SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 30, 2020

BRP Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**001-39095**	**61-1937225**
(State or other jurisdiction of incorporation or organization)	**(Commission File No.)**	**(I.R.S. Employer Identification No.)**

4211 W. Boy Scout Blvd., Suite 800, Tampa, Florida 33607
(Address of principal executive offices) (Zip code)

(Registrant's telephone number, including area code): (866) 279-0698

Not Applicable
(Former Name, former address and former fiscal year, if changed since last report)

Check the appropriate box below if the form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2 (b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.01 per share	**BRP**	**Nasdaq Global Select Market**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging Growth Company ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Introductory Note

On December 4, 2020, BRP Group, Inc. ("BRP Group") filed a Current Report on Form 8-K (the "Original Form 8-K") reporting that its indirect subsidiary, Baldwin Krystyn Sherman Partners, LLC ("BKS"), acquired all of the outstanding equity interests of Insgroup, LLC (which converted prior to closing to a limited liability company from a corporation with the name Insgroup, Inc., "Insgroup") pursuant to a purchase agreement, and reporting that BRP Group acquired all of the outstanding equity interests of Armfield, Harrison & Thomas, Inc. (which was converted after closing to a limited liability company with the name Armfield, Harrison & Thomas, LLC, "AHT") pursuant to a purchase agreement.

As permitted under Item 9.01 of Form 8-K, BRP Group indicated in the Original Form 8-K that it would file the financial statements required to be filed under Item 9.01(a) and pro forma financial information required to be filed under Item 9.01(b) by an amendment on Form 8-K within 71 calendar days after the applicable date on which the Original Form 8-K was required to be filed. This Amendment No. 1 on Form 8-K/A amends the Original Form 8-K to include the required financial statements and pro forma financial information.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

The following financial statements of Insgroup and AHT are being filed as exhibits hereto and are incorporated by reference herein:

Exhibit 99.1 — Insgroup, Inc. audited consolidated financial statements, including the independent auditors' report, as of and for the year ended December 31, 2019.

Exhibit 99.2 — Insgroup, Inc. reviewed consolidated financial statements as of and for the nine months ended September 30, 2020.

Exhibit 99.3 — Armfield, Harrison & Thomas, Inc. audited financial statements, including the independent auditors' report, as of and for the year ended December 31, 2019.

Exhibit 99.4 — Armfield, Harrison & Thomas, Inc. reviewed financial statements as of and for the nine months ended September 30, 2020.

(b) Pro forma financial information.

The following pro forma financial information is being filed as an exhibit hereto and is incorporated by reference herein:

Exhibit 99.5 — Unaudited pro forma condensed consolidated financial statements and explanatory notes for BRP Group, Inc. as of and for the nine months ended September 30, 2020 and for the year ended December 31, 2019.

(d) Exhibits

Exhibit No.	Description
23.1	Consent of Dixon Hughes Goodman LLP
23.2	Consent of Dixon Hughes Goodman LLP
99.1	Audited consolidated financial statements of Insgroup, Inc. as of and for the year ended December 31, 2019 and the Independent Auditors' Report thereon
99.2	Reviewed consolidated financial statements of Insgroup, Inc. as of and for the nine months ended September 30, 2020
99.3	Audited financial statements of Armfield, Harrison & Thomas, Inc. as of and for the year ended December 31, 2019 and the Independent Auditors' Report thereon
99.4	Reviewed financial statements of Armfield, Harrison & Thomas, Inc. as of and for the nine months ended September 30, 2020
99.5	Unaudited pro forma condensed consolidated financial statements and explanatory notes for BRP Group, Inc. as of and for the nine months ended September 30, 2020 and for the year ended December 31, 2019
104	Cover Page Interactive Data File (embedded within the inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

BRP GROUP, INC.

Date: December 7, 2020	By:	/s/ Kristopher A. Wiebeck	
		Name:	Kristopher A. Wiebeck
		Title:	*Chief Financial Officer*

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the registration statements (Nos. 333-234309 and 333-237384) on Form S-8 of BRP Group, Inc. of our report dated December 7, 2020, relating to the consolidated financial statements of Insgroup, Inc., which appear in the amendment to Form 8-K of BRP Group, Inc. dated December 7, 2020.

/s/ Dixon Hughes Goodman LLP

Tampa, Florida
December 7, 2020

Exhibit 23.2

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the registration statements (Nos. 333-234309 and 333-237384) on Form S-8 of BRP Group, Inc. of our report dated December 7, 2020, relating to the financial statements of Armfield, Harrison & Thomas, Inc., which appear in the amendment to Form 8-K of BRP Group, Inc. dated December 7, 2020.

/s/ Dixon Hughes Goodman LLP

Tampa, Florida
December 7, 2020

INSGROUP, INC.

Consolidated Financial Statements

December 31, 2019

INSGROUP, INC.

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Independent Auditors' Report

To the Stockholders of
Insgroup, Inc.

We have audited the accompanying consolidated financial statements of Insgroup, Inc. (the "Company"), which comprise the consolidated balance sheet as of December 31, 2019, and related consolidated statements of income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 the auditors' 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, the auditor considers internal control relevant to the entity'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 entity'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 the Company as of December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with U.S. GAAP.

/s/ Dixon Hughes Goodman LLP

Tampa, Florida
December 7, 2020

INSGROUP, INC.

Consolidated Balance Sheet

(in thousands, except share and per share data)	December 31, 2019
Assets	
Current assets:	
Cash and cash equivalents	$ 11,469
Premiums, commissions and fees receivable, net	17,263
Prepaid expenses and other current assets	599
Due from related parties	60
Total current assets	29,391
Property and equipment, net	2,328
Other assets	2,430
Intangible assets, net	7,451
Total assets	$ 41,600
Liabilities and Stockholders' Equity	
Current liabilities:	
Premiums payable to insurance companies	$ 19,181
Producer commissions payable	2,719
Accrued expenses and other current liabilities	4,188
Current portion of long-term debt	1,077
Current portion of note payable to related party	453
Current portion of contingent earnout liabilities	1,208
Total current liabilities	28,826
Long-term debt, less current portion	4,567
Note payable to related party, less current portion	1,267
Contingent earnout liabilities, net of current portion	959
Other liabilities	2,416
Total liabilities	38,035
Commitments and contingencies (Note 11)	
Stockholders' equity:	
Common stock, $.01 par value, 100,000 shares authorized, 72,165 shares issued and 59,815 shares outstanding	1
Additional paid-in capital	320
Retained earnings	8,565
Treasury stock at cost	(5,259)
Total stockholders' equity attributable to Insgroup, Inc	3,627
Noncontrolling interest	(62)
Total stockholders' equity	3,565
Total liabilities and stockholders' equity	$ 41,600

See accompanying Notes to Consolidated Financial Statements.

INSGROUP, INC.

Consolidated Statement of Income

(in thousands)		**For the Year Ended December 31, 2019**
Revenues:		
Commissions and fees	$	34,492
Operating expenses:		
Commissions, employee compensation and benefits		23,455
Other operating expenses		5,052
Amortization expense		1,150
Depreciation expense		352
Total operating expenses		30,009
Operating income		4,483
Other income (expense):		
Interest expense		(467)
Interest income		144
Other income, net		119
Total other expense		(204)
Net income		4,279
Less: net loss attributable to the noncontrolling interest		(62)
Net income attributable to Insgroup, Inc.	$	4,341

See accompanying Notes to Consolidated Financial Statements.

INSGROUP, INC.

Consolidated Statement of Stockholders' Equity

(in thousands, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity Attributable to Insgroup, Inc	Noncontrolling Interest	Total Stockholders' Equity
At December 31, 2018	59,815	$ 1	$ —	$ 8,224	$ (5,480)	$ 2,745	$ —	$ 2,745
Net income (loss)	—	—	—	4,341	—	4,341	(62)	4,279
Capital contribution	—	—	302	—		302	—	302
Shareholders' distributions	—	—	—	(4,000)	—	(4,000)	—	(4,000)
Purchase of treasury stock	—	—	—	—	(294)	(294)	—	(294)
Sale of treasury stock	—	—	18	—	515	533	—	533
Balance at December 31, 2019	59,815	$ 1	$ 320	$ 8,565	$ (5,259)	$ 3,627	$ (62)	$ 3,565

See accompanying Notes to Consolidated Financial Statements.

INSGROUP, INC.

Consolidated Statement of Cash Flows

(in thousands)		For the Year Ended December 31, 2019
Cash flows from operating activities:		
Net income	$	4,279
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense		16
Depreciation and amortization		1,502
Gain on contingent earnout valuation adjustment		(87)
Amortization of debt issuance costs		9
Changes in operating assets and liabilities:		
Premiums, commissions and fees receivable		(3,893)
Prepaid expenses		(259)
Due from related parties		21
Other assets		(253)
Premiums payable to insurance carriers		3,678
Producer commissions payable		(594)
Accrued expenses and other current liabilities		582
Other liabilities		294
Net cash provided by operating activities		5,295
Cash flows from investing activities:		
Purchases of property and equipment		(723)
Investment in business venture		(200)
Net cash used in investing activities		(923)
Cash flows from financing activities:		
Payments on long-term debt		(1,384)
Payments on notes payable to related party		(425)
Payments of contingent earnout consideration		(997)
Distributions		(4,000)
Purchase of treasury stock		(294)
Sale of treasury stock		533
Net cash used in financing activities		(6,567)
Net decrease in cash and cash equivalents		(2,195)
Cash and cash equivalents at beginning of year		13,664
Cash and cash equivalents at end of year	$	11,469
Supplemental schedule of cash flow information:		
Interest paid	$	556
State franchise taxes paid		109
Disclosure of non-cash investing and financing activities:		
Contingent fees related to asset acquisitions	$	960
Property and equipment financed with tenant improvement allowance		110

See accompanying Notes to Consolidated Financial Statements.

1. Business and Basis of Presentation

Insgroup, Inc. ("Insgroup") was incorporated in Texas in December 2000 and operates as an independent insurance agency providing property, casualty, life, health and other insurance services to commercial enterprises and individuals. The Company is based in Houston, Texas.

Insgroup - Dallas, LLC ("Insgroup - Dallas") was established in 2019 in order to do business in and around Dallas, Texas for purpose of acting as a broker for the sale of property, casualty and employee benefits insurance. Insgroup - Dallas is a 70% owned subsidiary of Insgroup.

The consolidated financial statements of the Company have been prepared on the basis of accounting principles generally accepted in the United States of America (“GAAP”).

Principles of Consolidation

The consolidated financial statements include the accounts of Insgroup and Insgroup - Dallas (collectively, the "Company"). All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates underlying the accompanying consolidated financial statements include the application of guidance for revenue recognition, including determination of allowances for estimated policy cancellations, and the determination of the fair value for the purpose of applying Accounting Standards Codification (“ASC”) *Business Combinations* (Topic 805).

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updates (“ASU”) No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”). The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. The FASB has subsequently issued several additional ASUs related to leases, which improved upon, and provided transition relief for, the guidance issued in ASU 2016-02 and extended the adoption date for nonpublic business entities. This guidance is effective for the fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the full effect that the adoption of this standard will have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Statements (“ASU 2016-13”), which amends the guidance for recognizing credit losses on financial instruments measured at amortized cost. ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The FASB has subsequently issued several additional ASUs related to credit losses, which improved upon, and provided transition relief for, the guidance issued in ASU 2016-13 and extended the adoption date for nonpublic business entities. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the full effect that the adoption of this standard will have on its consolidated financial statements.

In January 2017, the FASB issues ASU No. 2017-01, Business Combinations (Topic 805) - *Clarifying the Definition of a Business* ("ASU 2017-01"). ASU 2017-01 changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. Under the new guidance, an entity first determines whether substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set is not a business. If it is not met, the entity then evaluates whether the set meets the requirements that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. ASU 2017-01 defines an output as "the result of an inputs and process applied to those inputs that provide goods or services to customers, investment income such as dividends or interest), or other revenues." The Company adopted ASU 2017-01 effective during 2017 and applied it prospectively to transactions in 2017, 2018 and 2019. The adoption of ASU 2017-01 resulted in two transactions being accounted for as asset acquisitions rather than business combinations during the year ended December 31, 2019.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (“ASU 2017-04”), which amends the guidance on goodwill. Under ASU 2017-04, goodwill impairment is measured as the amount by which a reporting unit’s carrying value exceeds its fair value, while not exceeding the carrying value of goodwill. ASU 2017-04 eliminates existing guidance that requires an entity to determine goodwill impairment by calculating the implied fair value of goodwill by hypothetically assigning the fair value of a reporting unit to all its assets and liabilities as if that reporting unit had been acquired in a business combination. The guidance is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the full effect that the adoption of this standard will have on its consolidated financial statements.

2. Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers* (“Topic 606”).

The Company earns commission revenue by facilitating the arrangement between insurance carriers and individuals or businesses by providing insurance placement services to insureds with insurance carriers. Commission revenues are usually a percentage of the premium paid by clients and generally depend upon the type of insurance, the insurance carrier and the nature of the services provided. The Company controls the fulfillment of the performance obligation and its relationship with its insurance carriers and the outside agents. Commissions are earned at a point in time upon the effective date of bound insurance coverage as no performance obligation exists after coverage is bound.

For agency bill commission, the Company acts as an agent on behalf of the insured party for the term of the insurance policy, which is typically one year. The insured party pays the Company the full policy premium. The Company retains its commission and remits the remaining amount to the insurance carrier.

Commission revenue is recorded net of allowances for estimated policy cancellations, which are determined based on an evaluation of historical and current cancellation data.

The Company may receive a profit-sharing commission from an insurance carrier, which is based primarily on underwriting results, but may also contain considerations for volume, growth, loss performance, and/or retention. Profit-sharing commissions represent a form of variable consideration, which includes additional commissions over base commissions received from insurance carriers. Profit-sharing commissions associated with relatively predictable measures are estimated with a constraint applied and recognized at a point in time. The profit-sharing commissions are recorded as the underlying policies that contribute to the achievement of the metric are placed with any adjustments recognized when payments are received or as additional information that affects the estimate becomes available. Profit-sharing commissions associated with loss performance are uncertain and, therefore, are subject to significant reversal through catastrophic loss season and as loss data remains subject to material change. The constraint is relieved when management estimates revenue that is not subject to significant reversal, which often coincides with the earlier of written notice from the insurance carrier that the target has been achieved, or cash collection. Year-end amounts incorporate estimates based on confirmation from insurance carriers after calculation of potential loss ratios that are impacted by catastrophic losses. The consolidated financial statements include estimates based on constraints and incorporates information received from insurance carriers, and where still subject to significant changes in estimates due to loss ratios and external factors that are outside of the Company's control, a full constraint is applied.

Service fee revenue is earned by receiving negotiated fees in lieu of a commission. Service fee revenue from certain agreements is recognized over time depending on when the services within the contract are satisfied and when the Company has transferred control of the related services to the customer.

The Company pays an incremental amount of compensation in the form of producer commissions on new business. These incremental costs are capitalized as deferred commission expense and is amortized over five years, which represents management's estimate of the average period over which a client maintains its initial coverage relationship with the original insurance company. The Company has concluded that this period is consistent with the transfer to the customer of the services to which the asset relates. Deferred commission expense is included in other assets on the consolidated balance sheet.

Due to the relatively short time period between the information gathering phase and binding insurance coverage, the Company has determined that costs to fulfill contracts are not significant. Therefore, costs to fulfill a contract are expensed as incurred.

Cash and Cash Equivalents

The Company considers all highly liquid short-term instruments with original maturities of three months or less to be cash equivalents.

Premiums, Commissions and Fees Receivable, Net

In its capacity as an insurance agent or broker, the Company typically collects premiums from clients, and after deducting its authorized commissions, remits the net premiums to the appropriate insurance carriers. Premiums receivable reflect these amounts due from clients.

In direct bill situations, the insurance carriers collect the premiums directly from clients and remit the applicable commissions to the Company. Commissions receivable reflect these amounts due from insurance carriers and amounts due from insurance carriers for profit-sharing commissions.

The Company may charge fees in lieu of commissions for providing services to clients. Fees receivable reflect these amounts due from insurance carriers.

Premiums, commissions and fees receivable are reported net of allowances for estimated policy cancellations. The allowance for estimated policy cancellations was $171,000 at December 31, 2019, which represents a reserve for future reversals in commission and fee revenues related to the potential cancellation of client insurance policies.

The allowance for doubtful accounts was $16,000 at December 31, 2019. The allowance for doubtful accounts is based on management's estimate of the amount of receivables that will actually be collected. Accounts are charged to the allowance as they are deemed uncollectible based upon a periodic review of the accounts.

Prepaid Expenses and Other Current Assets

The Company's prepaid expenses and other current assets consist of prepaid subscriptions, insurance and other general expenses that have been paid and will be expensed generally within 12 months of the balance sheet date.

Property and Equipment, Net

Property and equipment is stated at cost. For financial reporting purposes, depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets, which generally range from three to ten years.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The difference between the net book value of the assets and proceeds from disposal is recognized as a gain or loss on disposal, which is included in other expense in the consolidated statement of income. Routine maintenance and repairs are charged to expense as incurred, while costs of improvements and renewals are capitalized. The Company recorded repairs and maintenance expense of $6,000 for the year ended December 31, 2019.

Property and equipment is evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition does not exceed its carrying amount. The amount of the impairment loss, if any, is measured as the amount by which the carrying value of the asset exceeds its fair value. The Company did not incur any impairment losses during the year ended December 31, 2019.

Intangible Assets, Net

The Company's intangible assets consist of customer lists and other intangibles that were acquired through asset acquisitions. Intangible assets are stated at cost, less accumulated amortization. These assets are being amortized based on a pattern of economic benefit over estimated useful lives of 15 years. The Company reviews its intangible assets for impairment whenever an event occurs that indicates the carrying amount of an asset may not be recoverable. During the year ended December 31, 2019, the Company recorded impairment of $212,000 related to the loss of a large client acquired in connection with an asset acquisition. The impairment charge is included in amortization expense in the statement of income.

Investment

During 2019, the Company purchased $200,000 of class B common stock of Marshberry Connect Platform, LLC ("Marshberry"). As this equity security does not have a readily determinable fair value, the Company has made the accounting policy election to carry at cost minus impairments. No dividend income was earned or received for the year ended December 31, 2019. This investment is included in other assets in the consolidated balance sheet.

Premiums Payable to Insurance Companies

In agency bill situations, the Company receives the full policy premium from the insured party. The Company retains its commission and remits the net amount to the insurance carrier. Premiums payable represent these amounts due to insurance carriers.

Producer Commissions Payable

The Company shares commissions with other agents or brokers who have acted jointly with the Company in a transaction. Commissions shared with downstream agents or brokers are recorded in commissions, employee compensation and benefits in the consolidated statement of income. The Company records commissions due to agents and brokers as producer commissions payable on the consolidated balance sheet.

Contingent Earnout Liability

The Company accounts for contingent consideration relating to asset acquisitions as a contingent earnout liability and an increase to the cost of the acquired assets on a relative fair value basis at the date of the acquisition. Once recognized, the contingent earnout liability is not derecognized until the contingency is resolved and the consideration is issued or becomes issuable. If the amount initially recognized as a liability exceeds the fair value of the contingent consideration issued or issuable, the entity recognizes that amount as a reduction of the cost of the asset acquisition. The ultimate settlement of contingent earnout liabilities relating to asset acquisitions may be for amounts that are materially different from the amounts initially recorded.

During the year ended December 31, 2019, the Company completed two asset acquisitions, which resulted in the addition of $1.1 million to contingent earnout liabilities.

Noncontrolling Interest

The noncontrolling interest related to Insgroup - Dallas is reported at historical cost basis adjusted for cumulative earnings or loss allocations and is classified as a component of stockholders' equity on the consolidated balance sheets.

Income Taxes

The Company has elected to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal corporate income taxes on its taxable income and is not allowed a net operating carryover or carryback as a deduction. Instead, the stockholders are liable for federal income taxes on their respective shares of Company taxable income or may claim losses to offset other taxable income on their individual returns. Therefore, no provision or liability for federal income taxes is included in the consolidated financial statements. The Company has a provision for state franchise taxes, which are included in operating expenses in the consolidated statement of income.

The Company follows ASC Topic 740, *Income Taxes*. A component of this standard prescribes a recognition and measurement threshold of uncertain tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the consolidated financial statements to comply with the provisions of this guidance.

Advertising Expense

The Company expenses advertising costs as they are incurred. Advertising expense was $94,000 for the year ended December 31, 2019, which is included in other operating expenses in the consolidated statement of income.

Fair Value of Financial Instruments

The carrying amounts of the Company's financial assets and liabilities, including cash and cash equivalents, premiums, commissions and fees receivable, premiums payable to insurance companies, producer commissions payable and accrued expenses, approximate their fair values because of the short maturity and liquidity of these instruments.

The fair value of the Company's long-term debt is based on an estimate using a discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements. The fair value of the long-term debt was approximately $5.2 million at December 31, 2019 compared to a carrying value of $5.6 million.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents and premiums, commissions and fees receivable, net. The Company manages this risk using high credit worthy financial institutions. Interest-bearing accounts and noninterest-bearing accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to $250,000. Deposits exceeded amounts insured by the FDIC at December 31, 2019. The Company has not experienced any losses from its deposits.

Statement of Comprehensive Income

No statement of comprehensive income has been presented as the Company has no items of other comprehensive income.

3. Asset Acquisitions

During 2019, the Company completed the acquisition of substantially all of the assets of two companies, which included customer lists. The Company accounted for the acquisitions as asset acquisitions under ASC 805, *Business Combinations*, as the gross value of the assets acquired meets the screen test in ASC 805-10-5A as related to substantially all of the fair value is being concentrated in a single asset or group of assets (i.e. customer lists) and, thus, are not considered businesses. The aggregate purchase price of the acquisitions were $1.3 million, which was allocated to the customer lists acquired. The aggregate purchase price is an estimation of the fair value of contingent consideration obligations associated with potential earnout provisions, which is based on future revenues. The contingent consideration is measured at fair value of the acquisition date and any subsequent changes in the fair value of contingent earnout liabilities will be recorded in other income (expense) in the consolidated statement of income. Acquisition-related costs incurred in connection with these asset acquisitions are capitalized on the consolidated balance sheet.

4. Revenue

The following table disaggregates commissions and fees revenue by major source (in thousands):

	For the Year Ended December 31, 2019
Direct bill (1)	$ 16,048
Agency bill (2)	13,416
Profit-sharing revenue (3)	2,901
Service fee revenue (4)	1,776
Other income	351
Total commissions and fees	$ 34,492

(1) Direct bill revenue represents commission revenue earned by facilitating the arrangement between individuals or businesses and insurance carriers by providing insurance placement services to clients with insurance carriers, primarily for private risk management, commercial risk management and employee benefits insurance types.
(2) Agency bill revenue represents commission revenue earned through the distribution of insurance products to consumers using a network of agents and brokers on behalf of various insurance carriers. The Company acts as an agent on behalf of the insured for the term of the insurance policy.
(3) Profit-sharing revenue represents bonus-type revenue that is earned by the Company as a sales incentive provided by certain insurance carriers.

(4) Service fee revenue represents negotiated fees charged in lieu of a commission for providing agent related services to clients on behalf of insurance carriers.

The application of Topic 606 requires the use of management judgment. The following are the areas of most significant judgment as it relates to Topic 606:

- The Company considers the policyholders as representative of its customers.
- The Company recognizes separately contracted commissions revenue at the effective date of insurance placement and considers any ongoing interaction with the customer to be immaterial in the context of the contract.
- Variable consideration includes estimates of direct bill commissions, a reserve for policy cancellations and an estimate of profit-sharing income.
- Due to the relatively short time period between the information gathering phase and binding insurance coverage, the Company has determined that costs to fulfill contracts are not significant. Therefore, costs to fulfill a contract are expensed as incurred.

Contract Assets

Contract assets arise when the Company recognizes revenue for amounts that have not yet been billed. The Company had $5.1 million of contract assets at December 31, 2019, which are included in premiums, commissions and fees receivable, net on the consolidated balance sheet.

Deferred Commission Expense

The Company pays an incremental amount of compensation in the form of producer commissions on new business. In accordance with ASC Topic 340, *Other Assets and Deferred Costs,* these incremental costs are deferred and amortized over five years, which represents management's estimate of the average benefit period. Deferred commission expense represents employee commissions that are capitalized and not yet expensed.

The table below provides a rollforward of deferred commission expense, which is included as a component of other assets on the consolidated balance sheet (in thousands):

	For the Year Ended December 31, 2019
Balance at beginning of year	$ 1,616
Costs capitalized	1,139
Amortization	(691)
Balance at end of year	$ 2,064

5. Property and Equipment, Net

Property and equipment, net consists of the following (in thousands):

	December 31, 2019
Computers and equipment	$ 1,048
Furniture and fixtures	189
Leasehold Improvements	1,603
Total property and equipment	2,840
Less: accumulated depreciation	(512)
Property and equipment, net	$ 2,328

Depreciation expense recorded for property and equipment was $352,000 for the year ended December 31, 2019.

6. Intangible Assets, Net

The Company recognizes certain separately identifiable intangible assets acquired in connection with business combinations and asset acquisitions.

Intangible assets, net consists of the following (in thousands):

	December 31, 2019
Customer lists and other	$ 9,798
Less: accumulated amortization	(2,347)
Net carrying value	$ 7,451

Amortization expense recorded for customer lists was $1,150,000 for the year ended December 31, 2019.

Future annual estimated amortization expense over the next five years for intangible assets is as follows (in thousands):

Year Ending December 31,	Amount
2020	$ 707
2021	662
2022	619
2023	580
2024	543

7. Line of Credit

The Company had a revolving line of credit agreement with an aggregate capacity of up to $1.0 million in borrowings, which has a maturity date of March 2021. The line accrued interest daily at the one month London Interbank Offered Rate ("LIBOR") plus 3.00%, and is secured by property. There was no balance on the revolving line at December 31, 2019. The revolving line was subsequently drawn to $1.0 million on April 1, 2020.

8. Long-Term Debt

The Company has other notes payable which consisted of the following (in thousands):

		December 31, 2019
$3,870,000 term loan payable to Lake Forest Bank & Trust Company, due in annual principal payments and quarterly interest payments at the 1-month LIBOR plus 3.00%, through March 31, 2023.	$	2,645
$3,421,536 term loan payable to Lake Forest Bank & Trust Company, due in annual principal payments and quarterly interest payments at the 1-month LIBOR plus 3.00%, through September 30, 2025.		2,933
Note payable to premium financing company dated April 2017. Fee income earned on financing policies is applied to the note balance. The note bears no interest and matures in April 2020.		96
Less unamortized debt issuance costs		(30)
Total long-term debt		5,644
Less current maturities		(1,077)
Long-term debt, less current maturities	$	4,567

Debt issuance costs of $30,000 are reported on the consolidated balance sheets as a direct deduction from the face amount of debt. Amortization of debt issuance costs is reported as interest expense.

The loans are collateralized by all assets of the Company, and are guaranteed by the Company and various individual shareholders. As part of the individual guarantees, a certain number of common stock shares were pledged by these shareholders to the bank.

The Company is subject to restrictive covenants that require it to maintain compliance with certain financial ratios and filing deadlines. At December 31, 2019, the Company was not in compliance with the debt service coverage ratio and filing deadline, and obtained a waiver from the bank. The Company was in compliance with all other financial covenants at December 31, 2019.

Future principal maturities of long-term debt are as follows (in thousands):

For the Year Ending December 31,		Amount
2020	$	1,077
2021		981
2022		981
2023		1,628
2024		977
Total	$	5,644

9. Related Party Transactions

The shareholders of the Company borrowed funds from a bank to purchase Company common stock from other shareholders. As of December 31, 2019, the total balance of shareholder bank loans was approximately $3.0 million. The Company has provided a guarantee of repayment of these individual shareholder bank loans and the balance of the loans have not been included as a liability to the Company. The Company has not been notified of any defaults under these loans through the date of this report.

During 2019, the Company sold 1,000 shares from treasury stock to new shareholders at $533 per share, resulting in a reduction to treasury stock of $515,000 and an increase to additional paid in capital of $18,000. The Company held 12,350 treasury shares at December 31, 2019.

The Company has a promissory note with the estate of a former shareholder related to 6,000 of the shareholder's total shares. The note bears interest at the Wall Street Journal prime rate plus 1% and matures July 31, 2023, with principal and interest payments due in 60 monthly installments. As of December 31, 2019, the balance due on the note was $1.7 million, of which $453,000 is included in current portion of notes payable to related party and $1.3 million is included in notes payable to related party, less current portion on the consolidated balance sheets.

10. Employee Benefit Plan

The Company has a 401(k) plan (the "Plan") that covers substantially all employees. Employees are eligible to participate in the Plan once they attain the age of 21. Employees may elect to make pre-tax and/or Roth 401(k) deferrals of their compensation up to the maximum deferral of compensation as defined by law. The Company's matching contribution is currently equal to 50% up to 6% of each participant's salary deferral amount up to a discretionary percentage which is determined each year. There is no minimum service requirement for employees to be eligible to receive matching contributions. The Company made matching contributions of $202,000 to the Plan for the year ended December 31, 2019.

11. Commitments and Contingencies

Legal

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company’s financial position, results of operations or liquidity.

Operating Leases

The Company leases office space for approximately 33,000 square feet under an operating lease that and expires in May 2029. The lease agreement requires escalating monthly payments of $37,000 up to $103,000 per month and provides for rent abatement to be received at various specified times over the lease term totaling $575,000 in the aggregate.

Rent expense is recognized on a straight-line basis over the term of the lease. The difference between rent expense recognized and lease payments is recorded as deferred rent. Deferred rent related to this lease was $896,000 at December 31, 2019, which amount is included in other liabilities on the consolidated balance sheet.

As part of the lease agreement, a tenant improvement allowance was made available to the Company at an amount of $1.7 million on a reimbursement basis, which is amortized over the length of the lease. As of December 31, 2019, the unamortized lease incentive liability was $1.5 million, which included in other liabilities on the consolidated balance sheets. As of December 31, 2019, the lease incentive receivable of $27,000, which is included in other assets on the consolidated balance sheet, may be used for improvement expenditures or applied as abatement of rent.

The Company also maintains noncancelable operating leases for various office support equipment, maturing at various dates through January 2024 with monthly payments ranging from $95 to $7,000. The Company recorded rent expense of $1.6 million for the year ended December 31, 2019.

Approximate future minimum rental payments under the Company's operating lease agreements are as follows (in thousands):

Year Ending December 31,	Amount
2020	$ 787
2021	1,007
2022	1,171
2023	1,115
2024	1,137
Thereafter	5,174
Total	$ 10,391

12. Subsequent Events

In January 2020, the Company purchased a book of business for $5.0 million cash consideration, $230,000 broker fee payable, and estimated contingent payments of $1.7 million. Contingent payments will be payable annually beginning on February 20, 2021 through February 20, 2023.

In January, 2020, the Company consolidated its term loans (Note 8) and increased the principal balance owed to $12.6 million. The loan accrues interest equal to LIBOR plus 3% and is due in staggered payments of principal and interest beginning September 30, 2020, with a final balloon payment of principal and interest on January 17, 2025.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The resulting restrictions on travel and quarantines imposed have had a negative impact on the U.S. economy and business activity globally, the full impact of which is not yet known and may result in an adverse impact to the Company's operating results. The resulting forced closures and results decrease in economic activity would negatively impact the Company's business as it impacts our client base. The depth and duration of the impact is currently still uncertain. Should the closures continue for an extended period of time or should the effects of the coronavirus continue to spread or recur, the effects could have material adverse results on the Company's financial position, results of operations and cash flows.

On April 13, 2020, the Company received loan proceeds in the amount of $2.5 million under the Paycheck Protection Program (the “PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the Company uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the Company terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, no assurance can be given that the Company will qualify for and/or receive a forgiveness on the loan proceeds received.

Effective April 17, 2020, the Company entered into an interest rate swap agreement with the same financial institution that provides the line of credit (see Note 7). The interest rate swap agreement has a notional amount of $3.1 million, and fixed interest at 3.83%, and termination date of January 17, 2025. Quarterly payments are scheduled to begin in June 2020.

On November 30, 2020, the Company sold its outstanding equity interests pursuant to a stock purchase agreement with an unrelated third party for consideration consisting of $100.4 million of cash and consideration payable, 87,093 shares of the purchaser's Class A common stock, 3,857,622 shares of the purchaser's Class B common stock and maximum potential contingent earnout consideration of $66.1 million based upon the achievement of certain post-closing revenue focused performance measures. As part of the closing transaction, the Company's long-term debt obligations were repaid in full or otherwise satisfied. The transaction resulted in a change in control.

The Company has evaluated events and transactions occurring subsequent to December 31, 2019 as of December 7, 2020, the date the consolidated financial statements were available to be issued.

Exhibit 99.2

INSGROUP, INC.

Consolidated Financial Statements (Unaudited)

September 30, 2020

INSGROUP, INC.

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INSGROUP, INC.

Consolidated Balance Sheet

(Unaudited)

(in thousands, except share data)		**September 30, 2020**
Assets		
Current assets:		
Cash and cash equivalents	$	11,647
Premiums, commissions and fees receivable, net		10,594
Prepaid expenses and other current assets		647
Due from related parties		51
Total current assets		22,939
Property and equipment, net		2,074
Other assets		2,351
Intangible assets, net		8,770
Goodwill		4,420
Total assets	$	40,554
Liabilities and Stockholders' Equity		
Current liabilities:		
Premiums payable to insurance companies	$	10,645
Producer commissions payable		2,571
Accrued expenses and other current liabilities		2,343
Current portion of long-term debt		2,278
Current portion of contingent earnout liabilities		1,523
Total current liabilities		19,360
Long-term debt, less current portion		13,172
Contingent earnout liabilities, net of current portion		1,510
Other liabilities		2,975
Total liabilities		37,017
Commitments and contingencies (Note 8)		
Stockholders' equity:		
Common stock, $.01 par value, 100,000 shares authorized, 72,165 shares issued and 59,815 shares outstanding		1
Additional paid-in capital		320
Retained earnings		8,794
Treasury stock at cost		(5,470)
Total stockholders' equity attributable to Insgroup, Inc		3,645
Noncontrolling interest		(108)
Total stockholders' equity		3,537
Total liabilities and stockholders' equity	$	40,554

See accompanying Notes to Consolidated Financial Statements.

INSGROUP, INC.

Consolidated Statement of Income

(Unaudited)

(in thousands)		For the Nine Months Ended September 30, 2020
Revenues:		
Commissions and fees	$	30,458
Operating expenses:		
Commissions, employee compensation and benefits		20,776
Other operating expenses		3,952
Depreciation expense		427
Amortization expense		922
Total operating expenses		26,077
Operating income		4,381
Other income (expense):		
Interest expense		(355)
Interest income		58
Other expense, net		(5)
Total other expense		(302)
Net income		4,079
Less: net loss attributable to the noncontrolling interest		(46)
Net income attributable to Insgroup, Inc.	$	4,125

See accompanying Notes to Consolidated Financial Statements.

INSGROUP, INC.

Consolidated Statement of Stockholders' Equity

(Unaudited)

(in thousands, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total Stockholders' Equity Attributable to Insgroup, Inc	Noncontrolling Interest	Total Stockholders' Equity
Balance at December 31, 2019	59,815	$ 1	$ 320	$ 8,565	$ (5,259)	$ 3,627	$ (62)	$ 3,565
Net income (loss)	—	—	—	4,125	—	4,125	(46)	4,079
Capital contribution	—	—	—	104	—	104	—	104
Shareholders' distributions	—	—	—	(4,000)	—	(4,000)	—	(4,000)
Purchase of treasury stock	—	—	—	—	(429)	(429)	—	(429)
Sale of treasury stock	—	—	—	—	218	218	—	218
Balance at September 30, 2020	59,815	$ 1	$ 320	$ 8,794	$ (5,470)	$ 3,645	$ (108)	$ 3,537

See accompanying Notes to Consolidated Financial Statements.

INSGROUP, INC.

Consolidated Statement of Cash Flows

(Unaudited)

(in thousands)		For the Nine Months Ended September 30, 2020
Cash flows from operating activities:		
Net income	$	4,079
Adjustments to reconcile net income to net cash provided by operating activities:		
Bad debt expense		18
Depreciation and amortization		1,349
Changes in operating assets and liabilities:		
Premiums, commissions and fees receivable		8,043
Prepaid expenses		(48)
Due from related parties		9
Other assets		79
Premiums payable to insurance carriers		(9,789)
Producer commissions payable		(148)
Accrued expenses and other current liabilities		(1,844)
Other liabilities		559
Net cash provided by operating activities		2,307
Cash flows from investing activities:		
Purchases of property and equipment		(127)
Cash paid for business combinations, net of assets acquired		(4,997)
Cash paid for asset acquisition		(30)
Net cash used in investing activities		(5,154)
Cash flows from financing activities:		
Proceeds from long-term debt		7,946
Payments on long-term debt		(628)
Proceeds from PPP loan		2,487
Payments on notes payable to related party		(1,720)
Payments of contingent earnout consideration		(953)
Contributions		104
Distributions		(4,000)
Purchase of treasury stock		(429)
Sale of treasury stock		218
Net cash provided by financing activities		3,025
Net increase in cash and cash equivalents		178
Cash and cash equivalents at beginning of period		11,469
Cash and cash equivalents at end of period	$	11,647

See accompanying Notes to Consolidated Financial Statements.

Insgroup, Inc

Consolidated Statements of Cash Flows (Continued)

(in thousands)		For the Nine Months Ended September 30, 2020
Supplemental schedule of cash flow information:		
Interest paid	$	254
State franchise taxes paid		117
Disclosure of non-cash investing and financing activities:		
Contingent fees related to business combinations and asset acquisitions	$	1,819

See accompanying Notes to Consolidated Financial Statements.

1. Business and Basis of Presentation

Insgroup, Inc. ("Insgroup") was incorporated in Texas in December 2000 and operates as an independent insurance agency providing property, casualty, life, health and other insurance services to commercial enterprises and individuals. The Company is based in Houston, Texas.

Insgroup - Dallas, LLC ("Insgroup - Dallas") was established in 2019 in order to do business in and around Dallas, Texas for purpose of acting as a broker for the sale of property, casualty and employee benefits insurance. Insgroup - Dallas is a 70% owned subsidiary of Insgroup.

The consolidated financial statements of the Company have been prepared on the basis of accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of Insgroup and Insgroup - Dallas (collectively, the "Company"). All intercompany transactions and balances have been eliminated in consolidation.

Interim Financial Reporting

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Article 10 of Regulation S-X. Accordingly, they do not include all of the information and related notes required by GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for fair statement have been included.

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates underlying the accompanying consolidated financial statements include the application of guidance for revenue recognition, including determination of allowances for estimated policy cancellations, and the determination of the fair value for the purpose of applying Accounting Standards Codification ("ASC") *Business Combinations* (Topic 805).

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"). The guidance in ASU 2016-02 supersedes the lease recognition requirements in Accounting Standards Codification ("ASC") Topic 840, *Leases*. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. The FASB has subsequently issued several additional ASUs related to leases, which improved upon, and provided transition relief for, the guidance issued in ASU 2016-02 and extended the adoption date for nonpublic business entities. This guidance is effective for the fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the full effect that the adoption of this standard will have on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Statements ("ASU 2016-13"), which amends the guidance for recognizing credit losses on financial instruments measured at amortized cost. ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The FASB has subsequently issued several additional ASUs related to credit losses, which improved upon, and provided transition relief for, the guidance issued in ASU 2016-13 and extended the adoption date for nonpublic business entities. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the full effect that the adoption of this standard will have on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"), which amends the guidance on goodwill. Under ASU 2017-04, goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value, while not exceeding the carrying value of goodwill. ASU 2017-04 eliminates existing guidance that requires an entity to determine goodwill impairment by calculating the implied fair value of goodwill by hypothetically assigning the fair value of a reporting unit to all its assets and liabilities as if that reporting unit had been acquired in a business combination. The guidance is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the full effect that the adoption of this standard will have on its consolidated financial statements.

2. Business Combinations and Asset Acquisitions

During January 2020, the Company purchased certain assets, including intellectual and intangible rights, and assumed certain liabilities of Harris F. Underwood III, Inc. and its principals ("Underwood"). The transaction had an effective date of January 1, 2020. The acquisition qualified as a business combination in accordance with ASC Topic 805, *Business Combinations* ("Topic 805") and, accordingly, total consideration was first allocated to the fair value of assets acquired as of the date of acquisition, including liabilities assumed, with the excess being recorded as goodwill. For financial statement purposes, goodwill is not amortized but rather is evaluated for impairment at least annually or more frequently if an event or change in circumstances occurs that indicates goodwill may be impaired. Goodwill is deductible for tax purposes and will be amortized over a period of 15 years.

The recorded purchase price for certain of the foregoing business combination includes an estimation of the fair value of contingent consideration obligations associated with potential earnout provisions, which are generally based on recurring commissions and fees revenue. Any subsequent changes in the fair value of contingent earnout liabilities will be recorded in the consolidated statement of operations when incurred.

The operating results of the Underwood business combination has been included in the consolidated statement of operations since the effective date. The Company recognized total revenues and net income from Underwood of $1.66 million for the nine months ended September 30, 2020.

Acquisition-related costs incurred in connection with these business combinations are recorded in other operating expenses in the consolidated statement of income. The Company incurred acquisition-related costs for the Underwood acquisition of $249,000 for the nine months ended September 30, 2020, which are included in other operating costs within the consolidated statement of income.

The table below provides a summary of the total consideration and the estimated purchase price allocation made for the Underwood business combination (in thousands):

	Amount
Cash consideration paid	$ 4,997
Fair value of contingent earnout consideration	1,730
Total consideration	$ 6,727
Premiums, commissions and fees receivable	$ 1,392
Property and equipment	46
Customer list	2,122
Goodwill	4,420
Total assets acquired	7,980
Premiums payable to insurance companies	(1,253)
Total liabilities acquired	(1,253)
Net assets acquired	$ 6,727

Due to the complexity of valuing the consideration paid and the purchase price allocation and the timing of these activities, certain amounts included in the consolidated financial statements may be provisional and subject to additional adjustments within the measurement period as permitted by Topic 805. Any measurement period adjustments related to the estimation of fair value for prior period business combinations are reflected as current period adjustments in accordance with Topic 805. There were no measurement period adjustments during the nine months ended September 30, 2020.

During January 2020, the Company completed the acquisition of substantially all of the assets of a company, which included customer lists. The Company accounted for the acquisition as an asset acquisition under Topic 805 as the gross value of the assets acquired related to substantially all of the fair value being concentrated in a single asset or group of assets (i.e. customer lists). The aggregate purchase price of the acquisition was $119,000, which included $30,000 of cash consideration paid and $89,000 of contingent consideration liability at fair value. The total consideration was allocated to the customer list acquired. The aggregate purchase price is an estimation of the fair value of contingent consideration obligations associated with potential earnout provisions, which is based on future revenues.

3. Revenue

The following table disaggregates commissions and fees revenue by major source:

(in thousands)	**For the Nine Months Ended September 30, 2020**
Direct bill [(1)]	$ 12,902
Agency bill [(2)]	13,134
Profit-sharing revenue [(3)]	3,179
Service fee revenue [(4)]	867
Other income	376
Total commissions and fees	$ 30,458

(1) Direct bill revenue represents commission revenue earned by facilitating the arrangement between individuals or businesses and insurance carriers by providing insurance placement services to clients with insurance carriers, primarily for private risk management, commercial risk management and employee benefits insurance types.

(2) Profit-sharing revenue represents bonus-type revenue that is earned by the Company as a sales incentive provided by certain insurance carriers.
(3) Agency bill revenue represents commission revenue earned through the distribution of insurance products to consumers using a network of agents and brokers on behalf of various insurance carriers. The Company acts as an agent on behalf of the insured for the term of the insurance policy.
(4) Service fee revenue represents negotiated fees charged in lieu of a commission for providing agent related services to clients on behalf of insurance carriers.

The application of Topic 606 requires the use of management judgment. The following are the areas of most significant judgment as it relates to Topic 606:

- The Company considers the policyholders as representative of its customers.
- The Company recognizes separately contracted commissions revenue at the effective date of insurance placement and considers any ongoing interaction with the customer to be immaterial in the context of the contract.
- Variable consideration includes estimates of direct bill commissions, a reserve for policy cancellations and an estimate of profit-sharing income.
- Due to the relatively short time period between the information gathering phase and binding insurance coverage, the Company has determined that costs to fulfill contracts are not significant. Therefore, costs to fulfill a contract are expensed as incurred.

Contract Assets

Contract assets arise when the Company recognizes revenue for amounts that have not yet been billed. The Company had $2.7 million of contract assets at September 30, 2020, which are included in premiums, commissions and fees receivable, net on the consolidated balance sheet.

Deferred Commission Expense

The Company pays an incremental amount of compensation in the form of producer commissions on new business. In accordance with ASC Topic 340, *Other Assets and Deferred Costs,* these incremental costs are deferred and amortized over five years, which represents management's estimate of the average benefit period. Deferred commission expense represents employee commissions that are capitalized and not yet expensed.

The table below provides a rollforward of deferred commission expense, which is included as a component of other assets on the consolidated balance sheet (in thousands):

	For the Nine Months Ended September 30, 2020
Balance at beginning of year	$ 2,064
Costs capitalized	467
Amortization	(552)
Balance at end of year	$ 1,979

4. Intangible Assets, Net

The Company recognizes certain separately identifiable intangible assets acquired in connection with business combinations and asset acquisitions.

Intangible assets, net consists of the following (in thousands):

	September 30, 2020
Customer lists and other	$ 12,039
Less: accumulated amortization	(3,269)
Net carrying value	$ 8,770

Amortization expense recorded for customer lists was $922,000 for the nine months ended September 30, 2020.

Future annual estimated amortization expense over the next five years for intangible assets is as follows (in thousands):

Year Ending September 30, 2020	Amount
2021	$ 875
2022	819
2023	767
2024	718
2025	672

5. Line of Credit

The Company had a revolving line of credit agreement with an aggregate capacity of up to $1.0 million in borrowing, which has a maturity date of March 2021. The line accrued interest daily at the one-month London Interbank Offered Rate ("LIBOR") plus 3.00%, and is secured by property. There was no balance on the revolving line at September 30, 2020.

6. Long-Term Debt

The Company has other notes payable which consisted of the following (in thousands):

	September 30, 2020
$12,550,000 term loan payable to Lake Forest Bank & Trust Company, due in annual principal payments and quarterly interest payments at the 1-month London Inter-bank Offered Rate (“LIBOR”) plus 3.00%, through January 17, 2025.	$ 11,923
$2,487,000 loan payable under the Paycheck Protection Program & Trust Company. The unforgiven portion of the loan is payable over two years at an interest rate of 1% after a six-month deferral.	2,487
$1,250,000 note payable to premium financing company. Fee income earned on financing policies is applied to the note balance. The note bears no interest and matures in April 2023.	1,070
Less unamortized debt issuance costs	(30)
Total long-term debt	15,450
Less current maturities	(2,278)
Long-term debt, less current maturities	$ 13,172

In January, 2020, the Company consolidated its outstanding term loans and increased the principal balance owed to $12.55 million. The loan accrues interest equal to LIBOR plus 3% and is due in staggered payments of principal and interest beginning September 30, 2020, with a final balloon payment of principal and interest on January 17, 2025.

The Company applied for and received a forgivable Paycheck Protection Loan of $2.5 million as provided under the Federal Coronavirus Aid, Relief and Economic Security Act and the loan was funded on April 13, 2020. Under the terms of the loan, the balance is forgivable to the extent the proceeds are used for certain qualified costs for the applicable period and that certain employment levels are maintained.

To the extent a portion of the loan does not meet the criteria to be forgiven, such amount is due on April 13, 2022 and carries an interest rate of 1%. The Company has used all of the proceeds for eligible costs and expects the total amount of funds received to be forgiven subsequent to the issuance of the consolidated financial statements. A formal request for forgiveness was submitted on October 15, 2020. Upon receipt of a legal release from the obligation, the Company will record a gain on the extinguishment of debt equal to the amount forgiven.

Future principal maturities of long-term debt are as follows (in thousands):

For the Year Ending December 31,	Amount
2021	$ 2,278
2022	2,654
2023	1,610
2024	1,378
2025	7,530
Total	$ 15,450

7. Related Party Transactions

The shareholders of the Company borrowed funds from a bank to purchase Company common stock from other shareholders. As of September 30, 2020, the total balance of shareholder bank loans was approximately $3.0 million. The Company has provided a guarantee of repayment of these individual shareholder bank loans and the balance of the loans have not been included as a liability to the Company. The Company has not been notified of any defaults under these loans through the date of this report.

During 2020, the Company sold 370 shares from treasury stock to shareholders at $589 per share, resulting in a reduction to treasury stock of $218,000. The Company held 12,3032 treasury shares at September 30, 2020.

The Company had a promissory note with the estate of a former shareholder related to 6,000 of the shareholder's total shares. The note provided for interest at the Wall Street Journal prime rate plus 1% and matured July 31, 2023, with principal and interest payments due in 60 monthly installments. The Company repaid the promissory note in full during the nine months ended September 30, 2020.

8. Commitments and Contingencies

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company’s financial position, results of operations or liquidity.

9. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The resulting restrictions on travel and quarantines imposed have had a negative impact on the U.S. economy and business activity globally, the full impact of which is not yet known and may result in an adverse impact to the Company's operating results. The resulting forced closures and results decrease in economic activity would negatively impact the Company's business as it impacts our client base. The depth and duration of the impact is currently still uncertain. Should the closures continue for an extended period of time or should the effects of the coronavirus continue to spread or recur, the effects could have material adverse results on the Company's financial position, results of operations and cash flows.

Effective November 1, 2020, the Company purchased certain assets and intellectual and intangible rights and assumed certain liabilities of Benefit Design Consultants Brokerage. The Agreement was made to expand its benefits business presence in Texas. The Company has not yet completed its evaluation and determination of consideration paid, certain assets and liabilities acquired, or treatment of this transaction as either a business combination or asset acquisition in accordance with Topic 805.

Effective November 1, 2020, the Company purchased certain assets and intellectual and intangible rights and assumed certain liabilities of EPSI Benefits, Inc. The Agreement was made to expand its benefits business presence in Texas. The Company has not yet completed its evaluation and determination of consideration paid, certain assets and liabilities acquired, or treatment of this transaction as either a business combination or asset acquisition in accordance with Topic 805.

On November 30, 2020, the Company sold its outstanding equity interests pursuant to a stock purchase agreement with an unrelated third party for consideration consisting of $100.4 million of cash and consideration payable, 87,093 shares of the purchaser's Class A common stock, 3,857,622 shares of the purchaser's Class B common stock and maximum potential contingent earnout consideration of $66.1 million based upon the achievement of certain post-closing revenue focused performance measures. As part of the closing transaction, the Company's long-term debt obligations were repaid in full or otherwise satisfied. The transaction resulted in a change in control.

The Company has evaluated events and transactions occurring subsequent to September 30, 2020 as of December 7, 2020, the date the consolidated financial statements were available to be issued.

ARMFIELD, HARRISON & THOMAS, INC.

Financial Statements

December 31, 2019

ARMFIELD, HARRISON & THOMAS, INC.

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Independent Auditors' Report

To the Stockholders of
Armfield Harrison & Thomas, Inc.

We have audited the accompanying financial statements of Armfield, Harrison & Thomas, Inc. (the "Company"), which comprise the balance sheet as of December 31, 2019, and related statements of income, stockholders' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and the results of its operations and its cash flows for the year then ended in accordance with U.S. GAAP.

/s/ Dixon Hughes Goodman LLP

Tampa, Florida
December 7, 2020

ARMFIELD, HARRISON & THOMAS, INC.

Balance Sheet

(in thousands, except share data)		December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$	6,971
Restricted cash		6,443
Premiums, commissions and fees receivable, net		21,645
Prepaid expenses and other current assets		383
Total current assets		35,442
Property and equipment, net		1,850
Deferred commission expense		973
Other assets		219
Intangible assets, net		1,057
Goodwill		1,005
Total assets	$	40,546
Liabilities and Stockholders' Equity		
Current liabilities:		
Premiums payable to insurance companies	$	15,918
Producer commissions payable		3,080
Accrued expenses and other current liabilities		6,021
Deferred income		1,453
Current portion of long-term debt		446
Current portion of contingent earnout payable		143
Total current liabilities		27,061
Contingent earnout payable		147
Long-term debt, less current portion		902
Deferred tax liability		1,216
Deferred employee compensation		282
Total liabilities		29,608
Commitments and contingencies (Note 15)		
Stockholders' Equity:		
Common stock, $.01 par value authorized 2,000,000 shares; 747,797 shares issued and outstanding		7
Additional paid-in capital		4,579
Retained earnings		7,049
Notes receivable from stockholders		(697)
Total stockholders' equity		10,938
Total liabilities and stockholders' equity	$	40,546

See accompanying Notes to Financial Statements.

ARMFIELD, HARRISON & THOMAS, INC.

Statement of Operations

(in thousands)		**For the Year Ended December 31, 2019**
Revenues:		
Commissions and fees	$	49,269
Operating expenses:		
Commissions, employee compensation and benefits		40,481
Other operating expenses		8,337
Depreciation expense		406
Amortization expense		259
Total operating expenses		49,483
Operating (loss)		(214)
Other income (expense)		
Interest expense		(97)
Other income		121
Total other income		24
Loss before income taxes		(190)
Provision for income taxes		132
Net loss	$	(322)

See accompanying Notes to Financial Statements.

ARMFIELD, HARRISON & THOMAS, INC.

Statement of Stockholders' Equity

(in thousands, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Retained Earnings	Notes Receivable from Stockholders	Total Stockholders' Equity
Balance at December 31, 2018	747,797	$ 7	$ 4,579	$ 7,371	$ (877)	$ 11,080
Terminated participant shares released by ESOP	—	—	(200)	—	—	(200)
Sale of common stock	—	—	200	—	(160)	40
Collection of stockholder notes receivable	—	—	—	—	340	340
Net loss	—	—	—	(322)	—	(322)
Balance at December 31, 2019	747,797	$ 7	$ 4,579	$ 7,049	$ (697)	$ 10,938

See accompanying Notes to Financial Statements.

ARMFIELD, HARRISON & THOMAS, INC.

Statement of Cash Flows

(in thousands)		**For the Year Ended December 31, 2019**
Cash flows from operating activities:		
Net loss	$	(322)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		665
Release of shares from ESOP		(200)
Loss on disposal of property and equipment		58
Changes in operating assets:		
Premiums, commissions and fees receivable, net		(1,752)
Prepaid expenses and other assets		278
Accounts payable, accrued expenses and other current liabilities		2,152
Deferred employee compensation		26
Deferred tax liability		(489)
Net cash provided by operating activities		416
Cash flows from investing activities:		
Capital expenditures		(422)
Cash consideration paid for business combination, net of cash acquired		(83)
Net cash used in investing activities		(505)
Cash flows from financing activities:		
Contingent earnout payment		(86)
Payments on long-term debt		(467)
Proceeds received from collection of notes receivable from stockholders		340
Proceeds from the issuance of common stock		40
Net cash used in financing activities		(173)
Net decrease in cash and cash equivalents		(262)
Cash and cash equivalents and restricted cash at beginning of year		13,676
Cash and cash equivalents and restricted cash at end of year	$	13,414
Disclosure of non-cash investing and financing activities:		
Supplemental schedule of cash flow information:		
Interest paid	$	97
Taxes paid		111
Disclosure of non-cash investing and financing activities:		
Sale of common stock through issuance of note receivable	$	160
Property additions included in accrued expenses		74

See accompanying Notes to Financial Statements.

1. Business and Basis of Presentation

Armfield, Harrison and Thomas, Inc. (the "Company") is in the business of insurance sales to businesses and individuals. The Company is headquartered in Leesburg, VA, with offices also in Seattle, WA, Chicago, IL, Washington, DC, New York, NY, Boston, MA, San Francisco, CA and Forty Fort, PA.

The financial statements of the Company have been prepared on the basis of accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates underlying the accompanying consolidated financial statements include the application of guidance for revenue recognition, including determination of allowances for estimated policy cancellations, and the determination of the fair value for the purpose of applying Accounting Standards Codification ("ASC") *Business Combinations* (Topic 805).

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"). The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. The FASB has subsequently issued several additional ASUs related to leases, which improved upon, and provided transition relief for, the guidance issued in ASU 2016-02 and extended the adoption date for nonpublic business entities. This guidance is effective for the fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the full effect that the adoption of this standard will have on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Statements ("ASU 2016-13"), which amends the guidance for recognizing credit losses on financial instruments measured at amortized cost. ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The FASB has subsequently issued several additional ASUs related to credit losses, which improved upon, and provided transition relief for, the guidance issued in ASU 2016-13 and extended the adoption date for nonpublic business entities. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the full effect that the adoption of this standard will have on its consolidated financial statements.

In January 2017, the FASB issues ASU No. 2017-01, Business Combinations (Topic 805) - *Clarifying the Definition of a Business* ("ASU 2017-01"). ASU 2017-01 changes the definition of a business to assist entities with evaluating when a set of transferred assets and activities is a business. Under the new guidance, an entity first determines whether substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the set is not a business. If it is not met, the entity then evaluates whether the set meets the requirements that a business include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. ASU 2017-01 defines an output as "the result of an inputs and process applied to those inputs that provide goods or services to customers, investment income such as dividends or interest), or other revenues." The Company adopted ASU 2017-01 effective during 2017 and applied it prospectively to transactions in 2017, 2018 and 2019. The adoption of ASU 2017-01 resulted in certain transactions being accounted for as asset acquisitions rather than business combinations during the year ended December 31, 2019. Refer to Note 3 for additional information on the impact of adopting ASU 2017-01.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"), which amends the guidance on goodwill. Under ASU 2017-04, goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value, while not exceeding the carrying value of goodwill. ASU 2017-04 eliminates existing guidance that requires an entity to determine goodwill impairment by calculating the implied fair value of goodwill by hypothetically assigning the fair value of a reporting unit to all its assets and liabilities as if that reporting unit had been acquired in a business combination. The guidance is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the full effect that the adoption of this standard will have on its consolidated financial statements.

2. Significant Accounting Policies

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification ("ASC") Topic 606, *Revenue from Contracts with Customers* ("Topic 606").

The Company earns commission revenue by facilitating the arrangement between insurance carriers and individuals or businesses by providing insurance placement services to insureds with insurance carriers. Commission revenues are usually a percentage of the premium paid by clients and generally depend upon the type of insurance, the insurance carrier and the nature of the services provided. The Company controls the fulfillment of the performance obligation and its relationship with its insurance carriers and the outside agents. Commissions are earned at a point in time upon the effective date of bound insurance coverage as no performance obligation exists after coverage is bound.

For agency bill commission, the Company acts as an agent on behalf of the insured party for the term of the insurance policy, which is typically one year. The insured party pays the Company the full policy premium. The Company retains its commission and remits the remaining amount to the insurance carrier.

Commission revenue is recorded net of allowances for estimated policy cancellations, which are determined based on an evaluation of historical and current cancellation data.

The Company may receive a profit-sharing commission from an insurance carrier, which is based primarily on underwriting results, but may also contain considerations for volume, growth, loss performance, or retention. Profit-sharing commissions represent a form of variable consideration, which includes additional commissions over base commissions received from insurance carriers. Profit-sharing commissions associated with relatively predictable measures are estimated with a constraint applied and recognized at a point in time. The profit-sharing commissions are recorded as the underlying policies that contribute to the achievement of the metric are placed with any adjustments recognized when payments are received or as additional information that affects the estimate becomes available. Profit-sharing commissions associated with loss performance are uncertain, and therefore, are subject to significant reversal through catastrophic loss season and as loss data remains subject to material change. The constraint is relieved when management estimates revenue that is not subject to significant reversal, which often coincides with the earlier of written notice from the insurance carrier that the target has been achieved, or cash collection. Year-end amounts incorporate estimates based on confirmation from insurance carriers after calculation of potential loss ratios that are impacted by catastrophic losses. The financial statements include estimates based on constraints and incorporates information received from insurance carriers, and where still subject to significant changes in estimates due to loss ratios and external factors that are outside of the Company's control, a full constraint is applied.

Service fee revenue is earned by receiving negotiated fees in lieu of a commission. Service fee revenue from certain agreements is recognized over time depending on when the services within the contract are satisfied and when the Company has transferred control of the related services to the customer.

Due to the relatively short time period between the information gathering phase and binding insurance coverage, the Company has determined that costs to fulfill contracts are not significant. Therefore, costs to fulfill a contract are expensed as incurred.

Cash Equivalents

The Company considers all highly liquid short-term instruments with original maturities of three months or less to be cash equivalents.

Restricted Cash

Restricted cash includes amounts that are legally restricted as to use or withdrawal. Restricted cash represents cash collected from customers that is payable to insurance companies and for which segregation of this cash is required by contract with the relevant insurance company providing coverage or by law within the state.

Premiums, Commissions and Fees Receivable, Net

In its capacity as an insurance agent or broker, the Company typically collects premiums from clients, and after deducting its authorized commissions, remits the net premiums to the appropriate insurance carriers. Premiums receivable reflect these amounts due from clients.

In direct bill situations, the insurance carriers collect the premiums directly from clients and remit the applicable commissions to the Company. Commissions receivable reflect these amounts due from insurance carriers and amounts due from insurance carriers for profit-sharing commissions.

The Company may charge fees in lieu of commissions for providing services to clients. Fees receivable reflect these amounts due from insurance carriers.

Premiums, commissions and fees receivable are reported net of allowances for estimated policy cancellations. The allowance for estimated policy cancellations was $58,000 at December 31, 2019 which represents a reserve for future reversals in commission and fee revenues related to the potential cancellation of client insurance policies that were in force as of each year end.

The allowance for doubtful accounts was $17,000 at December 31, 2019. The allowance for doubtful accounts is based on management’s estimate of the amount of receivables that will actually be collected. Accounts are charged to the allowance as they are deemed uncollectible based upon a periodic review of the accounts.

Property and Equipment, Net

Property and equipment is stated at cost. For financial reporting purposes, depreciation of property and equipment is calculated using the straight-line method and declining balance methods over the estimated useful lives of the assets. Leasehold improvements are recorded at original cost and are amortized using the straight-line method over their estimated useful lives. Assets leased under capital leases are amortized over the life of the lease.

When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts. The difference between the net book value of the assets and proceeds from disposal is recognized as a gain or loss on disposal, which is included in the statement of operations. Routine maintenance and repairs are charged to expense as incurred, while costs of improvements and renewals are capitalized.

Property and equipment is evaluated for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition does not exceed its carrying amount. The amount of the impairment loss, if any, is measured as the amount by which the carrying value of the asset exceeds its fair value. The Company did not incur any impairment losses during the year ended December 31, 2019.

Intangible Assets, Net

The Company's intangible assets consist of purchased books of business. Intangible assets are stated at cost, less accumulated amortization. These assets are being amortized over their estimated useful lives of five years using the straight-line method. The Company reviews its intangible assets for impairment whenever an event occurs that indicates the carrying amount of an asset may not be recoverable. No impairment was recorded for the year ended December 31, 2019.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable assets acquired and liabilities assumed when a business is acquired. Goodwill is not amortized, but is subject to an impairment assessment on an annual basis or whenever indicators of impairment are present. The Company performs a qualitative assessment to determine whether a quantitative impairment test is necessary. In a quantitative assessment, the Company compares the fair value of each reporting unit with its carrying amount to determine if there is potential impairment of goodwill. If the carrying value of a reporting unit is greater than the fair value, an impairment charge is recorded for the amount that the carrying amount of the reporting unit, including goodwill, exceeds its fair value, limited to the amount of goodwill of the reporting unit.

Premiums Payable to Insurance Companies

In agency bill situations, the Company receives the full policy premium from the insured party. The Company retains its commission and remits the net amount to the insurance carrier. Premiums payable represent these amounts due to insurance carriers.

Producer Commissions Payable

The Company shares commissions with other agents or brokers who have acted jointly with the Company in a transaction. Commissions shared with downstream agents or brokers are recorded in commissions, employee compensation and benefits in the statement of operations. The Company records commissions due to agents and brokers as producer commissions payable on the balance sheet.

Income Taxes

Deferred income taxes are provided using the liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of the changes in tax laws and rates on the date of enactment.

The Company follows ASC Topic 740, *Income Taxes*. A component of this standard prescribes a recognition and measurement threshold of uncertain tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. Management has evaluated the Company’s tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

Advertising Expense

The Company expenses advertising costs as they are incurred. Advertising expense was $192,000 for the year ended December 31, 2019, which is included in operating expenses in the statement of operations.

Fair Value of Financial Instruments

The carrying amounts of the Company’s financial assets and liabilities, including cash and cash equivalents, premiums, commissions and fees receivable, premiums payable to insurance companies, producer commissions payable and accrued expenses and other current liabilities approximate their fair values because of the short maturity and liquidity of these instruments.

The fair value of the Company's long-term debt is based on an estimate using a discounted cash flow analysis based on current borrowing rates for similar types of borrowing arrangements. The fair value of the long-term debt was approximately $1.8 million at December 31, 2019 compared to a carrying value of $1.3 million.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents. The Company manages this risk using high credit worthy financial institutions. Interest-bearing accounts and noninterest-bearing accounts are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to $250,000. Deposits exceeded amounts insured by the FDIC at December 31, 2019. The Company has not experienced any losses from its deposits.

Statement of Comprehensive Income

No statement of comprehensive income has been presented as the Company has no items of other comprehensive income.

3. Asset Acquisitions

During 2019, the Company completed the acquisition of certain assets of a company, which included a customer list. The Company accounted for the acquisition as an asset acquisitions under ASC 805, *Business Combinations*, as the gross value of the assets acquired meets the screen test in ASC 805-10-5A as related to substantially all of the fair value being concentrated in a single asset or group of assets (i.e. customer lists) and, thus, are not considered businesses. The aggregate purchase price of the acquisition was $159,000, which included $83,000 of cash consideration paid and $76,000 of contingent consideration liability at fair value. The total consideration was allocated to the customer list acquired. The aggregate purchase price is an estimation of the fair value of contingent consideration obligations associated with the potential earnout provision, which is based on future revenues. The contingent consideration is measured at fair value of the acquisition date and any subsequent changes in the fair value of the contingent earnout liability will be recorded in other income (expense) in the consolidated statement of operations. Acquisition-related costs incurred in connection with the asset acquisition are recorded in operating expenses in the consolidated statement of operations.

4. Revenue

The following table disaggregates commissions and fees revenue by major source (in thousands):

	For the Year Ended December 31, 2019
Direct bill revenue [(1)]	$ 25,736
Agency bill revenue [(2)]	16,927
Profit-sharing revenue [(3)]	4,221
Service fee revenue [(4)]	2,385
Total commissions and fees	$ 49,269

(1) Direct bill revenue represents commission revenue earned by facilitating the arrangement between individuals or businesses and insurance carriers by providing insurance placement services to clients with insurance carriers, primarily for private risk management, commercial risk management and employee benefits insurance types.
(2) Agency bill revenue represents commissions earned through the distribution of insurance products to consumers using a network of agents and brokers on behalf of various insurance carriers. The Company acts as an agent on behalf of the insured for the term of the insurance policy.
(3) Profit-sharing revenue represents bonus-type revenue that is earned by the Company as a sales incentive provided by certain insurance carriers.
(4) Service fee revenue represents negotiated fees charged in lieu of a commission for providing agent related services to clients on behalf of insurance carriers.

The application of Topic 606 requires the use of management judgment. The following are the areas of most significant judgment as it relates to Topic 606:

- The Company considers the policyholders as representative of its customers.
- The Company recognizes separately contracted commissions revenue at the effective date of insurance placement and considers any ongoing interaction with the customer to be immaterial in the context of the contract.
- Variable consideration includes estimates of direct bill commissions and a reserve for policy cancellations.
- Due to the relatively short time period between the information gathering phase and binding insurance coverage, the Company has determined that costs to fulfill contracts are not significant. Therefore, costs to fulfill a contract are expensed as incurred.

Contract Assets and Liabilities

Contract assets arise when the Company recognizes revenue for amounts which have not yet been billed and contract liabilities relate to payments received in advance of performance under the contract before the transfer of a good or service to the customer. The Company had $13.6 million of contract assets at December 31, 2019, which are included in premiums, commissions and fees receivable, net on the balance sheet. The Company had $9.2 million of contract liabilities at December 31, 2019, of which $4.6 million are included in premiums payable to insurance companies, $2.2 million are included in accrued expenses and other current liabilities, and $2.4 million are included in producer commissions payable, on the balance sheet.

Deferred Commission Expense

The Company pays an incremental amount of compensation in the form of producer commissions on new business. In accordance with ASC Topic 340, *Other Assets and Deferred Costs,* these incremental costs are deferred and amortized over five years, which represents management's estimate of the average benefit period. Deferred commission expense represents employee commissions that are capitalized and not yet expensed.

The table below provides a rollforward of deferred commission expense (in thousands):

(in thousands)	For the Year Ended December 31, 2019
Balance at beginning of year	$ 908
Cost capitalized	427
Amortization	(362)
Balance at end of year	$ 973

5. Property and Equipment, Net

Property and equipment, net consists of the following (in thousands):

	December 31, 2019
Computer equipment	$ 1,313
Office furniture and fixtures	1,224
Tenant improvement allowance	1,114
Leasehold improvements	867
Total property and equipment	4,518
Less: accumulated depreciation	(2,668)
Property and equipment, net	$ 1,850

Depreciation expense recorded for property and equipment was $406,000 for the year ended December 31, 2019.

6. Intangible Assets, Net and Goodwill

The Company recognizes certain separately identifiable intangible assets acquired in connection with business combinations and asset acquisitions.

Customer lists, net consists of the following (in thousands):

		December 31, 2019
Customer list	$	3,119
Less: accumulated amortization		(2,062)
Net carrying value	$	1,057
Goodwill	$	1,005

Amortization expense recorded for customer lists was $259,000 for the year ended December 31, 2019.

Future annual estimated amortization expense over the next five years for customer lists is as follows (in thousands):

Year Ending December 31,		Amount
2020	$	265
2021		96
2022		87
2023		79
2024		72

7. Line of Credit

The Company maintains a $3,000,000 line of credit with a commercial bank. The line of credit has an indefinite maturity date and is due upon demand of the bank. Interest is payable monthly at the one-month London Interbank Borrowing Rate (“LIBOR”) plus 2.00% and rounded up to the nearest 0.125% (3.875% at December 31, 2019). The line of credit is secured by the personal assets of the stockholders. The Company had no outstanding borrowings on the line of credit as of December 31, 2019.

8. Long-Term Debt

Long-term debt consists of the following (in thousands):

		December 31, 2019
$1,500,000 term loan payable to Middleburg Bank, payable in monthly installments of principal and interest at the prime rate plus 1.0% (5.75% at December 31, 2019) of $17,857 through December 2021	$	428
$1,200,000 term loan payable to Middleburg Bank, payable in monthly installments of principal and interest at the prime rate plus 1.0% (5.75% at December 31, 2019) of $12,500 through October 2020		125
$818,000 term loan payable to former shareholder, payable in monthly installments of principal and interest at the prime rate adjusted annually (4.75% at December 31, 2019) through May 2024		295
Term loan payable to former shareholder, payable in annual installments of interest, with the principal due in August 2022		337
Capital lease obligations, payable in monthly installments of principal and interest through December 2024		163
Total long-term debt		1,348
Less current maturities		446
Long-term debt, less current maturities	$	902

The Company recorded interest expense on long-term debt of $97,000 for the year ended December 31, 2019.

The expected maturities of long-term debt as of December 31, 2019 are as follows (in thousands):

Year Ending December 31,		Amount
2020	$	446
2021		332
2022		435
2023		81
2024		54
Total	$	1,348

9. Notes Receivable from Stockholders

Notes receivable from stockholders consists of the following notes related to the purchase of common stock (in thousands):

	At December 31, 2019	
On June 24, 2015 the Corporation sold shares of common stock to various stockholders by issuance of notes receivable, with interest at 4.25% adjusted to Wall Street Journal prime plus 1% annually until paid. Interest and principal payments are due annually. Shares are collateral for the note. The balance is due March 20, 2022.	$	358
On October 1, 2019, the Corporation sold shares of common stock to various stockholders by issuance of notes receivable, with interest at 6.50% adjusted to Wall Street Journal Prime plus 1% annually until paid. Interest and principal payments are due annually. Shares are collateral for the note. The balance is due September 30, 2023.		160
On October 1, 2018, the Corporation sold shares of common stock to various stockholders by issuance of notes receivable, with interest at 6.00% adjusted to Wall Street Journal prime plus 1% annually until paid. Interest and principal payments are due annually. Shares are collateral for the note. The balance is due September 30, 2022.		119
On November 30, 2017, the Corporation sold shares of common stock to various stockholders by issuance of notes receivable, with interest at 5.25% adjusted to Wall Street Journal Prime plus 1% annually until paid. Interest and principal payments are due annually. Shares are collateral for the note. The balance is due November 30, 2021		40
On October 1, 2015, the Corporation sold shares of common stock to various stockholders by issuance of notes receivable, with interest at 4.25% adjusted to Wall Street Journal Prime plus 1% annually until paid. Interest and principal payments are due annually. Shares are collateral for the note. The balance was due October 1, 2019.		20
Total notes receivable from stockholders	$	697

Interest income related to notes receivable from stockholders is included in other income in the statement of operations.

10. Related Party Transactions

Debt Guarantee of Stockholders

In 2018, certain stockholders of the company obtained unsecured financing from a commercial bank in order to purchase stock of the Company. The Company agreed to guarantee the debt on behalf of stockholders. The total amount guaranteed is approximately $4,213,000. The debt matures in March 2029. The Company can be required to perform on the guarantee only in the event of nonpayment of the debt by the stockholders. Management evaluates the Company’s exposure to loss at each balance sheet date and provides accruals for such as deemed necessary. No accruals were deemed necessary at December 31, 2019. This guarantee was relieved in connection with the change in control discussed in Note 16.

Related Party Rent Expense

The Company leases office space from a limited liability company owned by current and former stockholders. Total rent expense incurred with respect to related parties was $748,000 for the year ended December 31, 2019.

11. Retirement Plan

The Company has a 401(k) plan (the “401(k) Plan”) that covers substantially all employees. Employees are eligible to participate in the 401(k) Plan once they attain the age of 21. Employees may elect to make deferrals of their compensation up to the maximum deferral of compensation as defined by law. There were no employer contributions to the 401(k) Plan for the year ended December 31, 2019.

12. Employee Stock Ownership Plan

The Company sponsors an Employee Stock Ownership Plan (the "ESOP"). The purpose of the ESOP is to enable full-time employees to acquire stock ownership in the Company. Employees are eligible to participate in the Plan if they are at least 21 years of age, have been employed by the Company for at least 12 months, and have worked a minimum of 1,000 hours. The Company makes annual contributions to the ESOP. The ESOP held 188,708 shares of the Company stock at December 31, 2019.

In the event a terminated ESOP participant desires to sell his or her shares of the Company's common stock, or for certain employees who elect to diversify their account balances, the Company may be required to repurchase the shares from the participant at fair market value. The Company redeemed 3,004 shares from terminated participants for $200,000 in the year ended December 31, 2019.

The ESOP transactions consisted of the following (in thousands):

	At December 31, 2019	
Cash Contributions made into the ESOP	$	866
Accrued contributions to ESOP plan		434
Terminated participant shares released by ESOP		(200)
Shares sold back to company		200
Total ESOP expense	$	1,300

13. Share-Based Compensation

Phantom Stock

In 2004, the Company established the Armfield, Harrison & Thomas, Inc. Phantom Stock Allocation and Performance Appreciation Plan (the "Phantom Plan"), which is a deferred compensation plan used to award initial share values to participants at no cost. The phantom stock performance is tracked annually to determine the performance appreciation, calculated as the accumulated changes in the value of the Company's stock. Shares issued under the Phantom Plan vest upon the occurrence of an event, limited to a change in control, death, disability, or normal retirement. Phantom Plan compensation expense for the year ended December 31, 2019 was $26,000. No shares were awarded or forfeited during this period. However, subsequent to September 30, 2020 all outstanding shares vested on December 1, 2020 due to the change in control discussed in Note 16. The deferred compensation liability as of the year ended December 31, 2019 totaled $282,000.

Stock Appreciation Rights

In 2019, the Company established a Stock Appreciation Rights Plan (the "SAR Plan"), to grant non-equity incentive awards in the form of stock appreciation rights ("SARs") to a select group of management and key employees. A total of 10,000 shares of SARs have been reserved for issuance under the SAR Plan. Issued SARs may be fully or partially vested or unvested upon issuance as provided in each Participant's Rights Agreement. Service periods are also explicitly stated in each Participant's Rights Agreement and compensation costs are based on these specifically established terms. At December 31, 2019, the Company had 8,025 of rights available for granting of SARs under the SAR Plan. SARs share-based compensation expense for the year ended December 31, 2019 was zero. The number of shares awarded during 2019 was 7,900 and no shares were vested for forfeited during 2019.

14. Income Taxes

Net deferred tax assets and liabilities consists of the following components (in thousands):

		At December 31, 2019
Deferred tax assets:		
Goodwill	$	13
Deferred compensation		73
Allowance for accounts receivable		5
Chargeback reserve		15
Accrued vacation		61
Straight-line rent		374
Total deferred tax assets	$	541
Deferred tax liabilities:		
Property and equipment	$	(229)
ASC 606 adjustment		(1,278)
Deferred contract cost		(250)
Total deferred tax liabilities		(1,757)
Net deferred tax liability	$	(1,216)

The provision for income taxes charged to operations for the year ended December 31, 2019 consists of the following (in thousands):

		For the Year Ended December 31, 2019
Current tax expense	$	621
Deferred tax benefit		(489)
Income tax provision	$	132

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income due to applicable state income tax rates, nondeductible expense, and changes in tax rates. The Company recognizes deferred tax assets on deductible temporary differences, and deferred tax liabilities on taxable temporary differences. Temporary differences are the differences between the reported amount of assets and liabilities and their tax bases. As those differences reverse, they will enter into the determination of future taxable income included in the tax return. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

15. Commitment and Contingencies

Legal

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company’s financial position, results of operations or liquidity.

Lease Obligations

The Company leases office space under several noncancelable operating leases that expire through February 2028. The lease agreements call for monthly base rental payments of between $2,000 and $52,000. Additional space is leased on a month-to-month basis.

In addition to base rent, many of the lease agreements require the Company to pay amounts that represent additional occupancy costs such as utilities and common area maintenance. These additional amounts are included in rent expense. Total rent expense was $1.9 million for the year ended December 31, 2019.

Approximate future minimum payments under the operating lease agreements are as follows (in thousands):

Year Ending December 31,		Amount
2020	$	1,623
2021		1,683
2022		1,720
2023		1,768
2024		1,817
Thereafter		8,340
	$	16,951

16. Subsequent Events

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus ("COVID-19") pandemic. The resulting restrictions on travel and quarantines imposed have had a negative impact on the U.S. economy and business activity globally, the full impact of which is not yet known and may result in an adverse impact to the Company’s operating results. The resulting forced closures and resulting decrease in economic activity would negatively impact the Company’s business as it impacts our client base. The depth and duration of the impact is currently still uncertain. Should the closures continue for an extended period of time or should the effects of the coronavirus continue to spread or recur, the effects could have material adverse results on the Company’s financial position, results of operations and cash flows.

Due to this uncertainty, the Company applied for and received a loan under Payroll Protection from the Small Business Administration (“SBA”) as authorized by the Coronavirus Aid, Relief and Economic Security (“CARES”) act of 2020. The loan was for $4.2 million with interest charged at 1.00% and maturity in April 2022. Some or all of the loan may be forgiven provided the Company uses the proceeds to keep employees employed and paid and for other purposes allowed by the SBA. The Company intends to use the funds to pay employees and expects a significant portion of this loan to be forgiven.

Effective July 1, 2020, the Company purchased certain assets and intellectual and intangible rights and assumed certain liabilities of Mason & Mason Technology Insurance Services Inc. (“M&M”) and its principals for consideration consisting of $8.8 million of cash, $2.4 million of equity interest at fair value and $2.3 million of contingent earnout consideration at fair value. The Company has not yet completed its evaluation and determination of consideration paid, certain assets and liabilities acquired, or treatment of this transaction as either a business combination or asset acquisition in accordance with Topic 805.

Effective October 1, 2020, the Company purchased certain tangible and intangible assets of Sean Flaherty, sole proprietor. The Company has not yet completed its evaluation and determination of consideration paid or certain assets acquired of this transaction as either a business combination or asset acquisition in accordance with Topic 805.

Effective November 5, 2020, the Company purchased certain account assets of Mark Edward Partners LLC. The Company has not yet completed its evaluation and determination of consideration paid or certain assets acquired of this transaction as either a business combination or asset acquisition in accordance with Topic 805.

On December 1, 2020, the Company sold its outstanding equity interests pursuant to a stock purchase agreement with an unrelated third party for consideration consisting of $197.3 million of cash and consideration payable, 784,222 shares of the purchaser's Class A common stock and maximum potential contingent earnout consideration of $107.0 million based upon the achievement of certain post-closing revenue focused performance measures. As part of the closing transaction, the Company's long-term debt obligations were repaid in full. The transaction resulted in a change in control.

The Company has evaluated events and transactions for potential recognition or disclosure through December 7, 2020, which is the date the financial statements were available to be issued.

Exhibit 99.4

ARMFIELD, HARRISON & THOMAS, INC.

Financial Statements (Unaudited)

September 30, 2020

ARMFIELD, HARRISON & THOMAS, INC.

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ARMFIELD, HARRISON & THOMAS, INC.

Balance Sheet

(Unaudited)

(in thousands, except share and per share data)		**September 30, 2020**
Assets		
Current assets:		
Cash and cash equivalents	$	15,984
Restricted cash		4,601
Premiums, commissions and fees receivable, net		27,028
Prepaid expenses and other current assets		470
Total current assets		48,083
Property and equipment, net		1,832
Other assets		249
Deferred commission expense		975
Intangible assets, net		6,697
Goodwill		8,015
Total assets	$	65,851
Liabilities and Stockholders' Equity		
Current liabilities:		
Premiums payable to insurance companies	$	19,687
Producer commissions payable		3,966
Accrued expenses and other current liabilities		9,305
Deferred income		1,505
Revolving line of credit		6,000
Current portion of long-term debt		4,174
Current portion of contingent earnout payable		143
Total current liabilities		44,780
Contingent earnout payable		2,409
Long-term debt, less current portion		988
Deferred tax liability		619
Deferred employee compensation		1,058
Total liabilities		49,854
Commitments and contingencies (Note 10)		
Stockholders' Equity:		
Common stock, $.01 par value authorized 2,000,000 shares; 772,089 shares issued and outstanding		8
Additional paid-in capital		6,947
Retained earnings		9,622
Notes receivable from stockholders		(580)
Total stockholders' equity		15,997
Total liabilities and stockholders' equity	$	65,851

See accompanying Notes to Financial Statements.

ARMFIELD, HARRISON & THOMAS, INC.

Statement of Operations

(Unaudited)

(in thousands)		**For the Nine Months Ended September 30, 2020**
Revenues:		
Commissions and fees	$	43,518
Operating expenses:		
Commissions, employee compensation and benefits		33,539
Other operating expenses		6,000
Amortization expense		378
Depreciation expense		282
Total operating expenses		40,199
Operating income		3,319
Other income (expense):		
Interest expense		(47)
Other income		144
Total other income		97
Income before income taxes		3,416
Provision for income taxes		843
Net income	$	2,573

See accompanying Notes to Financial Statements.

ARMFIELD, HARRISON & THOMAS, INC.

Statement of Stockholders' Equity

(Unaudited)

(in thousands, except share data)	Common Stock Shares	Common Stock Amount	Additional Paid in Capital	Retained Earnings	Notes Receivable from Stockholders	Total Stockholders' Equity
Balance at December 31, 2019	747,797	$ 7	$ 4,579	$ 7,049	$ (697)	$ 10,938
Terminated participant shares released by ESOP	—	—	(100)	—	—	(100)
Sale of common stock	—	—	100	—	—	100
Collection of stockholder notes receivable	—	—	—	—	117	117
Issuance of common stock	24,292	1	2,368	—	—	2,369
Net income	—	—	—	2,573	—	2,573
Balance at September 30, 2020	772,089	$ 8	$ 6,947	$ 9,622	$ (580)	$ 15,997

See accompanying Notes to Financial Statements.

ARMFIELD, HARRISON & THOMAS, INC.

Statement of Cash Flows

(Unaudited)

(in thousands)		**For the Nine Months ended September 30, 2020**
Cash flows from operating activities:		
Net income	$	2,573
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization		660
Changes in operating assets:		
Premiums, commissions and fees receivable, net		(5,946)
Prepaid expenses and other assets		(3)
Accounts payable, accrued expenses and other current liabilities		6,785
Deferred employee compensation		776
Deferred tax liability		(597)
Net cash provided by operating activities		4,248
Cash flows from investing activities:		
Capital expenditures		(179)
Cash consideration paid for business combination, net of cash acquired		(6,829)
Net cash used in investing activities		(7,008)
Cash flows from financing activities:		
Proceeds from revolving line of credit		6,000
Proceeds from PPP loan		4,184
Payments on long-term debt		(370)
Proceeds received from collection of notes receivable from stockholders		117
Net cash provided by financing activities		9,931
Net decrease in cash and cash equivalents		7,171
Cash and cash equivalents and restricted cash at beginning of period		13,414
Cash and cash equivalents and restricted cash at end of period	$	20,585
Supplemental schedule of cash flow information:		
Interest paid	$	47
Taxes paid		449
Disclosure of non-cash investing and financing activities:		
Contingent fees related to business combinations	$	2,262
Gross up to accounts receivable and accounts payable related to revenue recognition		1,248

See accompanying Notes to Financial Statements.

1. Business and Basis of Presentation

Armfield, Harrison and Thomas, Inc. (the “Company”) is in the business of insurance sales to businesses and individuals. The Company is headquartered in Leesburg, VA, with offices also in Seattle, WA, Chicago, IL, Washington, DC, New York, NY, Boston, MA, San Francisco, CA and Forty Fort, PA.

The financial statements of the Company have been prepared on the basis of accounting principles generally accepted in the United States of America (“GAAP”).

Interim Financial Reporting

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Article 10 of Regulation S-X. Accordingly, they do not include all of the information and related notes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for fair statement have been included.

Use of Estimates

The preparation of the financial statements (or "financial statements" referred to herein) in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates underlying the accompanying consolidated financial statements include the application of guidance for revenue recognition, including determination of allowances for estimated policy cancellations, and the determination of the fair value for the purpose of applying Accounting Standards Codification (“ASC”) *Business Combinations* (Topic 805).

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Updates (“ASU”) No. 2016-02, *Leases* (Topic 842) (“ASU 2016-02”). The guidance in ASU 2016-02 supersedes the lease recognition requirements in ASC Topic 840, *Leases*. ASU 2016-02 requires an entity to recognize assets and liabilities arising from a lease for both financing and operating leases, along with additional qualitative and quantitative disclosures. The FASB has subsequently issued several additional ASUs related to leases, which improved upon, and provided transition relief for, the guidance issued in ASU 2016-02 and extended the adoption date for nonpublic business entities. This guidance is effective for the fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the full effect that the adoption of this standard will have on its financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326): Measurement of Credit Losses on Financial Statements ("ASU 2016-13"), which amends the guidance for recognizing credit losses on financial instruments measured at amortized cost. ASU 2016-13 replaces the incurred loss impairment methodology in current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The FASB has subsequently issued several additional ASUs related to credit losses, which improved upon, and provided transition relief for, the guidance issued in ASU 2016-13 and extended the adoption date for nonpublic business entities. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the full effect that the adoption of this standard will have on its consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles - Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04"), which amends the guidance on goodwill. Under ASU 2017-04, goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value, while not exceeding the carrying value of goodwill. ASU 2017-04 eliminates existing guidance that requires an entity to determine goodwill impairment by calculating the implied fair value of goodwill by hypothetically assigning the fair value of a reporting unit to all its assets and liabilities as if that reporting unit had been acquired in a business combination. The guidance if effective for impairment tests in fiscal years beginning after December 15, 2021, with early adoption permitted. The Company is currently evaluating the full effect that the adoption of this standard will have on its consolidated financial statements.

2. Business Combination

On July 9, 2020, the Company purchased certain assets, including intellectual and intangible rights, and assumed certain liabilities of Mason & Mason Technology Insurance Services Inc. ("M&M") and its principals. The transaction had an effective date of July 1, 2020.

In accordance with ASC Topic 805, *Business Combinations* ("Topic 805"), total consideration was first allocated to the fair value of assets acquired, including liabilities assumed, with the excess being recorded as goodwill. For financial statement purposes, goodwill is not amortized but rather is evaluated for impairment at least annually or more frequently if an event or change in circumstances occurs that indicates goodwill may be impaired. Goodwill is deductible for tax purposes and will be amortized over a period of 15 years.

The recorded purchase price for certain of the foregoing business combination includes an estimation of the fair value of contingent consideration obligations associated with potential earnout provisions, which are generally based on recurring commissions and fees revenue. Any subsequent changes in the fair value of contingent earnout liabilities will be recorded in the consolidated statement of operations when incurred.

The operating results of the M&M business combination has been included in the consolidated statement of operations since the effective date. The Company recognized total revenues and net income from M&M of $1.6 million and $261,000, respectively, for the nine months ended September 30, 2020.

Acquisition-related costs incurred in connection with these business combinations are recorded in other operating expenses in the statement of operations. The Company incurred acquisition-related costs for the M&M acquisition of $203,000 for the nine months ended September 30, 2020.

The table below provides a summary of the total consideration and the estimated purchase price allocation made for the M&M business combination (in thousands):

	Amount
Cash consideration paid	$ 8,800
Fair value of contingent earnout consideration	2,262
Fair value of equity interest	2,368
Total consideration	$ 13,430
Cash	$ 589
Restricted Cash	1,382
Premiums, commissions and fees receivable	685
Prepaid and other assets	115
Property and equipment	85
Customer list	6,018
Goodwill	7,010
Total assets acquired	15,884
Premiums payable to insurance companies	(569)
Producer commissions payable	(197)
Accrued expenses and other current liabilities	(440)
Deferred income	(1,248)
Total liabilities acquired	(2,454)
Net assets acquired	$ 13,430

Due to the complexity of valuing the consideration paid and the purchase price allocation and the timing of these activities, certain amounts included in the financial statements may be provisional and subject to additional adjustments within the measurement period as permitted by Topic 805. Any measurement period adjustments related to the estimation of fair value for prior period business combinations are reflected as current period adjustments in accordance with Topic 805. There were no measurement period adjustments during the nine months ended September 30, 2020.

3. Revenue

The following table disaggregates commissions and fees revenue by major source (in thousands):

		For the Nine Months Ended September 30, 2020
Direct bill revenue (1)	$	22,101
Agency bill revenue (2)		14,709
Profit-sharing revenue (3)		4,549
Service fee revenue (4)		2,159
Total commissions and fees	$	43,518

(1) Agency bill revenue represents commission and fee revenue earned through the distribution of insurance products to consumers using a network of agents and brokers on behalf of various insurance carriers. The Company acts as an agent on behalf of the insured for the term of the insurance policy.
(2) Service fee revenue represents negotiated fees charged in lieu of a commission for providing agent related services to clients on behalf of insurance carriers.
(3) Profit-sharing revenue represents bonus-type revenue that is earned by the Company as a sales incentive provided by certain insurance carriers.
(4) Direct bill revenue represents commission revenue earned by facilitating the arrangement between individuals or businesses and insurance carriers by providing insurance placement services to clients with insurance carriers, primarily for private risk management, commercial risk management and employee benefits insurance types.

The application of Topic 606 requires the use of management judgment. The following are the areas of most significant judgment as it relates to Topic 606:

- The Company considers the policyholders as representative of its customers.
- The Company recognizes separately contracted commissions revenue at the effective date of insurance placement and considers any ongoing interaction with the customer to be immaterial in the context of the contract.
- Variable consideration includes estimates of direct bill commissions, a reserve for policy cancellations and an estimate of profit-sharing income.
- Due to the relatively short time period between the information gathering phase and binding insurance coverage, the Company has determined that costs to fulfill contracts are not significant. Therefore, costs to fulfill a contract are expensed as incurred.

Contract Assets

Contract assets arise when the Company recognizes revenue for amounts which have not yet been billed and contract liabilities relate to payments received in advance of performance under the contract before the transfer of a good or service to the customer. The Company had $17.0 million of contract assets at September 30, 2020, which are included in premiums, commissions and fees receivable, net on the balance sheet. The Company had $9.2 million of contract liabilities at September 30, 2020, of which $6.2 million are included in premiums payable to insurance companies and $3.0 million are included in producer commissions payable, on the balance sheet.

Deferred Commission Expense

The Company pays an incremental amount of compensation in the form of producer commissions on new business. In accordance with ASC Topic 340, *Other Assets and Deferred Costs*, these incremental costs are deferred and amortized over five years, which represents management's estimate of the average benefit period. Deferred commission expense represents employee commissions that are capitalized and not yet expensed.

The table below provides a rollforward of deferred commission expense (in thousands):

		For the Nine Months Ended September 30, 2020
Balance at beginning of year	$	973
Cost capitalized		277
Amortization		(275)
Balance at end of year	$	975

4. Intangible Assets, Net and Goodwill

The Company recognizes certain separately identifiable intangible assets acquired in connection with business combinations and asset acquisitions.

Intangible assets, net consists of the following (in thousands):

		For the Nine Months Ended September 30, 2020
Customer list	$	9,137
Less: accumulated amortization		(2,440)
Net carrying value	$	6,697
Goodwill	$	8,015

Amortization expense recorded for customer lists was $378,000 for the nine months ended September 30, 2020.

Future annual estimated amortization expense over the next five years for intangible assets is as follows (in thousands):

Year Ending September 30,		Amount
2021	$	809
2022		762
2023		715
2024		674
2025		635

5. Line of Credit

The Company maintains a $6,000,000 line of credit with a commercial bank. The line of credit has an indefinite maturity date and is due upon demand of the bank. Interest is payable monthly at the one-month London Interbank Borrowing Rate ("LIBOR") plus 2.00% and rounded up to the nearest 0.125% (2.16% at September 30, 2020). The line of credit is secured by the personal assets of the members. The Company had $6.0 million of outstanding borrowings on the line of credit as of September 30, 2020.

6. Long-Term Debt

Long-term debt consists of the following (in thousands):

	September 30, 2020
$1,500,000 term loan payable to Middleburg Bank, payable in monthly installments of principal and interest at the prime rate plus 1.0% (5.75% at December 31, 2019) of $17,857 through December 2021	$ 268
$1,200,000 term loan payable to Middleburg Bank, payable in monthly installments of principal and interest at the prime rate plus 1.0% (5.75% at December 31, 2019) of $12,500 through October 2020	13
$4,184,000 loan payable under the Paycheck Protection Program & Trust Company. The unforgiven portion of the loan is payable over two years at an interest rate of 1% after a six-month deferral.	4,184
$818,000 term loan payable to former shareholder, payable in monthly installments of principal and interest at the prime rate adjusted annually (4.75% at December 31, 2019) through May 2024	248
Term loan payable to former shareholder, payable in annual installments of interest, with the principal due in August 2022	331
Capital lease obligations, payable in monthly installments of principal and interest through December 2024	118
Total long-term debt	5,162
Less current maturities	4,174
Long-term debt, less current maturities	$ 988

The Company recorded interest expense on long-term debt of $47,000 for the nine months ended September 30, 2020.

7. Related Party Transactions

Notes Receivable from Stockholders

The Company has certain notes receivable due from various stockholders that bear interest at Wall Street Journal prime plus 1% annually and maturing between November 30, 2021 and September 30, 2023.

Debt Guarantee of Stockholders

In 2018, certain stockholders of the company obtained unsecured financing from a commercial bank in order to purchase stock of the Company. The Company agreed to guarantee the debt on behalf of stockholders. The total amount guaranteed is approximately $4,213,000. The debt matures in March 2029. The Company can be required to perform on the guarantee only in the event of nonpayment of the debt by the Stockholders. Management evaluates the Company's exposure to loss at each balance sheet date and provides accruals for such as deemed necessary. No accruals were deemed necessary at September 30, 2020. This guarantee was relieved in connection with the change in control discussed in Note 11.

Related Party Rent Expense

The Company leases office space from a limited liability company owned by current and former principal stockholders. Total rent expense incurred with respect to related parties was $470,000 for the nine months ended September 30, 2020.

8. Share-Based Compensation

Phantom Stock

In 2004, the Company established the Armfield, Harrison & Thomas, Inc. Phantom Stock Allocation and Performance Appreciation Plan (the “Phantom Plan”), which is a deferred compensation plan used to award initial share values to participants at no cost. The phantom stock performance is tracked annually to determine the performance appreciation, calculated as the accumulated changes in the value of the Company’s stock. Shares issued under the Phantom Plan vest upon the occurrence of an event, limited to a change in control, death, disability, or normal retirement. Phantom Plan compensation expense for the nine months ended September 30, 2020 was $493,000. No shares were awarded or forfeited during this period. However, subsequent to September 30, 2020 all outstanding shares vested on December 1, 2020 due to the change in control discussed in Note 11. The deferred compensation liability as of the nine months ended September 30, 2020 totaled $825,000.

Stock Appreciation Rights

In 2019, the Company established a Stock Appreciation Rights Plan (the "Plan”), to grant non-equity incentive awards in the form of stock appreciation rights ("SARs”) to a select group of management and key employees. Issued SARs may be fully or partially vested or unvested upon issuance as provided in each Participant’s Rights Agreement. Service periods are also explicitly stated in each Participant’s Rights Agreement and compensation costs are based on these specifically established terms. As of the nine months ended September 30, 2020, the Company had issued all units under the Plan, totaling 10,400. SARs share-based compensation expense for the nine months ended September 30, 2020 was $188,000. The Company awarded 2,500 shares during the nine months ended September 30, 2020, while 1,975 shares were vested and none were forfeited during this same period. The deferred compensation liability as of the nine months ended September 30, 2020 totaled $188,000. All outstanding shares vested on December 1, 2020 upon the change in control discussed in Note 11.

9. Income Taxes

Net deferred tax assets and liabilities consists of the following components (in thousands):

	For the Nine Months Ended September 30, 2020
Deferred tax assets:	
Allowance for accounts receivable	$ 5
Straight-line rent	387
Accrued vacation	80
Chargeback reserve	17
Intangibles	13
Deferred compensation payable	272
Total deferred tax assets	$ 774
Deferred tax liabilities:	
Property and equipment	$ (183)
Section 481(a) adjustment related to adoption of Topic 606	(959)
Deferred contract cost	(251)
Total deferred tax liabilities	(1,393)
Net deferred tax liability	$ (619)

The provision for income taxes charged to operations for the nine months ended September 30, 2020 consists of the following (in thousands):

	For the Nine Months Ended September 30, 2020
Current tax expense	$ 1,440
Deferred tax benefit	(597)
Income tax provision	$ 843

The income tax provision differs from the amount of income tax determined by applying the U.S. federal income tax rate to pretax income due to applicable state income tax rates, nondeductible expense, and changes in tax rates. The Company recognizes deferred tax assets on deductible temporary differences, and deferred tax liabilities on taxable temporary differences. Temporary differences are the differences between the reported amount of assets and liabilities and their tax bases. As those differences reverse, they will enter into the determination of future taxable income included in the tax return. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

10. Commitments and Contingencies

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company’s financial position, results of operations or liquidity.

11. Subsequent Events

Effective October 1, 2020, the Company purchased certain tangible and intangible assets of Sean Flaherty, sole proprietor. The Company has not yet completed its evaluation and determination of consideration paid or certain assets acquired of this transaction as either a business combination or asset acquisition in accordance with Topic 805.

Effective November 5, 2020, the Company purchased certain account assets of Mark Edward Partners LLC. The Company has not yet completed its evaluation and determination of consideration paid or certain assets acquired of this transaction as either a business combination or asset acquisition in accordance with Topic 805.

On December 1, 2020, the Company sold its outstanding equity interests pursuant to a stock purchase agreement with an unrelated third party for consideration consisting of $197.3 million of cash and consideration payable, 784,222 shares of the purchaser's Class A common stock and maximum potential contingent earnout consideration of $107.0 million based upon the achievement of certain post-closing revenue focused performance measures. As part of the closing transaction, the Company's long-term debt obligations were repaid in full or otherwise satisfied. The transaction resulted in a change in control.

The Company has evaluated events and transactions occurring subsequent to September 30, 2020 as of December 7, 2020, the date the financial statements were available to be issued.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The following unaudited pro forma condensed consolidated financial information is based on the historical financial information of BRP Group, Inc. (“BRP Group” or the “Company”), Insgroup, Inc. ("Insgroup") and Armfield, Harrison and Thomas, Inc. ("AHT"), and has been prepared to reflect the acquisition of Insgroup by Baldwin Krystyn Sherman Partners, LLC (“BKS”), an indirect subsidiary of BRP Group, effective November 30, 2020 and the acquisition of AHT by BKS effective December 1, 2020 (collectively, the “Insgroup and AHT Partnerships”).

The unaudited pro forma condensed consolidated balance sheet as of September 30, 2020 gives effect to the Insgroup and AHT Partnerships as if the acquisitions had occurred on September 30, 2020.

The unaudited pro forma condensed consolidated statement of income (loss) for the nine months ended September 30, 2020 gives effect to (i) the Insgroup and AHT Partnerships; and (ii) the acquisition of Lanier Upshaw, Inc. (“Lanier”) effective January 1, 2020, Highland Risk Services LLC (“Highland”) effective January 1, 2020, Insurance Risk Partners, LLC (“IRP”) effective April 1, 2020 and Rosenthal Bros., Inc. (“Rosenthal Bros”) effective June 1, 2020 as if the acquisitions had occurred on January 1, 2019. Historical amounts for the Lanier and Highland acquisitions are not shown separately as these acquisitions occurred on January 1, 2020 and are therefore included in the BRP Group historical amounts.

The unaudited pro forma condensed consolidated statement of income (loss) for the year ended December 31, 2019 gives effect to (i) the Insgroup and AHT Partnerships; and (ii) the acquisition of Lykes Insurance, Inc. (“Lykes”) effective March 1, 2019, Millennial Specialty Insurance LLC (“MSI”) effective April 1, 2019, Lanier, Highland, IRP and Rosenthal Bros (collectively, the “Significant Historical Businesses Acquired”) as if the acquisitions had occurred on January 1, 2019.

The unaudited pro forma financial information has been prepared by our management and is based on BRP Group’s historical financial statements and the assumptions and adjustments described in the notes to the unaudited pro forma financial information below. The pro forma financial information has been prepared by BRP Group in accordance with Regulation S-X Article 11, Pro Forma Financial Information, as amended by the final rule, Amendments to Financial Disclosures about Acquired and Disposed Businesses, as adopted by the SEC in May 2020 (“Article 11”). The amended Article 11 is effective on January 1, 2021, however voluntary early compliance is permitted. BRP Group has elected to early comply with the amended Article 11.”

Our historical financial information as of and for the nine months ended September 30, 2020 has been derived from BRP Group’s unaudited financial statements and accompanying notes included in BRP Group's Quarterly Report on Form 10-Q as filed with the Securities and Exchange Commission on November 12, 2020. Our historical financial information for the year ended December 31, 2019 has been derived from BRP Group’s audited financial statements and accompanying notes included in BRP Group's Annual Report on Form 10-K as filed with the Securities and Exchange Commission on March 24, 2020.

The pro forma transactions and adjustments (collectively, the “Transaction Accounting Adjustments”) are based on available information and on assumptions that the Company believes are reasonable under the circumstances to reflect, on a pro forma basis, the aggregate impact of the relevant transactions on the historical financial information of BRP Group. The Transaction Accounting Adjustments for the acquisition consist of those necessary to account for the Insgroup and AHT Partnerships and the Significant Historical Businesses Acquired. In contemplation of the transactions, the Company issued a $400.0 million term loan (“Term Loan B”) with interest based on London Inter-bank Offered Rate (“LIBOR”) plus 4.00% with debt issuance costs of $9.9 million, a portion of which will be used to fund the Insgroup and AHT Partnerships. The adjustments related to the issuance of this debt are shown in a separate column as “Other Transaction Accounting Adjustments.” The Transaction Accounting Adjustments and the Other Transaction Accounting Adjustments are described in the notes to the unaudited pro forma condensed consolidated financial information.

The unaudited pro forma condensed consolidated financial information does not purport to be indicative of our results of operations or financial position had the relevant transactions occurred on the dates assumed and does not project our results of operations or financial position for any future period or date.

The unaudited pro forma condensed consolidated financial information should be read in conjunction with the accompanying notes to the unaudited pro forma condensed consolidated financial statements. In addition, the unaudited pro forma condensed consolidated financial information was based on and should be read in conjunction with the following historical consolidated financial statements and accompanying notes:

- audited historical consolidated financial statements of BRP Group as of and for the year ended December 31, 2019, and the related notes included in the Company's Annual Report on Form 10-K for the annual period ended December 31, 2019;

- unaudited historical interim condensed consolidated financial statements of BRP Group as of and for the nine months ended September 30, 2020 and the related notes included in the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020;
- audited historical financial statements of Insgroup as of and for the year ended December 31, 2019, and the related notes included as exhibit 99.1 to this Current Report on Form 8-K;
- unaudited historical interim financial statements of Insgroup as of and for the nine months ended September 30, 2020, and the related notes included as exhibit 99.2 to this Current Report on Form 8-K;
- audited historical financial statements of AHT as of and for the year ended December 31, 2019, and the related notes included as exhibit 99.3 to this Current Report on Form 8-K; and
- unaudited historical interim financial statements of AHT as of and for the nine months ended September 30, 2020, and the related notes included as exhibit 99.4 to this Current Report on Form 8-K.

The unaudited pro forma condensed consolidated financial information is presented for informational purposes only and is not intended to reflect the results of operations or the financial position of the consolidated company that would have resulted had the Insgroup and AHT Partnerships been effective during the periods presented or the results that may be obtained by the consolidated company in the future. The unaudited pro forma condensed consolidated financial information as of and for the periods presented does not reflect future events that may occur after the Insgroup and AHT Partnerships, including, but not limited to, synergies or revenue enhancements arising from the Insgroup and AHT Partnerships. Future results may vary significantly from the results reflected in the unaudited pro forma condensed consolidated financial information.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

AS OF SEPTEMBER 30, 2020

(in thousands)	Historical BRP Group, Inc.	Historical Insgroup	Historical AHT	Transaction Accounting Adjustments		Other Transaction Accounting Adjustments		Pro Forma BRP Group, Inc.
		A	A, (1)					(2)
Assets								
Current assets:								
Cash and cash equivalents	$ 50,220	$ 11,647	$ 15,984	$ (291,378)	B	$ 299,000	C	$ 85,473
Restricted cash	7,778	—	4,601	—		—		12,379
Premiums, commissions and fees receivable, net	98,345	10,594	27,028	—		—		135,967
Prepaid expenses and other current assets	2,689	647	470	—		—		3,806
Due from related parties	41	51	—	—		—		92
Total current assets	159,073	22,939	48,083	(291,378)		299,000		237,717
Property and equipment, net	7,791	2,074	1,832	—		—		11,697
Deposits and other assets	7,949	2,351	1,224	—		—		11,524
Intangible assets, net	203,555	8,770	6,697	193,783	D	—		412,805
Goodwill	344,396	4,420	8,015	193,367	D	—		550,198
Total assets	$ 722,764	$ 40,554	$ 65,851	$ 95,772		$ 299,000		$ 1,223,941
Liabilities, Mezzanine Equity and Stockholders'/Members' Equity (Deficit)								
Current liabilities:								
Premiums payable to insurance companies	$ 83,617	$ 10,645	$ 19,687	$ —		$ —		$ 113,949
Producer commissions payable	12,019	2,571	3,966	—		—		18,556
Accrued expenses and other current liabilities	21,851	2,343	10,810	9,565	E	—		44,569
Current portion of contingent earnout liabilities	7,065	1,523	143	—		—		8,731
Current portion of long-term debt	—	2,278	10,174	(12,452)	F	—		—
Total current liabilities	124,552	19,360	44,780	(2,887)		—		185,805
Deferred tax liability	—	—	619	(619)	G	—		—
Revolving line of credit	101,000	—	—	—		(101,000)	C	—
Long-term debt, less current portion	—	13,172	988	(14,160)	F	400,000	C	400,000
Contingent earnout liabilities, less current portion	78,323	1,510	2,409	38,539	H	—		120,781
Other liabilities	2,194	2,975	1,058	—		—		6,227
Total liabilities	306,069	37,017	49,854	20,873		299,000		712,813
Mezzanine equity:								
Redeemable noncontrolling interest	101	—	—	—		—		101
Stockholders'/members' equity (deficit):								
Class A common stock	339	1	8	—	I	—		348
Class B common stock	4	—	—	—		—		4
Additional paid-in capital	237,644	320	6,947	9,936	I	—		254,847
Retained earnings (accumulated deficit)	(14,038)	8,794	9,622	(21,620)	E,J	—		(17,242)
Notes receivable from stockholders	(519)	—	(580)	580	K	—		(519)
Treasury stock	—	(5,470)	—	5,470	I	—		—
Noncontrolling interest	193,164	(108)	—	80,533	I	—		273,589
Total stockholders'/members' equity (deficit)	416,594	3,537	15,997	74,899		—		511,027
Total liabilities, mezzanine equity and stockholders'/members' equity (deficit)	$ 722,764	$ 40,554	$ 65,851	$ 95,772		$ 299,000		$ 1,223,941

(1) AHT is not a significant business acquisition under Regulation S-X Rule 3-05; however, we have included AHT in the unaudited condensed consolidated statement of income (loss) because it is deemed a material transaction.

(2) In accordance with Article 11 of Regulation S-X, these pro forma financial statements give effect to the Insgroup and AHT Partnerships as if each had occurred on September 30, 2020.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (LOSS)

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020

(in thousands, except per share data)	Historical: BRP Group, Inc.	Historical: IRP (three months unowned)	Historical: Rosenthal Bros (five months unowned)	Historical: Insgroup (nine months unowned)	Historical: AHT (nine months unowned)	Transaction accounting adjustments	Other Transaction Accounting Adjustments	Pro Forma BRP Group, Inc.
		L	L	L	L, (1)			(2)
Commissions and fees	$ 171,270	$ 960	$ 10,066	$ 30,458	$ 43,518	$ —	$ —	$ 256,272
Operating expenses:								
Commissions, employee compensation and benefits	122,280	1,036	5,094	20,776	33,539	—	—	182,725
Other operating expenses	30,577	394	822	3,952	6,000	—	—	41,745
Amortization expense	13,231	—	88	922	378	10,863 N	—	25,482
Change in fair value of contingent consideration	12,697	—	—	—	—	—	—	12,697
Depreciation expense	663	9	72	427	282	—	—	1,453
Total operating expenses	179,448	1,439	6,076	26,077	40,199	10,863	—	264,102
Operating income (loss)	(8,178)	(479)	3,990	4,381	3,319	(10,863)	—	(7,830)
Other income (expense):								
Interest income (expense)	(2,554)	(1)	1	(297)	(47)	(1,059) O	(11,970) O	(15,927)
Other income (expense)	(23)	(2)	—	(5)	144	—	—	114
Total other income (expense)	(2,577)	(3)	1	(302)	97	(1,059)	(11,970)	(15,813)
Income (loss) before income taxes	(10,755)	(482)	3,991	4,079	3,416	(11,922)	(11,970)	(23,643)
Income tax provision	12	—	29	—	843	—	—	884
Net income (loss)	(10,767)	(482)	3,962	4,079	2,573	(11,922)	(11,970)	(24,527)
Net loss attributable to noncontrolling interest	(5,379)	—	—	(46)	—	(2,514) P	(4,346) P	(12,285)
Net income (loss) attributable to controlling interest	$ (5,388)	$ (482)	$ 3,962	$ 4,125	$ 2,573	$ (9,408)	$ (7,624)	$ (12,242)
Pro forma net loss per share data: Q								
Pro forma net loss available to Class A common stockholders per share - basic and diluted								$ (0.48)
Pro forma weighted-average shares of Class A common stock outstanding - basic and diluted								25,242

(1) AHT is not a significant business acquisition under Regulation S-X Rule 3-05; however, we have included AHT in the unaudited condensed consolidated statement of income (loss) because it is deemed a material transaction.

(2) In accordance with Article 11 of Regulation S-X, these pro forma financial statements give effect to (i) the Insgroup and AHT Partnerships and (ii) the Significant Historical Businesses Acquired as if each had occurred on January 1, 2019.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF INCOME (LOSS)

FOR THE YEAR ENDED DECEMBER 31, 2019

	Historical									Historical						
(in thousands, except per share data)	BRP Group, Inc.	Lanier	Highland	IRP	Rosenthal Bros	Insgroup	AHT	Transaction accounting adjustments after latest fiscal year-end		Lykes (two months unowned)	MSI (three months unowned)	Transaction accounting adjustments relating to significant business acquisitions consummated during previous fiscal year		Other Transaction Accounting Adjustments		Pro Forma BRP Group, Inc.
		L	L	L	L	L	L, (1)	(1)		L	L					(2)
Commissions and fees	$ 137,841	$ 8,324	$ 13,173	$ 6,995	$ 19,021	$ 34,492	$ 49,269	$ —		$ 2,825	$ 7,828	$ —		$ —		$ 279,768
Operating expenses:																
Commissions, employee compensation and benefits	96,955	5,544	12,315	3,866	10,899	23,455	40,481	—		1,054	5,206	—		—		199,775
Other operating expenses	24,576	2,171	539	1,393	1,841	5,052	8,337	3,204	M	262	470	—		—		47,845
Amortization expense	10,007	—	—	—	53	1,150	259	17,106	N	—	—	1,835	N	—		30,410
Change in fair value of contingent consideration	10,829	—	—	—	—	—	—	—		—	—	—		—		10,829
Depreciation expense	542	32	—	36	163	352	406	—		—	9	—		—		1,540
Total operating expenses	142,909	7,747	12,854	5,295	12,956	30,009	49,483	20,310		1,316	5,685	1,835		—		290,399
Operating income (loss)	(5,068)	577	319	1,700	6,065	4,483	(214)	(20,310)		1,509	2,143	(1,835)		—		(10,631)
Other income (expense):																
Interest income (expense)	(10,640)	(59)	2	9	11	(323)	(97)	(2,910)	O	—	—	(1,567)	O	(15,960)	O	(31,534)
Loss on extinguishment of debt	(6,732)	—	—	—	—	—	—	—		—	—	—		—		(6,732)
Other income (expense)	3	131	2	(1)	(18)	119	121	—		—	—	—		—		357
Total other income (expense)	(17,369)	72	4	8	(7)	(204)	24	(2,910)		—	—	(1,567)		(15,960)		(37,909)
Income (loss) before income taxes	(22,437)	649	323	1,708	6,058	4,279	(190)	(23,220)		1,509	2,143	(3,402)		(15,960)		(48,540)
Income tax provision	17	—	—	—	93	—	132	—		—	—	—		—		242
Net income (loss)	(22,454)	649	323	1,708	5,965	4,279	(322)	(23,220)		1,509	2,143	(3,402)		(15,960)		(48,782)
Net loss attributable to noncontrolling interest	(13,804)	—	—	—	—	(62)	—	(1,621)	P	—	—	(523)	P	(4,935)		(20,945)
Net income (loss) attributable to controlling interest	$ (8,650)	$ 649	$ 323	$ 1,708	$ 5,965	$ 4,341	$ (322)	$ (21,599)		$ 1,509	$ 2,143	$ (2,879)		$ (11,025)		$ (27,837)
Pro forma net loss per share data: Q																
Pro forma net loss available to Class A common stockholders per share - basic and diluted																$ (1.48)
Pro forma weighted-average shares of Class A common stock outstanding - basic and diluted																18,788

(1) AHT is not a significant business acquisition under Regulation S-X Rule 3-05; however, we have included AHT in the unaudited condensed consolidated statement of income (loss) because it is deemed a material transaction.

(2) In accordance with Article 11 of Regulation S-X, these pro forma financial statements give effect to (i) the Insgroup and AHT Partnerships and (ii) the Significant Historical Businesses Acquired as if each had occurred on January 1, 2019.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. Description of Partnerships

On November 30, 2020, BKS, an indirect subsidiary of BRP Group, acquired the outstanding equity interests of Insgroup for consideration consisting of $94.2 million in cash, consideration payable of $6.3 million, 87,093 shares of BRP Group’s Class A common stock, par value $0.01, 3,857,622 shares of BRP Group’s Class B common stock, par value $0.0001, and the opportunity to receive additional maximum potential contingent earnout consideration of $66.1 million in cash and Class A common stock based upon the achievement of certain post-closing revenue focused performance measures.

In addition, on December 1, 2020, BKS acquired the outstanding equity interests of AHT for consideration consisting of $197.2 million of cash, consideration payable of $99,000, 784,222 shares of BRP Group’s Class A common stock, par value $0.01, and the opportunity to receive additional maximum potential contingent earnout consideration of $107.0 million in cash and Class A common stock based upon the achievement of certain post-closing revenue focused performance measures.

2. Basis of Presentation

The unaudited pro forma condensed consolidated financial information was prepared using the acquisition method of accounting and was based on the historical financial statements of BRP Group, Insgroup and AHT and the Significant Historical Businesses Acquired. The acquisition method of accounting is based on the accounting guidance on business combinations and uses the fair value concepts defined in the accounting guidance on fair value measurements. The acquisition method of accounting requires, among other things, that the assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. In addition, the acquisition method of accounting requires that the consideration transferred be measured at the date the acquisition is completed at its then-current market price. Accordingly, the assets acquired and liabilities assumed are recorded as of the acquisition date at their respective fair values and added to those of BRP Group. The financial statements and reported results of operations of BRP Group issued after completion of the Insgroup and AHT Partnerships will reflect these values. Prior periods will not be retroactively restated to reflect the historical financial position or results of operations of Insgroup and AHT.

The Transaction Accounting Adjustments are based on available information and on assumptions that the Company believes are reasonable under the circumstances to reflect, on a pro forma basis, the aggregate impact of the relevant transactions on the historical financial information of BRP Group. These adjustments are discussed in greater detail in Notes 5 and 6 below.

On October 14, 2020, the Company entered into a new credit agreement with JPMorgan Chase Bank, N.A., to provide new senior secured credit facilities, including the Term Loan B with a principal amount of $400.0 million, maturing in 2027 and bearing interest at LIBOR plus 400 bps. A portion of the proceeds from the Term Loan B was used to paydown the outstanding borrowings on the revolving line of credit. The Term Loan B funding was essential for completion of the Insgroup and AHT Partnerships. As such, the adjustments related to the issuance the Term Loan B, including the paydown of the revolving line of credit and the related incremental interest expense, are included in the unaudited pro forma condensed consolidated financial statements. These adjustments shown in a separate column in the unaudited pro forma condensed consolidated balance sheet and the unaudited pro forma condensed consolidated statements of income (loss) as Other Transaction Accounting Adjustments, and are discussed in greater detail in Notes 5 and 6 below.

The pro forma adjustments reflecting the Insgroup and AHT Partnerships under the acquisition method of accounting are based on estimates and assumptions. The pro forma adjustments are included to the extent they are adjustments that reflect the accounting for the transactions in accordance with U.S. GAAP.

Certain amounts in Insgroup and AHT's historical balance sheet and statements of income (loss) have been conformed to BRP Group's presentation.

3. Accounting Policies

Insgroup and AHT are in the process of being integrated with the Company. This integration includes a review by BRP Group of Insgroup and AHT's accounting policies. As a result of that review, BRP Group may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on the consolidated financial statements. At this time, BRP Group is not aware of any differences that would have a material impact on the consolidated financial statements that have not been adjusted for in the pro forma financial information. Accounting policy differences may be identified after completion of the integration.

4. Purchase Price

The purchase price of the Insgroup and AHT Partnerships is as follows:

(in thousands)	Insgroup	AHT
Cash paid to owners	$ 94,188	$ 197,190
Consideration payable	6,262	99
Class A common stock (87,093 and 784,222 shares)	1,675	15,537
Class B common stock (3,857,622 shares)	80,425	—
Fair value of contingent earnout consideration	18,038	20,501
Total consideration transferred	$ 200,588	$ 233,327

5. Unaudited Pro Forma Condensed Consolidated Balance Sheet Adjustments

A On November 30, 2020, the Company acquired the outstanding equity interests of Insgroup for cash consideration of $94.2 million, consideration payable of $6.3 million and fair value of equity interest of $82.1 million. The Partnership was made to expand the Company's Middle Market presence in Texas and specifically Houston. Insgroup will also have the opportunity to receive additional maximum potential contingent earnout consideration of $66.1 million in cash and Class A common stock based upon the achievement of certain post-closing revenue focused performance measures.

On December 1, 2020, the Company acquired the outstanding equity interests of AHT for cash consideration of $197.2 million, consideration payable of $99,000 and fair value of equity interest of $15.5 million. The Partnership was made to expand the Company's Middle Market presence in the Pacific Northwest, Mid-Atlantic and Northeast regions and to bring deep specialization and expertise across a number of high-growth industry verticals, including Technology, Not-For-Profit, Life Sciences & Healthcare, Manufacturing and Construction. AHT will also have the opportunity to receive additional maximum potential contingent earnout consideration of $107.0 million in cash and Class A common stock based upon the achievement of certain post-closing revenue focused performance measures.

B Reflects the funding of cash consideration for the Insgroup and AHT Partnerships with cash on hand after borrowings on the Term Loan B.

C Reflects BRP Group's borrowings under the Term Loan B debt to fund the Insgroup and AHT Partnerships and the paydown of the revolving line of credit with a portion of the Term Loan B proceeds.

D Reflects allocation of purchase price to record intangible assets and goodwill at their estimated fair value assuming the Insgroup and AHT Partnerships occurred on September 30, 2020. Reflects the pro forma allocations to intangible assets, which include $79.0 million of purchased customer accounts and trade names for Insgroup and $130.3 million of purchased customer accounts and trade names for AHT, offset in part by the elimination of Insgroup's historical intangible assets of $8.8 million and AHT's historical intangible assets of $6.7 million. Reflects the pro forma allocations to goodwill, which include $111.4 million and $81.9 million related to Insgroup and AHT, respectively.

Management has determined that the carrying value of the remaining assets and liabilities acquired approximate their fair values for purposes of a preliminary purchase price allocation in the accompanying unaudited pro forma condensed consolidated financial statements. The final allocation of purchase price may differ significantly from these amounts.

E Reflects the consideration payable recorded in connection with the purchase price in Note 4 and the accrual of transaction costs related to the Insgroup and AHT Partnerships as follows:

(in thousands)	Insgroup	AHT
Consideration payable	$ 6,262	$ 99
Accrual of transaction costs	831	2,373
Total adjustments to accrued expenses and other current liabilities	$ 7,093	$ 2,472

F Reflects the elimination of Insgroup and AHT's debt, which was settled with proceeds from the closing of the acquisition of Insgroup and AHT by BRP Group.

G Reflects the elimination of AHT's deferred tax liability, which was settled upon conversion of the C corporation to a limited liability company immediately after closing the acquisition of AHT by BRP Group.

H Represents the pro forma adjustments to reflect the estimated contingent earnout consideration exchanged in the Insgroup and AHT Partnerships. Up to 25% of the contingent earnout consideration for AHT can be allocated to colleagues as part of a bonus pool as determined by the seller at the end of the earnout period. The Company will record a one-time charge to compensation expense for the amount related to the bonus pool once the determination has been made. No adjustment has been made to the pro forma condensed consolidated financial statements for this future charge to earnings.

I Reflects the elimination of Insgroup and AHT's historical common stock, additional paid-in capital, treasury stock and noncontrolling interest, offset by the issuance of Class A common stock to Insgroup and AHT and the issuance of Class B common stock to Insgroup as a form of rollover equity consideration as follows:

(in thousands)	Insgroup	AHT
Eliminate historical common stock, additional paid-in capital and treasury stock	$ 5,257	$ (6,955)
Record adjustment to Class A common stock for common stock issuance	1	8
Record adjustment to additional paid-in capital for Class A common stock issuance	1,674	15,529
Record adjustment to noncontrolling interest for Class B common stock issuance	80,425	—
Total adjustments common stock, additional paid-in capital, treasury stock and noncontrolling interest	$ 87,357	$ 8,582

J Reflects the elimination of Insgroup and AHT's historical retained earnings at September 30, 2020 and the accrual of transaction costs related to the Insgroup and AHT Partnerships as follows:

(in thousands)	Insgroup	AHT
Eliminate historical retained earnings	$ (8,794)	$ (9,622)
Transaction costs accrual	(831)	(2,373)
Total adjustments to retained earnings	$ (9,625)	$ (11,995)

K Reflects the elimination of AHT's stockholder notes receivable, which was settled in connection with closing the acquisition of AHT by BRP Group.

6. Unaudited Pro Forma Condensed Consolidated Statements of Income (Loss) Adjustments

L On March 1, 2019, the Company acquired certain assets and intellectual and intangible rights and assumed certain liabilities of Lykes for cash consideration of $36.0 million and fair value of equity interest of $1.0 million. The Partnership was made to expand the Company’s Middle Market business presence in Florida. As a result of the Lykes Partnership, the Company recognized goodwill in the amount of $28.7 million.

On April 1, 2019, the Company acquired certain assets and intellectual and intangible rights and assumed certain liabilities of MSI for cash of $45.5 million, fair value of contingent earnout consideration of $25.6 million, fair value of equity interest of $31.0 million and a trust balance adjustment of $1.1 million. The Partnership was made to obtain access to certain technology and invest in executive talent for building and growing the MGA of the Future, and to apply its functionality to other insurance placement products, as well as to expand the Company’s market share in specialty renter’s insurance. MGA of the Future is a national renter’s insurance product distributed via sub-agent partners and property management software providers, which has expanded distribution capabilities for new products through the Company’s wholesale and retail networks. As a result of the MSI Partnership, the Company recognized goodwill in the amount of $53.8 million. The maximum potential contingent earnout consideration available to be earned by MSI is $61.5 million.

On January 1, 2020, the Company acquired certain assets and intellectual and intangible rights and assumed certain liabilities of Lanier for cash consideration of $24.5 million and fair value of equity interest of $6.1 million. The Partnership was made to expand the Company’s private risk management business presence in Florida. The maximum potential contingent earnout consideration available to be earned by Lanier is $11.0 million.

On January 1, 2020, the Company acquired certain assets and intellectual and intangible rights and assumed certain liabilities of Highland for cash consideration of $6.5 million and fair value of equity interest of $3.4 million. The Partnership was made to expand the Company’s specialty in the healthcare wholesale space. The maximum potential contingent earnout consideration available to be earned by Highland is $2.5 million.

On April 1, 2020, the Company acquired certain assets and intellectual and intangible rights and assumed certain liabilities of IRP for cash consideration of $26.6 million and fair value of equity interest of $7.5 million. The Partnership was made to expand the Company’s capabilities within the energy and infrastructure business. IRP will also have the opportunity to receive additional contingent earnout consideration in cash and Class A common stock based upon the achievement of certain post-closing revenue focused performance measures.

On June 1, 2020, the Company acquired certain assets and intellectual and intangible rights and assumed certain liabilities of Rosenthal Bros for cash consideration of $75.0 million and fair value of equity interest of $10.1 million. The Partnership was made to expand the Company’s capabilities within the real estate industry. The maximum potential contingent earnout consideration available to be earned by Rosenthal Bros is $30.8 million based upon the achievement of certain post-closing revenue focused performance measures.

On November 30, 2020, the Company acquired the outstanding equity interests of Insgroup for cash consideration of $94.2 million, consideration payable of $6.3 million and fair value of equity interest of $82.1 million. The Partnership was made to expand the Company's Middle Market presence in Texas and specifically Houston. Insgroup will also have the opportunity to receive additional maximum potential contingent earnout consideration of $66.1 million in cash and Class A common stock based upon the achievement of certain post-closing revenue focused performance measures.

On December 1, 2020, the Company acquired the outstanding equity interests of AHT for cash consideration of $197.2 million, consideration payable of $99,000 and fair value of equity interest of $15.5 million. The Partnership was made to expand the Company's Middle Market presence in the Pacific Northwest, Mid-Atlantic and Northeast regions and to bring deep specialization and expertise across a number of high-growth industry verticals, including Technology, Not-For-Profit, Life Sciences & Healthcare, Manufacturing and Construction. AHT will also have the opportunity to receive additional maximum potential contingent earnout consideration of $107.0 million in cash and Class A common stock based upon the achievement of certain post-closing revenue focused performance measures.

The following table reflects the statement of income for Rosenthal Bros for the five-month unowned period ending May 31, 2020:

(in thousands)	**Three Months Ended March 31, 2020**	**April/May 2020**	**Total Five Months Ended May 31, 2020**
Commissions and fees	$ 6,809	$ 3,257	$ 10,066
Operating expenses:			
Commissions, employee compensation and benefits	3,169	1,925	5,094
Other operating expenses	613	209	822
Amortization expense	53	35	88
Depreciation expense	43	29	72
Total operating expenses	3,878	2,198	6,076
Operating income	2,931	1,059	3,990
Interest income	1	—	1
Income before income taxes	2,932	1,059	3,991
Income tax provision	21	8	29
Net income	$ 2,911	$ 1,051	$ 3,962

M Reflects the pro forma adjustment to accrue transaction expenses including due diligence and attorneys' fees incurred in connection with the Insgroup and AHT Partnerships. Transaction costs of $766,000 and $385,000 are included in the historical statements of income for BRP Group for the nine months ended September 30, 2020 and the year ended December 31, 2019, respectively. These costs will not affect the consolidated statements of income (loss) beyond twelve months after the acquisition date.

N For the nine months ended September 30, 2020, reflects the pro forma adjustment to amortization expense related to purchased customer accounts recorded in connection with the acquisition of IRP in April 2020; purchased customer accounts and trade names recorded in connection with the acquisition of Rosenthal Bros in June 2020, Insgroup in November 2020 and AHT in December 2020.

For the year ended December 31, 2019, reflects the pro forma adjustment to amortization expense related to purchased customer accounts recorded in connection with the acquisitions of Lykes in March 2019, Lanier in January 2020 and IRP in April 2020; software, purchased carrier relationships, purchased distributor relationships, trade names, and purchased customer accounts recorded in connection with the acquisition of MSI in April 2019; purchased carrier relationships, trade names, and purchased distributor relationships recorded in connection with the acquisition of Highland in January 2020; purchased customer accounts and trade names recorded in connection with the acquisition of Rosenthal Bros in June 2020, Insgroup in November 2020 and AHT in December 2020.

The intangible assets acquired have the following useful lives:

Intangible Assets	Useful Life (in years)
Purchased customer accounts (Rosenthal Bros and AHT)	20
Purchased customer accounts (Insgroup)	18
Purchased customer accounts (Lykes, Lanier and IRP)	15
Purchased customer accounts (MSI)	5
Software (MSI)	5
Purchased carrier relationships (MSI)	20
Purchased carrier relationships (Highland)	0.75
Purchased distributor relationships (MSI and Highland)	20
Trade names (MSI, Highland, Rosenthal Bros, Insgroup and AHT)	5

Amortization expense over the next five years for each of the acquisitions as of September 30, 2020 is as follows:

	Amortization Expense Over the Next Five Years				
(in thousands)	Year 1	Year 2	Year 3	Year 4	Year 5
Lykes	$ 962	$ 899	$ 810	$ 721	$ 641
MSI	7,092	7,438	7,615	1,700	1,188
Lanier	376	384	392	400	408
Highland	403	417	423	419	374
IRP	1,032	1,014	957	873	774
Rosenthal Bros	2,872	2,863	2,787	2,678	2,539
Insgroup	5,583	5,612	5,646	5,686	5,732
AHT	6,507	6,966	7,447	7,950	8,476

O Reflects the pro forma adjustments related to interest expense as noted in the table below. The interest rate related to the IRP and Rosenthal borrowings is 3.00%. The interest rate related to Lykes and MSI is between 5.70% and 8.80%, and the interest rate related to the Term Loan B is 4.19%.

(in thousands)	For the Nine Months Ended September 30, 2020	For the Year Ended December 31, 2019
Transaction Accounting Adjustments after latest fiscal year-end:		
IRP	$ 184	$ 736
Rosenthal Bros	875	2,100
Amortization of capitalized debt issuance costs	—	74
	1,059	2,910
Transaction Accounting Adjustments during previous fiscal year:		
Lykes	—	415
MSI	—	814
Amortization of capitalized debt issuance costs	—	338
	—	1,567
Other Transaction Accounting Adjustments:		
Term Loan B	10,905	14,541
Amortization of capitalized debt issuance costs	1,065	1,419
	11,970	15,960
Total pro forma interest expense	$ 13,029	$ 20,437

P Reflects the adjustment for the change in net income (loss) attributable to noncontrolling interest.

Q Pro forma basic net income (loss) per share is computed by dividing the pro forma net income (loss) available to Class A common stockholders by the weighted-average shares of Class A common stock outstanding during the period. Pro forma diluted net income (loss) per share is computed by adjusting the net loss available to Class A common stockholders and the weighted-average shares of Class A common stock outstanding to give effect to potentially dilutive securities. The calculation of diluted net loss per share excludes 49,105,333 shares of Class B common stock that are convertible into Class A common stock under the "if-converted" method as the inclusion of such shares would have an anti-dilutive effect to the periods presented. The following table sets forth a reconciliation of the numerators and denominators used to compute pro forma basic and diluted net income (loss) per share.

(in thousands, except per share data)	For the Nine Months Ended September 30, 2020	For the Year Ended December 31, 2019
Pro forma basic and diluted net loss per share		
Numerator		
Net loss	$ (24,527)	$ (48,782)
Less: net loss attributable to noncontrolling interest	(12,285)	(20,945)
Pro forma net loss attributable to Class A common stockholders - basic and diluted	$ (12,242)	$ (27,837)
Denominator		
Shares of Class A common stock outstanding	24,371	17,917
Shares of Class A common stock issued to Insgroup	87	87
Shares of Class A common stock issued to AHT	784	784
Pro forma weighted-average shares of Class A common stock outstanding - basic and diluted	25,242	18,788
Pro forma net loss per share - basic and diluted	$ (0.48)	$ (1.48)