill & Other" the Company is required to test Goodwill and intangible assets 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 The Company completed its annual goodwill impairment analysis as of September 30, 2013 for the year ended December 31, 2013 and determined that no adjustment to the carrying value of goodwill was required There were no events or changes in circumstances during the three months ended December 31, 2013 that caused the Company to perform an interim impairment assessment

Amortizable intangible assets are stated at cost, less accumulated amortization, and consist of purchased customer accounts and noncompetition agreements Purchased customer accounts and noncompetition 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

Income Taxes
The Company accounts for income taxes in accordance with ASC 740, Income Taxes (Note 9), including guidance related to uncertain tax positions Deferred 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 has no uncertain tax position which would result in a related tax liability as of December 31, 2013

Foreign Currency Translation
The Company's account balances have been translated in accordance with ASC 830, Foreign Currency Matters The functional currency of the United Kingdom's entities is the U S dollar The assets and liabilities of the United Kingdom 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 other comprehensive account in Consolidated Statements of Comprehensive Income

2. Business Combinations

During the fiscal years ended 2013 and 2012, Assured acquired substantially all the net assets of the following companies in exchange for cash and/or ownership units 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 Assured's results from the time of acquisition to the years ended December 31, 2013 and 2012, respectively Certain amounts recorded reflect management's best estimate at the Consolidated Balance Sheets 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 the fiscal year ended

2013, adjustments made within the permitted measurement period that resulted in an increase in the aggregate purchase price for acquisitions consummated during fiscal year ended 2012 totaled $220,405

2013 Acquisitions

Acquisition	Date of Acquisition	Cash Paid	Notes Payable Issued	Purchase Price Holdback	Recorded Earn-out Payable	Total Recorded Purchase Price	Maximum Potential Earn-out Payable
Doug Gordon	January 31, 2013	1 904 216		-	307 262	2 211 478	846 318
Alan James	April 3 2013	4 375 000		-	1 746 756	6 121 756	2 500 000
Buckley & Co	April 11 2013	2 577 626		-	81 454	2 659 080	859 209
LaPenna	July 16 2013	4 150 340		-	1 106 530	5 256 870	2 467 500
GBP	August 1 2013	2 936 600		-	867 191	3 803 791	1 684 031
Dwyer	September 12 2013	4 237 066		-	630 681	4 867 747	1 300 009
Preferred Concepts	October 1 2013	3 401 955		-	625 092	4 027 047	1 604 000
AJM	October 2 2013	11 802 000		-	1 413 835	13 215 835	4 400 000
Eastern	October 25 2013	7 009 025		-	1 347,517	8 356 542	3 360 000
AHM	November 5 2013	30 463 000		-		30 463 000	
Lee Murphy	November 6 2013	14 623 929			2 628 630	17 252 559	5 904 115
Stoutamire Pavlik	November 21 2013	3 147,958		-	633 430	3 781 388	1 296 218
Alliance Marine	December 6 2013	3 712,375			679 767	4 392 142	1 965 375
Evans Insurance	December 12 2013	2 482 058		-	642 064	3 124 122	1 292 303
6 Others		4 825 853		86 522	2 043 490	6 955 865	3 120 229
		$ 101 649 001	$	$ 86 522	$ 14 753 699	$ 116 489 222	$ 32 599 307

2012 Acquisitions

Acquisition	Date of Acquisition	Cash Paid	Notes Payable Issued	Purchase Price Holdback	Recorded Earn-out Payable	Total Recorded Purchase Price	Maximum Potential Earn-out Payable
Dawson	January 19 2012	$ 38 492 836	$ 7 000 000	$ -	$ 18 323 734	$ 63 816 570	$ 28 000 000
Anson	March 26 2012	5 359 332	-	-	212 155	5 571 487	2 637 924
ISI	April 25 2012	8 051 664	-	-	1 796 172	9 847 836	4 025 832
First Carolina	May 11, 2012	2,925,000	-	-	1,184,790	4 109 790	2 340 000
Evansville	June 12 2012	3 231 973	-	-	448 089	3 680 062	1 250 000
Moore & Johnson	September 14 2012	5,928,268	-	-	1 256,437	7,184 705	3,071,250
Crawford	October 17, 2012	10 078 000	-	-	632 033	10 710,033	2 267,863
Napier	November 22 2012	2 462 229	-	-	825 947	3 288 176	1 529 462
Webb	December 6 2012	5 657 622	-	-	1 142 530	6 800 152	2 691 166
Schifman Remley	December 13 2012	17 543 007	-	-	1 736 723	19 279 730	6 000 000
Tobias	December 28 2012	17 872 143	-	-	1,251,018	19,123,161	3 400 058
AlliancePlus	December 31 2012	8 907 353	-	-	2,362 455	11 269,808	5 080 699
Owensboro	December 31, 2012	8 887,351	-	-	-	8 887 351	-
Wade & Egbert	December 31 2012	5 232 772	-	-	667 107	5 899 879	1 744 257
13 Others		11 685 969	-	-	2 744 354	14 430 323	7 297 101
		$ 152 315 519	$ 7 000 000	$ -	$ 34 583 544	$ 193 899 063	$ 71 335 612

The Company records escrow deposits that are returned as a result of adjustments to net assets acquired as reductions of goodwill when the escrows are settled 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 four-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 Company will record subsequent changes in these estimated earn-out payables, including the accretion of discount and changes in fair value, in the Consolidated Statement of Operations when incurred

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 these financial projections applied to The Company then discounted these expected payments to present value using the Company's weighted average cost of capital that takes into consideration the current and incremental cost of obtaining capital and the weighted cost of such capital During 2013 and 2012 the Company recognized $5,919,368 and $4,160,797, respectively, of expense in the Consolidated Statement of Operations related to the accretion of the discount recorded for earn-out payables in connection with acquisitions The aggregate amount of maximum earn-out payables related to acquisitions made during 2012 and 2013 was approximately $104 0 million, of which approximately $79 2 million and $53 0 million were recorded in the Consolidated Balance Sheets as of December 31, 2013 and 2012, respectively These amounts are recorded in the Long-term obligations, current and Long Term obligations line items within the Consolidated Balance Sheets Of the approximately $79 2 million estimated acquisition earn-out payables at December 31, 2013, $37 4 million was recorded in long-term obligations, current and $41 8 million was recorded in long term obligations Of the approximately $53 0 million estimated acquisition earn-out payables at December 31, 2012, $2 5 million was recorded in long-term obligations, current and $50 5 million was recorded in long term obligations

	Year Ended December 31, 2013	Year Ended December 31, 2012
Balance as of the beginning of the period	$ 53,040,188	$ 29,932,124
Additions to estimated acquisition earn-out payables	14,753,699	36,024,908
Payments for estimated acquisition earn-out payables	(9,940,966)	(2,696,417)
Subtotal	57,852,921	63,260,615
Net change in earnings from estimated acquisition earn-out payables		
Change in fair value on estimated acquisition earn-out payables	15,466,776	(14,381,224)
Interest expense accretion	5,911,900	4,160,797
Net change in earnings from estimated acquisition earn-out payables	21,378,676	(10,220,427)
Balance as of December 31	$ 79,231,597	$ 53,040,188

The following is a summary of the estimated fair values of the net assets acquired at the date of each acquisition made in 2013 and 2012

2013 Acquisitions

	Doug Gordon	Alan James	Buckley & Co	LaPenna	GBP	Dwyer	Preferred Concepts	AJM
Cash	$	$ -	$	$	$	$	$ -	$
Restricted Cash				275 697			-	
Other current assets	71 379	106 800	97 750	460 992	125 101	166 211	16 058	395 841
Fixed assets		10 000	10 000	25 855	50 000		15 000	(
Goodwill	1 395 598	3 960 369	1 699 163	4 035 587	2 424 814	3 138 532	2,640 450	8 434 154
Noncompete agreements	37 264							55 651
Purchased customer accounts	707 237	2 078 087	852 166	2,033 755	1 216 422	1 563 003	1 379 097	4 330 188
Other Noncurrent assets				19 910			-	
Total assets acquired	2,211 478	6,155 256	2 659,079	6,851,796	3,816,337	4,867 746	4,050 605	13 215 834
Current liabilities		33,500		1,594 927	12 547		23 558	
Total liabilities assumed		33,500		1 594,927	12,547	-	23 558	
Total net assets acquired	$ 2,211 478	$ 6 121 756	$ 2 659 079	$ 5 256 869	$ 3 803,790	$ 4 867 746	$ 4 027 047	$ 13 215 834

	Eastern	AHM	Lee Murphy	Stoutamire & Pavlik	Alliance Marine	Evans	6 Others	Total
Cash	$	$	$	$	$	$	$	$
Restricted Cash					-		-	275 697
Other current assets	278 106	2 746 861	412,352	45 607		132,472	199 827	5 255 357
Fixed assets		593 693	75 000	1 000	10 000	31 800	20 000	842,348
Goodwill	5 353 690	21 506 831	11 222 243	2,472,195	2,772,747	1 987 619	4 477 161	77 521 153
Noncompete agreements		1 310 000					-	1 402 915
Purchased customer accounts	2,782 783	11 770 000	5 675 310	1 262,587	1 614 014	994 336	2,268 377	40 527 362
Other Noncurrent assets		16,486	-		-		-	36,396
Total assets acquired	8,414,579	37 943,871	17,384 905	3,781 389	4,396,761	3,146 227	6 965,365	125 861 228
Current liabilities	58,037	7,480 871	132,347		4,620	22,104	9,500	9 372,011
Total liabilities assumed	58,037	7,480 871	132 347		4 620	22 104	9 500	9 372 011
Total net assets acquired	$ 8,356 542	$ 30 463 000	$ 17 252 558	$ 3,781 389	$ 4 392,141	$ 3 124 123	$ 6 955 865	$ 116 489 217

Of the total goodwill of $77,521,153, $59,745,463 is currently deductible for income tax purposes and $4,035,587 is nondeductible The remaining $13,740,103 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 $1,088,862 in acquisition related costs for 2013 which were expensed as incurred and recorded in Transaction expenses on the Consolidated Statement 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 is not be recognized as an intangible asset

2012 Acquisitions

	Dawson	Arlson	ISI	First Carolina	Evansville	Moore & Johnson	Crawford	Napier
Cash	$ -	$ -	$ -	$ -	$ -	$ 1 220 380	$ 200 000	$ 1 403 309
Restricted Cash	574 594	-			-	-	-	
Other current assets	7 289 514	277 768	202 014	97 976	324 880	552 995	277 826	3 962 144
Fixed assets	611 727	-	29 400	30 000	-	-	31 563	27 715
Goodwill	45 657 124	3 391 619	6 462 510	2 610 549	2 548 736	4 361 847	6 767 846	3 016 383
Noncompete agreements	267,000	300 000		-	-	-		-
Purchased customer accounts	21,621,000	1,736,187	3,202,395	1,394 704	1 276 972	2 238 812	3 507 866	990 516
Total assets acquired	76 020 959	5 705 574	9,896 319	4,133,229	4,150,588	8,374,034	10,785 101	9 400 067
Current liabilities	8 932 314	134 089	48 483	23 438	470 527	1 189 329	75 068	6 111 892
Long-term debt	3,272 074	-		-	-	-	-	
Total liabilities assumed	12 204,388	134,089	48 483	23 438	470 527	1 189 329	75 068	6 111 892
Total net assets acquired	$ 63 816 571	$ 5 571 485	$ 9 847 836	$ 4 109 791	$ 3 680 061	$ 7 184 705	$ 10 710 033	$ 3 288 175

	Webb	Schifman Remley	Tobias	AlliancePlus	Owensboro	Wade & Egbert	13 Others	Total
Cash	$ 140 037	$ -	$ 543 766	$	$ -	$ 40 261	$ 1 118 913	$ 4 666 666
Restricted Cash	192 098	1,563 534	2 017 169	-		250 748	2 150,232	6 748 375
Other current assets	164 191	3 588 356	344 540	262 392	392 975	226 156	3 026 393	20 990 120
Fixed assets	60 194	50 000	90 638	-	46 731	-	115 736	1 093 704
Goodwill	4 341 488	14 229 819	12 394 548	7 269 458	5 646 278	3 609 228	8,768 948	131 076 381
Noncompete agreements	71 046	60 000		63 213	-	-	34 397	795 656
Purchased customer accounts	2 151 356	6,580 000	6 141 922	3 740 344	3 041 001	2 002 157	4,521,747	64 146,979
Total assets acquired	7,120,410	26,071,709	21 532,583	11 335 407	9 126 985	6 128 550	19 736 366	229,517,881
Current liabilities	320 258	6 791 979	2 409 422	65 598	239,634	228 672	5 306 041	32 346 744
Long term debt		-		-		-	-	3,272,074
Total liabilities assumed	320,258	6,791,979	2,409 422	65 598	239 634	228,672	5,306,041	35,618,818
Total net assets acquired	$ 6 800 152	$ 19 279 730	$ 19 123 161	$ 11 269 809	$ 8 887 351	$ 5 899 878	$ 14 430 325	$ 193 899 063

Of the total goodwill of $131,076,381, $89,036,059 is currently deductible for income tax purposes and $7,456,781 is nondeductible The remaining $34,583,541 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 $6,003,060 in acquisition related costs for 2012 which were expensed as incurred and recorded in Transaction expenses on the Consolidated Statement 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

3. Related Party Transactions

The Company entered into a professional services agreement with the Company's primary equity sponsor, GTCR, effective March 1, 2011 GTCR provides the Company financial and management consulting services in the areas of (a) corporate strategy, (b) budgeting of future corporate investments, (c) acquisition and divestiture strategies, and (d) debt and equity financings

The professional services agreement provides that the Company pay placement fees to GTCR of 1% of the gross amount of any debt or equity financing During the year ended December 31, 2013 and 2012, the Company recognized expense related to placement fees to GTCR of $0 and $1,279,215, respectively

In addition, the Company is required to pay a quarterly management fee to GTCR in an amount equal to 0 625% of the Company's trailing twelve month pro forma EBITDA as defined in the security holder's agreement The quarterly management fees are subject to an annual maximum payment of $1,000,000 During the years ended December 31, 2013 and 2012 the Company paid management fees to GTCR of $1,000,000 and $1,000,000, respectively

The Company also reimburses GTCR out-of-pocket expenses incurred while providing the above professional services For the years ended December 31, 2013 and 2012 these expenses amounted to $46,814 and $460,779, respectively

The Company also occupies and leases certain office space owned by employees of the Company Rent expense incurred in 2013 and 2012 under these leases totaled $1,920,447 and $1,132,810, respectively

4. Equity

Under the Amended and Restated Limited Liability Company Agreement dated September 16, 2011, there are four classes of units Class A preferred units, Class B common units, Class C common units, and Class D common units The numbers of units are authorized as the board determines from time to time

Class A units earn an 8% annual yield compounded quarterly on the sum of the unreturned capital and any unpaid yield The Board is authorized to make distributions at any time The Board has never declared a distribution The order of distributions, other than tax distributions, is as follows

First, to the Class A unit holders, an amount equal to the Class A unpaid yield, second, to the Class A unit holders, an amount equal to the Class A unreturned capital, thereafter, to the Class B and C unit holders, distributed in proportion to the number of outstanding Class B units and Class C units Class D unit distributions are to be determined at the discretion of the Board by establishing a threshold amount of cumulative distributions that must be made with respect to all or one or more specified classes of units outstanding immediately prior to the issuance of such Class D Units before such Class D Units may receive any distributions

The Company may, subject to the approval of the board, issue management incentive units to employees, officers, directors, consultants or other service providers of the Company The Company has granted Class D management incentive and performance incentive units to certain employees and directors The management incentive units vest pro rata over five years The performance incentive units vest upon the attainment of certain targeted operating results These incentive units include a participation threshold equal to or greater than the fair market value on the date of grant During 2013 and 2012, the Company granted 186,862 and 62,287 of such Class D incentive units, respectively, including 93,432 units which are performance incentive units Vested Class D units as of December 31, 2013 total 12,457 units Compensation expense related to units granted that are subject to time-based vesting were deemed immaterial for purposes of recognition and inclusion in the Company's financial statements for the years ended December 31, 2013 and 2012 No compensation cost was recorded for any units granted that are subject to performance based vesting as the attainment of the performance condition is not deemed probable The Company will monitor and evaluate the potential materiality of future grants as it relates to recognizing compensation expense, and may recognize such costs in the Company's financial statements in future periods

Units purchased or granted to executives and employees are subject to repurchase upon the executive's or the employee's separation from the Company In the event of the executive's or employee's separation, any vested units (whether held by executive or one or more of executive's transferees, other than the Company and GTCR) will be subject to repurchase In the event of a separation, the purchase price for each vested unit will be the fair market value of such unit as of the delivery date of the repurchase notice

As of December 31, 2013 and 2012 the Class A unpaid yield amounted to $37,283,134 and $18,813,777, respectively

5. Debt and Hedging Arrangements

The Company is a party to a credit facility (the "Credit Facility") pursuant to an amended and restated Credit Agreement, dated as of June 14, 2013 Prior to executing the amended and restated Credit Facility, the Company had an existing Credit Facility under which it had borrowings outstanding in the amount of $226,210,022 as of June 14, 2013

Upon executing the amended and restated Credit Facility the Company received $255,000,000 in the form of Term A loans The proceeds were used to repay the existing borrowings noted above, accrued interest in the amount of $3,419,981, bank commitment fees associated with the securing the Credit Facility of $3,750,828 and professional fees of $226,018 The proceeds from the refinancing exceeded the amounts required to repay the existing borrowings and fund the origination related fees by $21,393,141 These excess funds were recorded in operating cash on the Consolidated Balance Sheets As of December 31, 2013, the Company has Term A loans outstanding in the amount of $253,725,000

The Credit Facility also contained commitments from the Company's lenders to provide the Company with ability to obtain revolving loans in an amount up to $10,000,000 as well as additional borrowings in the form of Delayed Draw Term B Loans and Delayed Draw Term C Loans The Delayed Draw Term B commitments equaled $90,000,000 and the Delayed Draw Term C Loan commitments equaled $45,000,000 As of December 31, 2013, the Company has Delayed Draw Term B loans outstanding in the amount of $37,500,000 There are no outstanding Delayed Draw Term C loans or revolving loans

The Credit Facility also includes an incremental 'Accordion' feature which allows the Company to incur additional Term A debt in an amount up to $100 million providing certain conditions were met On July 19th, 2013, the Company utilized this feature borrowing an additional $25 million in Term A Loans The Company incurred additional commitment fees associated with the borrowings of $287,500 which were netted against the proceeds As of December 31, 2013, the Company has additional Term A loans outstanding in the amount of $24,875,000

Amounts outstanding under the Credit Facility 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 Rate loans Due to the Company's desire to utilize hedge accounting as it relates to its hedging positions (see below) the Company designates all of its borrowings as LIBOR Rate loans LIBOR Rate loans accrue interest at an Applicable Margin above a threshold The threshold for LIBOR Rate borrowings, generally, is the greater of the then market LIBOR rate or 1 25% The Applicable Margin is determined based on the types of loans the company has outstanding The applicable margin on revolving loans and Term A Loans is 4 50% and the applicable margin on Term B & C Loans is 4 75% Interest rates as of December 31, 2013 for Term A Loans, Term B Loans was 5 75% and 6 00%, respectively

Installment payments are due each quarter on the Term A, Delayed Draw Term B and Delayed Draw Term C loans The Term A loan matures and is payable on December 14, 2018 The Term B Delayed Draw loans mature, and are payable on June 14, 2019

The Credit Facility is collateralized by a first priority lien on substantially all of the assets of the Company and its subsidiaries, a first priority pledge of each such subsidiary's stock or other equity interests and a guarantee in favor of the lenders from the Company and its subsidiaries In addition, the 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 restricted from incurring additional indebtedness, making payments to the Company's shareholders and selling certain of its assets, except, in each case, as otherwise permitted) Additionally, the Company is subject to one primary financial covenant which requires the Company to maintain a ratio of net Senior indebtedness to EBITDA of no greater than 5 25 The Company continually monitors compliance with the required covenants and believes that it is in compliance with all relevant covenant requirements as of December 31, 2013 As of December 31, 2013 the Company had $316,100,000 in amounts outstanding under its Credit Facility

The Company issues notes payable in connection with its acquisitions The notes accrue interest at a rate of 5 0% per year and are payable in full, along with accrued interest at the maturity date As of December 31, 2013, the Company had acquisition notes outstanding in the amount of $12,500,000 with maturity dates through February of 2016

Some of the companies purchased by Assured had active acquisition programs prior to their acquisition in which they issued notes payable to the businesses they acquired Assured assumed these liabilities upon purchasing the companies As of December 31, 2013, the balance of the notes payable assumed as a result of these transactions was $1,350,872

Future annual principal payments due on the Company's debt obligations are as follows

2014	$ 3,744,598
2015	10,432,969
2016	8,924,634
2017	3,339,219
2018	267,790,702
Thereafter	35,718,750
Total future principal debt payments	$ 329,950,872

Hedging Arrangements

The Company's Credit Facility contains a provision that requires the Company to purchase interest rate protection that limits the maximum amount of interest that the Company would be required to pay on amounts outstanding under its Credit Facility in the event that market LIBOR rates exceed the LIBOR floor rates defined within the credit facility of 1 25%

The provision requires the Company to purchase such protection in the form of an ISDA standard form contract (or contracts) that would have a combined notional value equal to at least 50% of the then outstanding balance on the Credit Facility no later than 120 days after the effective date of the credit facility, or October 12, 2013 On October 12, 2013 the Company had $279,300,000 in outstanding borrowings under its Credit Facility To meet its requirement, the Company has purchased two hedging instruments in the form of an interest rate caps in which the counter-party to the arrangement agrees to make payments to the Company in the event that actual 90 day LIBOR rates exceed the rates defined in the hedging instruments

Under the original Credit Facility the Company purchased its first interest rate cap on April 10, 2012 The notional value of the cap is $125,000,000 and was purchased for $447,000 The 90 day LIBOR rates above which the Company would receive settlement payments from the instruments counterparty are referred to as the 'Strike Price' and escalate over time The terms of the instrument are summarized as follows

Beginning of Effective Period	Ending of Effective Period	90 Day LIBOR Rate Above Which Settlement Occurs
April 10, 2012	June 28, 2013	1 50 %
June 29, 2013	June 30, 2014	2 00 %
July 1, 2014	June 30, 2015	2 50 %

The Company purchased an additional interest rate cap on April 5, 2013 with escalating notional values and Strike Prices for $167,000 The relative notional value and strike prices are summarized as follows

Beginning of Effective Period	Ending of Effective Period	Notional Amount During Effective Period	Strike Value During Effective Period
April 5, 2013	June 30, 2013	$ 100,000,000	2 50 %
June 30, 2013	September 30, 2013	100,000,000	2 50 %
September 30, 2013	December 31, 2013	110,000,000	2 50 %
December 31, 2013	March 31, 2014	110,000,000	2 50 %
March 31, 2014	June 30, 2014	110,000,000	3 00 %
June 30, 2014	September 30, 2014	110,000,000	3 00 %
September 30, 2014	December 31, 2014	125,000,000	3 00 %
December 31, 2014	March 31, 2015	125,000,000	3 00 %
March 31, 2015	June 30, 2015	125,000,000	3 00 %
June 30, 2015	September 30, 2015	250,000,000	3 00 %
September 30, 2015	December 31, 2015	250,000,000	3 00 %
December 31, 2015	March 31, 2016	250,000,000	3 00 %

On December 18, 2013, the Company purchased an additional interest rate cap with a notional value of $100,000,000 that matures on March 31, 2016 for a total cost of $85,000 The strike price in the interest rate cap is set to make payments to the Company in the event 90 day LIBOR exceeds 2 5%

The Company has utilized hedge accounting to account for changes in the fair value of its interest rate caps The Company has classified the fair market value of the interest rate caps within the line-item 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, with an off-setting increase or decrease to Other Comprehensive Income (Loss) The Company believes its interest rate caps are structured in such a way that hedge accounting is appropriate

Letters of Credit

On October 5, 2012, October 12, 2012 and December 23, 2013 the Company entered into letters of credit with a financial institution allowing for maximum combined drawings of $796,112 There were $0 draws against the letters of credit as of December 31, 2013

6. Fixed Assets

Major classes of fixed assets consist of the following as of December 31, 2013 and 2012

	December 31, 2013	December 31, 2012
Office equipment	$ 449,396	$ 331,569
Furniture and fixtures	2,816,867	2,136,671
Computer equipment	2,138,931	1,180,576
Leasehold improvements	660,802	734,230
Software and other	823,389	519,358
Gross fixed assets	6,889,385	4,902,404
Accumulated depreciation	(2,022,848)	(916,758)
Net fixed assets	$ 4,866,537	$ 3,985,646

7. Commitments and Contingencies

The Company leases facilities under noncancelable operating lease arrangements expiring on various dates through 2025 The facility leases generally contain renewal options and escalation clauses based upon increases in the lessors' operating expenses and other charges At December 31, 2013, the aggregate future minimum lease payments under all noncancelable lease agreements were as follows

Year ended December 31,	
2014	$ 9,755,841
2015	8,071,359
2016	6,550,727
2017	4,078,796
2018	3,098,494
Thereafter	8,146,878
Total minimum future lease payments	$ 39,702,095

Rental expense in 2013 and 2012 for operating leases totaled $11,312,257 and $7,116,957, respectively

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 There are no accruals for legal proceedings as of December 31, 2013 or 2012

8. Goodwill and Amortizable Intangible Assets

The change in goodwill for the years ended December 31, 2013 and 2012 is as follows

Balance as of December 31, 2011	$ 193,219,644
Goodwill of acquired businesses	131,076,380
Goodwill adjustment related to purchase accounting	-
Goodwill disposed of relating to sales of businesses	(1,256,343)
Balance as of December 31, 2012	323,039,681
Goodwill of acquired businesses	77,521,153
Goodwill adjustment related to purchase accounting	220,405
Goodwill disposed of relating to sales of businesses	(1,488,682)
Balance as of December 31, 2013	$ 399,292,557

	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Estimated Life *(years)*
Balance December 31, 2011	$ 108,026,000	$ (1,213,006)	$ 106,812,994	
Purchased customer accounts	$ 63,671,405	$ (9,020,922)	$ 54,650,483	15
Noncompete agreements	795,656	(243,167)	552,489	5
Balance December 31, 2012	$ 172,493,061	$ (10,477,095)	$ 162,015,966	
Purchased customer accounts	$ 40,527,364	$ (12,053,456)	$ 28,473,908	15
Noncompete agreements	1,402,915	(416,543)	986,372	5
Sales of Book of Business	(1,303,487)	142 574	(1,160 913)	
Balance December 31, 2013	$ 213,119,853	$ (22,804,520)	$ 190,315,333	

Amortizable Intangible Assets

Amortization expense recorded for amortizable intangible assets for the year ended December 31, 2013 and 2012 was $12,469,998 and $9,306,191, respectively

Amortization expense for amortizable intangible assets for the years ending December 31, 2014, 2015, 2016, 2017, and 2018 is estimated to be $14,641,193, $14,651,273, $14,626,706, $14,381,419 and $14,268,899, respectively

9. Income Taxes

The components of the provision (benefit) for income taxes for the year ended December 31, 2013 and 2012 are as follows

	2013	2012
Current		
Federal	$ 197,936	$ -
State	1,692,139	261,899
Total current provision	1,890,075	261,899
Deferred		
Federal	378,903	7,120,123
State	(1,516,054)	303,408
Total deferred expense (benefit)	(1,137,151)	7,423,531
Total expense for income taxes	$ 752,924	$ 7,685,430

A reconciliation between the effective tax rate and the federal statutory tax rate is as follows for the years ended December 31, 2013 and 2012

	2013	2012
Federal statutory rate	35 00 %	35 00 %
State income taxes, net of federal benefit	(15 87)%	2 34 %
Meals & entertainment	10 06 %	0 78 %
Other	0 03 %	0 04 %
Effective tax rate	29 22 %	38 16 %

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, 2013 and 2012 are as follows

	2013	2012
Gross deferred tax assets		
Accrued bonus and vacation	$ 127,753	$ -
Advances	239,363	177,423
AMT Credit	197,936	-
Transaction costs	3,621,943	3,227,979
State net operating losses	2,254,796	1,379,197
Federal net operating losses	3,619,108	7,852,448
E&O Reserve	790,198	-
Other	421,712	-
	11,272,809	12,637,047
Gross deferred tax liabilities		
Accrued bonus and vacation	-	(253,530)
Fixed Assets	(344,587)	(265,990)
Intangible amortization	(8,061,620)	(10,703,760)
Direct Bill	(3,353,466)	(2,178,670)
Supplemental contingent income	(468,448)	(898,246)
Other	-	(429,315)
	(12,228,121)	(14,729,511)
Net deferred tax liability	$ (955,312)	$ (2,092,464)

The Company evaluates the deferred tax asset for recoverability using a consistent approach which considers the relative impact of negative and positive evidence The Company anticipates fully utilizing their deferred tax assets and has not recorded a valuation allowance as of December 31, 2013

At December 31, 2013, the Company had no unrecognized tax benefits or associated interest or penalties that needed to be accrued for

At December 31, 2013, the Company had a federal net operating loss carry forward of $10,340,308, which will expire in 2032 Additionally, the Company had state net operating losses of $62,190,439 set to expire in 2032 The primary cause of the operating loss carry forward is the transaction related expenses that accompany the purchase of businesses

10 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

Interest Rate Caps
Interest rate caps are valued using the assistance of a third party specialist

Debt
Outstanding principle approximates estimated fair value of the Company's debt based on the fact that the variable interest rate on these loans approximates the current market rate

Earn-Out Payables
Purchase consideration for some acquisitions made by the Company include earn-out payables Earn-out payables are primarily based on meeting EBITDA and revenue targets over two to four 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 or earnings of the acquired entities

	Fair Value Measurements at December 31, 2012 Using			
	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value at December 31, 2012
Assets				
Interest rate cap	$ -	$ -	$ 44,592	$ 44,592
Total assets at fair value	$ -	$ -	$ 44,592	$ 44,592
Liabilities				
Debt	$ -	$ -	$ 226,615,021	$ 226,615,021
Earn-out payable	-	-	53,040,188	53,040,188
Total liabilities at fair value	$ -	$ -	$ 279,655,209	$ 279,655,209

	Fair Value Measurements at December 31, 2013 Using			
	Quoted Prices in Active Market (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Carrying Value at December 31, 2013
Assets				
Interest rate caps	$ -	$ -	$ 230,894	$ 230,894
Total assets at fair value	$ -	$ -	$ 230,894	$ 230,894
Liabilities				
Debt	$ -	$ -	$ 316,100,000	$ 316,100,000
Earn-out payable			79,231,597	79,231,597
Total liabilities at fair value	$ -	$ -	$ 395,331,597	$ 395,331,597

The following table provides a reconciliation between the beginning and ending balance of interest rate caps measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3)

	2013
Balance at beginning of year	$ 44,592
Purchases	252,000
Total unrealized loss included in other comprehensive income	(65,698)
Balance at end of year	$ 230,894

See Note 2 – Business Combinations 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)

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

	2013	2012
Cash paid during the period for		
Interest	$ 18,765,824	$ 11,152,243
Taxes	1,660,610	15,544

Significant noncash investing and financing activities for the years ended December 31, 2013 and 2012 are summarized as follows

	2013	2012
Notes payable issued or assumed for purchased customer accounts	$ -	$ 7,000,000
Estimated acquisition earn-out payables and related charges	14,753,699	34,583,540

12. 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 April 28, 2014 and determined the following items meet the measurement criteria for disclosure

On January 3, 2014 the Company completed the acquisition of W Fred Kloots, Jr, Richard K Martindale, W Todd Witham and Leonard Insurance Services Agency, Inc Employee Stock Ownership Plan , collectively ("Leonard"), for an initial payment of $18,628,040 with the potential for future earn-out payments of $5,759,346 for a maximum potential purchase price of $24,837,386 Future earn-out payments are contingent upon Leonard's ability to increase its average annual EBITDA during the 24 month period ending December 31, 2015

On January 15, 2014 the Company completed the acquisition of Commercial Insurance Services, Inc ("CIS") for an initial payment of $22,296,332 with the potential for future earn-out payments based on CIS's ability to increase its average annual EBITDA over the 24 month period ending December 31, 2015

On January 24, 2014 the Company completed the acquisition of InsKenny, Inc f/k/a Insurance Back Office, Inc ("IBO") for $704,524 with the potential for future earn-out payments of $331,541, for a maximum potential purchase price of $1,036,065 Future earn-out payments are contingent upon IBO's ability to increase its average annual revenue over the 24 month period ending December 31, 2015

On January 29, 2014 the Company completed the acquisition of Anna Berman Agency, ("Berman") for an initial payment of $310,284 with the potential for future earn-out payments of $206,857 for a maximum potential purchase price of $517,141 Future earn-out payments are contingent upon Berman's ability to increase its average Revenue during the 12 month period ending December 31, 2014

On January 30, 2014 the Company completed the acquisition AirSure Limited, LLC, MTB, LLC, AirSure Limited, Inc and William B Behan, collectively ("AirSure") for an initial payment of $38,000,000 with the potential for future earn-out payments of up to an additional $7,000,000 for a maximum potential purchase price of $45,000,000 Future earn-out payments are contingent upon AirSure's ability to increase its average annual EBITDA over the 24 month period ending December 31, 2015

On February 12, 2014 the Company completed the acquisition of the Bateman Agency, Inc ("Bateman") for an initial payment of $1,041,379 with the potential for future earn-out payments of $591,401 for a maximum potential purchase price of $1,632,780 Future earn-out payments are contingent upon Bateman's ability to increase its average annual revenue over the 24 month period ending January 31, 2016

On February 13, 2014 the Company completed the acquisition of Morris H Bannister and Son, Inc ("Bannister") for initial payment of $1,005,570 with the potential for future earn-out payments of $484,793 for a maximum potential purchase price of $1,490,363 Future earn-out payments are contingent upon Bannisters ability to increase its average annual revenue over the 24 month period ending January 31, 2016

On February 14, 2014 the Company completed the acquisition of Creech & Stafford Insurance Agency and Hazard Insurance Group, LLC, collectively ("C&S"), for an initial payment of $5,872,230 with the potential for future earn-out payments of $1,912,470 for a maximum potential purchase price of $7,784,700 Future earn-out payments are contingent upon C&S's ability to increase its average annual revenue over the 24 month period ending January 31, 2016

On March 17, 2014 the Company completed the acquisition of insurance brokerage accounts from France Crystal and Co , Inc and Frank Crystal and Co of Florida for $1,305,150

On April 1, 2014 the Company completed the acquisition of Hancock Insurance Agency, Hancock Insurance Agency of Alabama, Inc , Hancock Insurance Agency of Florida, Inc and Whitney Insurance Agency, Inc , collectively ("Hancock") for $15,500,000

On April 9, 2014 the Company completed the acquisition of Landry, Harris and Company, LLC ("Landry Harris") for an initial payment of $22,500,000 with the potential for future earn-out payments of up to an additional $5,625,000, for a maximum potential purchase price of $28,125,000 Future earn-out payments are dependent upon Landry Harris' ability to increase its average annual EBITDA over the 24 month period ending March 31, 2016

On April 9, 2014 the Company completed the acquisition of CBS Coverage Group, Inc ("CBS") for an initial payment of $27,868,723 with the potential for future earn-out payments of up to an additional $10,895,618 for a maximum potential purchase price of $38,764,341 Future earn-out payments are dependent upon CBS' ability to increase its average annual EBITDA over the 24 month period ending March 31, 2016

As of April 28, 2014, 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, 2013 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

Term Loan and Revolving Credit Facility

On April 2, 2014 the Company entered into a $655,000,000 Senior Secured Credit facility consisting of a $420,000,000 First Lien Term Loan, a $100,000,000 First Lien Revolving Credit Facility and a $135,000,000 Second Lien Term Loan The First Lien loans bear interest at LIBOR plus 3 50% subject to a 1 0% LIBOR floor and Second Lien Term Loan bear interest at LIBOR plus 6 75% subject to a 1 0% LIBOR floor The Company incurred $14,314,750 of issuance costs associated with entering into the new facility

The proceeds of the First Lien Term Loan and the Second Lien Term loan were used to pay the fees associated with the issuance of the Credit Facility, and to retire the amounts outstanding under the Company's existing Credit Facility of $394,728,040 The remaining funds were recorded as Operating Cash on the Company's Consolidated Balance Sheets

The First Lien Term Loan amortizes at 1% per annum, with the remainder due at maturity, which is April 1, 2019 The Second Lien Term Loan does not amortize, and matures on April 1, 2022 First lien indebtedness outstanding under the Credit Facility is subject to a 'springing' financial covenant which becomes effective at any point in which the Company has more than 30% ($30,000,000) outstanding under its revolving loan facility The covenant is only applicable to First Lien Debt and requires the Company to maintain a total First Lien net debt to EBITDA leverage ratio no greater than 5 0 through March 31, 2017 after which the first lien net debt to EBITDA leverage ratio may not exceed 4 75 The Second lien indebtedness outstanding under the Credit Facility is not subject to any financial covenants