

Alexander Morford & Woo and Brown & Riding - Merger Overview

December, 2010

Background & Relationship History

During 2004 Brown & Riding and Alexander Morford & Woo began exploratory discussions to evaluate the benefits of a strategic combination. Based on the obvious opportunities a combination of the two firms would offer, the firms' leadership agreed to maintain an ongoing dialogue. In late 2009, the parties signed a definitive agreement to collaborate on a joint underwriting facility, and as a result Alexander & Brown Insurance Services was launched in June 2010.

The complex process of forming our combined operating unit led to a more complete understanding of the compatibility of our respective management philosophies, shared values and goals. The result was a conclusion that the respective organizations now had the infrastructure and management depth to take advantage of the opportunity to blend. As of August 2010 formal discussions and due diligence to combine the two companies began.

The blending of Brown & Riding and Alexander Morford & Woo will capitalize on the complementary strengths of both organizations. The combined company will incorporate the leadership, expertise and infrastructure of both companies to position the organization to take advantage of opportunities in more product lines and geographic areas than either firm was able to realize previously. After six years of discussion and nearly a year of comprehensive analysis, our management team is confident that the combined firm will realize a dramatic increase in our ability to leverage our collective strengths over what would have been achieved separately.

Capital Structure

As a result of combining our two companies we are able to purchase a portion of the stock of the founding partners of AMW that wished to reduce their stake. Meanwhile, all the founders We were also able to reduce the stake of the largest shareholder of Brown & Riding, which further assists in our long-term goal of remaining privately owned. There will be no outside ownership in the combined entity, as all shareholders are employees of the company. Other than the modest amount of debt associated with this transaction, the combined company remains virtually debt free.

Name & Corporate Structure

In the Pacific Northwest the combined entity will be operated under name(s) that include both the AMW and Brown & Riding brands. In California and in parts of the country in which AMW does not maintain a major presence the company will operate under the Brown & Riding name. Our intention is to take advantage of the reputation and brands established by both companies, within the confines of licensing and legal requirements.

The corporate HQ will be in Los Angeles and Jeff Rodriguez will serve as President and Chief Executive Officer, reporting to the Board of Directors, which will be Co-Chaired by Chris Brown and Sam Alexander. The remaining Board members will be selected from throughout the organization, in an effort to ensure all aspects of the combined company are represented. Peggy Stromme will report to Jeff and will serve as the Chief Operating Officer, with HR, Finance, IT, Facilities and Compliance reporting to her. The Executive Management team and practice leaders will be made up of representatives from both firms.

Each of the practice groups will have leadership and management participation from key individuals with expertise in those areas from each of our geographic locations.

Employee Retention

Production/Client Service

Since there is no overlap in offices, product lines or other areas, there will be no reductions in client service related support staff due to any job redundancies associated with this merger.

Administration/Finance

There will likely be some minor overlap in positions within administration/finance that may result in a reduction of a handful of positions over time. In most cases these reductions will occur through natural attrition. Individuals whose positions are eliminated will receive financial assistance and extra time to ease any disruption.

Long-term strategy

Over the past five years both organizations unilaterally implemented strategic plans to ensure long-term independence from outside ownership. Some major elements of both strategic plans that are dramatically accelerated by combining are:

1. Deeper talent and experience pool for executive management team and Board of Directors.
2. Geographic platform is instantly expanded.
3. Greater diversification and balancing of product offerings.
4. Attractive cross selling opportunities into each other's client base and territory.
5. Administrative cost savings and earnings enhancement.
6. Greater ability to attract & recruit quality staff for future national expansion.

Employee Strategy

We will continue to attract, develop and retain a highly talented and committed team of professionals to execute our strategy. Our advantages in recruiting are based on three factors:

1. We offer ownership opportunities for key contributors.
2. We are committed to investing in and developing people, and promoting from within.
3. Our culture is fast paced, dynamic and rewards people based on contribution and merit.