UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark one)

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

Or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

COMMISSION FILE NUMBER 0-7201.

BROWN & BROWN, INC.
(Exact name of Registrant as specified in its charter)

FLORIDA	59-0864469
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

220 SOUTH RIDGEWOOD AVENUE, DAYTONA BEACH, FL 32114
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (386) 252-9601

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

Title of each class	Name of each exchange on which Registered
COMMON STOCK, $0.10 PAR VALUE	NEW YORK STOCK EXCHANGE
RIGHTS TO PURCHASE COMMON STOCK	NEW YORK STOCK EXCHANGE

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of the Registrant (i.e., other than directors, officers, or holders of more than 5% of the Registrant's common stock) computed by reference to the last reported price at which the stock was sold on February 13, 2002, was $1,764,196.

THE NUMBER OF SHARES OF THE REGISTRANT'S COMMON STOCK, $.10 PAR VALUE, OUTSTANDING AS OF FEBRUARY 11, 2002 WAS 63,333,912.

BROWN & BROWN, INC.

FORM 10-K ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2001

PART I

ITEM 1. BUSINESS

GENERAL

We are the largest insurance agency and brokerage headquartered in the southeastern United States and the eighth largest in the country, based on 2000 total revenues. The name of the company following the 1993 combination of Brown & Brown, Inc., which commenced doing business in 1939, and Poe & Associates, Inc., which commenced doing business in 1959, was Poe & Brown, Inc. The name was changed to Brown & Brown, Inc. in 1999.

We market and sell to our clients insurance products and services, primarily in the property and casualty area. As an agent and broker, we do not assume underwriting risks. Instead, we provide our clients with quality insurance contracts, as well as other targeted, customized risk management products.

We are compensated for our services primarily by commissions paid by insurance companies and fees paid by clients for certain services. The commission is usually a percentage of the premium paid by the insured. Commission rates generally depend upon the type of insurance, the particular insurance company and the nature of the services provided by us. In some cases, a commission is shared with other agents or brokers who have acted jointly with us in a transaction. We may also receive from an insurance company a contingent commission that is generally based on the profitability and volume of business placed with it by us over a given period of time. Fees are principally generated by our Services Division, which offers third-party administration, benefit consulting and managed healthcare services primarily in the workers' compensation and employee benefit markets. The amount of our income from commissions and fees is a function of, among other factors, continued new business production, retention of existing clients, acquisitions and fluctuations in insurance premium rates and insurable exposure units.

Premium pricing within the property and casualty insurance underwriting industry has historically been cyclical, displaying a high degree of volatility based on prevailing economic and competitive conditions. From the mid-1980s through 1999, the property and casualty insurance industry experienced a "soft market" during which the underwriting capacity of insurance companies expanded, stimulating an increase in competition and a decrease in premium rates and related commissions. The effect of this softness in rates on our revenues was somewhat offset by our acquisitions and new business production. As a result of increasing "loss ratios" (the comparison of incurred losses plus adjustment expense against earned premiums) of insurance companies through 1999, there was a general increase in premium rates beginning in the first quarter of 2000 and continuing through the fourth quarter of 2001. Although premium increases vary by line of business, geographical region, insurance company and specific underwriting factors, we believe this was the first time since 1987 that we operated in an environment of increased premiums for eight consecutive quarters. Additionally, in light of the events of September 11, 2001, insurance companies, as well as reinsurers, may extend this trend of increasing premium rates. While we cannot predict the timing or extent of premium pricing changes as a result of market fluctuations or their effect on our operations in the future, we believe that premium rates will continue to increase through at least 2002.

Beginning in 1993 through 2001, we acquired 86 insurance agency operations (excluding acquired books of business) that had aggregate estimated annual revenues of $240.0 million for the 12 calendar months immediately following the date of acquisition. Of these, 26 operations were acquired during 2001, with aggregate estimated annual revenues of $148.0 million for the 12 calendar months immediately following the date of acquisition, including our asset acquisition of the insurance agency business-related assets of Riedman Corporation, effective January 1, 2001,

with estimated annual revenues of $54.0 million for the 12 calendar months immediately following the date of acquisition. The large number of acquisitions in 2001 was largely due to the then-anticipated elimination of pooling-of-interests accounting for stock acquisitions, which encouraged the shareholders of certain agencies, especially "C" corporations, to accelerate the sale of their stock to us. As of December 31, 2000, our activities were conducted in 39 locations in 12 states; however, with the acquisitions consummated during 2001, we had 140 locations in 28 states:

Florida	45	Connecticut	2
New York	20	Michigan	2
Virginia	8	New Jersey	2
Louisiana	7	Pennsylvania	2
Minnesota	6	Wisconsin	2
Colorado	5	Indiana	1
North Dakota	5	Iowa	1
South Carolina	5	Missouri	1
Georgia	4	Nevada	1
Texas	4	North Carolina	1
Arizona	3	Ohio	1
California	3	Oklahoma	1
New Mexico	3	Tennessee	1
Washington	3	Wyoming	1

Our business is divided into four segments: (1) the Retail Division; (2) the National Programs Division; (3) the Services Division; and (4) the Brokerage Division. The Retail Division provides a broad range of insurance products and services to commercial, governmental, professional and individual clients. The National Programs Division is comprised of two units: Professional Programs, which provides professional liability and related package products for certain professionals; and Special Programs, which markets targeted products and services designated for specific industries, trade groups and market niches. These programs and products are marketed and sold primarily through independent agencies and agents across the United States. For these programs, we receive an "override commission," which is a commission based upon the commissions generated by these independent agencies. The Services Division provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets and managed healthcare services. The Brokerage Division markets and sells excess and surplus commercial insurance and reinsurance, primarily through independent agents and brokers. In 2001, we generated commission and fee revenues of $359.7 million.

The following table sets forth a summary of (1) the commission and fee revenues generated by each of our operating segments for 2001, 2000 and 1999, and (2) the percentage of our total commission and fee revenues represented by each segment for each such period:

					(IN THOUSANDS, EXCEPT PERCENTAGES)
2001	%	2000	%	1999	%
Retail Division(1)					
$281,118	78.2	$195,222	75.6	$178,667	77.2
National Programs Division					
42,176	11.7	34,011	13.2	29,988	13.0
Services Division					
24,509	6.8	21,299	8.2	16,874	7.3
Brokerage Division					
11,894	3.3	7,777	3.0	5,908	2.5
Total					
$359,697	100.0	$258,309	100.0	$231,437	100.0

(1) Numbers and percentages have been restated to give effect to acquisitions accounted for under the pooling-of-interests method of accounting. In addition, we made acquisitions accounted for under the purchase method of accounting during those periods, which affect the comparability of results. See "Management's discussion and analysis of financial condition and results of operations: General" and notes 2 and 3 of the notes to our consolidated financial statements for a description of our acquisitions.

DIVISIONS

RETAIL DIVISION

As of December 31, 2001, our Retail Division operated in 26 states and employed approximately 2,320 persons. Our retail insurance agency business provides a broad range of income products and sources to commercial, governmental, professional and individual clients. The categories of insurance principally sold by us are: Property insurance against physical damage to property and resultant interruption of business or extra expense caused by fire, windstorm or other perils; and Casualty insurance relating to legal liabilities, workers' compensation, commercial and private passenger automobile coverages, and fidelity and surety insurance. We also sell and service group and individual life, accident, disability, health, hospitalization, medical and dental insurance.

No material part of our retail business is attributable to a single client or a few clients. During 2001, commissions and fees from our largest single Retail Division client represented less than one percent of the Retail Division's total commission and fee revenues.

In connection with the selling and marketing of insurance coverages, we provide a broad range of related services to our clients, such as risk management surveys and analysis, consultation in connection with placing insurance coverages and claims processing. We believe these services are important factors in securing and retaining clients.

NATIONAL PROGRAMS DIVISION

As of December 31, 2001, our National Programs Division employed approximately 200 persons. Our National Programs Division consists of two units: Professional Programs and Special Programs.

Professional Programs. Professional Programs provides professional liability and related package products for certain professionals delivered through nationwide networks of independent agents. Professional Programs tailors insurance products to the needs of a particular professional group, negotiates policy forms, coverages and commission rates with an insurance company and, in certain cases, secures the formal or informal endorsement of the product by a professional association. The professional groups serviced by the National Programs Division include dentists, lawyers, physicians, optometrists and opticians. These programs are marketed and sold primarily through a national network of independent agencies. We also market a variety of these products through certain of our retail offices. Under agency agreements with the insurance companies that underwrite these programs, we often have authority to bind coverages, subject to established guidelines, to bill and collect premiums and, in some cases, to process claims.

Below are brief descriptions of the programs offered to these major professional groups:

- - Dentists: The Professional Protector Plan(R) is a package insurance policy that provides comprehensive coverage for dentists, dental schools and dental students, including practice protection and professional liability. This program, initiated in 1969, is endorsed by a number of state and local dental societies and is offered in 49 states, the District of Columbia, the U.S. Virgin Islands and Puerto Rico. We believe that this program presently insures approximately 20% of the eligible practicing dentists within our marketing territories.

- - Lawyers: We began marketing lawyers' professional liability insurance in 1973, and the national Lawyer's Protector Plan(R) was introduced in 1983. This program is presently offered in 47 states, the District of Columbia and Puerto Rico.

- - Physicians: We market professional liability insurance for physicians, surgeons and other health care providers through a program known as the Physicians Protector Plan(R). This program, initiated in 1980, is currently offered in five states.

- - Optometrists and Opticians: The Optometric Protector Plan(R) ("OPP(R)") and the Optical Services Protector Plan(R) ("OSPP(R)") were created in 1973 and 1987, respectively, to provide optometrists and opticians with a package of practice and professional liability coverage. These programs insure optometrists and opticians in all 50 states and Puerto Rico.

Special Programs. This unit markets targeted products and services designated for specific industries, trade groups and market niches. Special Programs consists of the following:

- - Florida Intracoastal Underwriters, Limited Company ("FIU") is a managing general agency that specializes in providing insurance coverage for coastal and inland high-value condominiums and apartments. FIU has developed a specialty reinsurance facility to support the underwriting activities associated with these risks. One of our subsidiaries has a 75% ownership interest in FIU.

- - Parcel Insurance Plan(R) ("PIP(R)") is a specialty insurance agency providing insurance coverage to commercial and private shippers for small packages and parcels with insured values of less than $25,000 each.

- - Program Management Services is a managing general agent that offers unique property and casualty insurance products targeted at governmental entities on a national basis.

- - Apollo Financial Corporation offers targeted insurance products to social services organizations.

- - Commercial Programs serves the insurance needs of certain specialty trade/industry groups. Programs offered include:

    - Manufacturers Protector Plan(R). Introduced in 1997, this program provides specialized coverages for manufacturers, with an emphasis on selected niche markets.

    - Wholesalers & Distributors Preferred Program(R). Introduced in 1997, this program provides property and casualty protection for businesses principally engaged in the wholesale-distribution industry.

    - Railroad Protector Plan(R). Also introduced in 1997, this program is designed for contractors, manufacturers and other entities that service the needs of the railroad industry.

    - Environmental Protector Plan(R). This program was introduced in 1998 and is currently offered in 36 states. It provides a variety of specialized environmental coverages, with an emphasis on municipal Mosquito Control and Water Control Districts.

    - Food Processors Preferred Program(SM). This program, introduced in 1998, provides property and casualty insurance protection for businesses involved in the handling and processing of various foods.

During 2001, we discontinued the following Commercial Programs due to loss of underwriting insurance companies: Towing Operators Protector Plan(R); Automobile Dealers Protector Plan(R); Automobile Transporters Protector Plan(R); Automotive Aftermarket Protector Plan(R); High-Tech Target Program(SM) and Assisted Living Facilities Protector Plan(R). We are currently evaluating the continued viability of these and certain other programs.

SERVICES DIVISION

At December 31, 2001, the Services Division employed approximately 325 persons and consisted of subsidiaries that provide the following services: (1) insurance-related services as a third-party administrator and consultant for employee health and welfare benefit plans; (2) insurance-related services providing comprehensive risk management and third-party administration to insurance

entities and self-funded or fully-insured workers' compensation and liability plans; and (3) certified managed care and utilization management services for both insurance programs and self-funded plans.

In connection with its employee benefit plan administrative services, the Services Division provides third-party administration and consulting related to benefit plan design and costing, arrangement for the placement of stop-loss insurance and other employee benefit coverages, and settlement of claims. Services Division units also provide utilization management services such as pre-admission review, concurrent/retrospective review, pre-treatment review of certain non-hospital treatment plans and medical and psychiatric case management. In addition to the administration of self-funded health care plans, this unit offers administration of flexible benefit plans, including plan design, employee communication, enrollment and reporting.

The Services Division's workers' compensation and liability third-party administration include claim administration, access to major reinsurance markets, cost containment consulting, services for secondary disability and subrogation recoveries and risk management services such as loss control. In 2001, our largest workers' compensation contract represented approximately 38% of our workers' compensation third-party administration revenues, or approximately 1.6% of our total commission and fee revenues. In addition, the Services Division provides managed care services certified by the American Accreditation Health Care Commission, which include medical networks, case management and utilization review services.

BROKERAGE DIVISION

The Brokerage Division markets excess and surplus commercial insurance and reinsurance to retail agencies primarily in the southeastern United States, as well as throughout the United States, including through our Retail Division. The Brokerage Division represents various U.S. and U.K. surplus lines companies and is also a Lloyd's of London correspondent. In addition to surplus lines insurance companies, the Brokerage Division represents admitted insurance companies for smaller agencies that do not have access to large insurance company representation. Excess and surplus products include commercial automobile, garage, restaurant, builder's risk and inland marine lines. Difficult-to-insure general liability and products liability coverages are a specialty, as is excess workers' compensation coverage. Retail agency business is solicited through mailings and direct contact with retail agency representatives. At December 31, 2001, the Brokerage Division employed approximately 80 persons.

In January 2002, the operations of Champion Underwriters, Inc., a subsidiary based in Ft. Lauderdale, Florida that specializes in the marketing and selling of excess and surplus commercial insurance, were combined with Peachtree Special Risk Brokers, LLC, an affiliate headquartered in Atlanta Georgia that specializes in the marketing and selling of excess and surplus lines of property insurance.

In September 2001, we established Brown & Brown Re, Inc., a subsidiary based in Stamford, Connecticut that specializes in treaty and facultative reinsurance brokerage services.

EMPLOYEES

At December 31, 2001, we had approximately 3,000 employees. We have contracts with our sales employees and certain other employees that include provisions restricting their right to solicit our clients and employees after termination of employment with us. The enforceability of such contracts varies from state to state depending upon state statutes, judicial decisions and factual circumstances. The majority of these contracts are terminable by either party; however, the

agreements not to solicit our clients and employees generally continue for a period of two or three years after employment termination.

None of our employees is represented by a labor union, and we consider our relations with our employees to be satisfactory.

COMPETITION

The insurance agency and brokerage business is highly competitive, and numerous firms actively compete with us for clients and insurance companies. Although we are the largest insurance agency and brokerage headquartered in the southeastern United States and were ranked in 2001, based on 2000 revenues, as the nation's eighth largest by Business Insurance magazine, a number of firms with substantially greater resources and market presence compete with us in the southeastern United States and elsewhere. This situation is particularly pronounced outside of Florida. Competition in the insurance business is largely based on innovation, quality of service and price.

A number of insurance companies are engaged in the direct sale of insurance, primarily to individuals, and do not pay commissions to third-party agents and brokers. In addition, the Internet continues to be a source for direct placement of personal lines business. To date, such direct writing has had relatively little effect on our operations, primarily because our Retail Division is commercially oriented.

In addition, to the extent that the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 and regulations recently enacted thereunder permit banks, securities firms and insurance companies to affiliate, the financial services industry may experience further consolidation, which in turn could result in increased competition from diversified financial institutions, including competition for acquisition candidates.

REGULATION, LICENSING AND AGENCY CONTRACTS

We or our designated employees must be licensed to act as agents by state regulatory authorities in the states in which we conduct business. Regulations and licensing laws vary in individual states and are often complex.

The applicable licensing laws and regulations in all states are subject to amendment or reinterpretation by state regulatory authorities, and such authorities are vested in most cases with relatively broad discretion as to the granting, revocation, suspension and renewal of licenses. The possibility exists that we or our employees could be excluded or temporarily suspended from carrying on some or all of our activities in, or otherwise subjected to penalties by, a particular state.

ITEM 2. PROPERTIES

We lease our executive offices, which are located at 220 South Ridgewood Avenue, Daytona Beach, Florida 32114, and 401 East Jackson Street, Suite 1700, Tampa, Florida 33602. We lease offices at every location with the exception of our Ocala, Florida; Opelousas and Ruston, Louisiana; Washington, New Jersey; Dansville, Hornell and Jamestown New York; and Grand Forks, North Dakota offices, where we own the buildings. In addition, we own buildings in Loreauville and Scott, Louisiana, and Penn Yan, New York, where we no longer have offices, as well as a parcel of undeveloped property outside of Lafayette, Louisiana. There is a mortgage on the Ocala, Florida building with an outstanding balance as of December 31, 2001 of $0.6 million. There is also a mortgage on the Grand Forks, North Dakota building with an outstanding balance as of December 31, 2001 of $0.1 million. There are no outstanding mortgages on our other owned properties. Set forth below is information relating to our office locations as of December 31, 2001, summarized by business segment:

Retail Division Office Locations:

- - Arizona: Phoenix, Prescott, Tucson

- - California: Novato, Oakland, Thousand Oaks

- - Colorado: Colorado Springs, Denver, Ft. Collins, Longmont, Steamboat Springs

- - Connecticut: Newington

- - Florida: Brooksville, Clearwater, Daytona Beach, Ft. Lauderdale, Ft. Myers, Ft. Pierce, Jacksonville, Leesburg, Melbourne, Miami Lakes, Monticello, Naples, Ocala, Orlando, Panama City, Pensacola, Perry, Port Charlotte, Sarasota, St. Petersburg, Tallahassee, Tampa, Titusville, West Palm Beach, Winter Haven

- - Georgia: Atlanta, Canton, Rome

- - Indiana: Indianapolis

- - Iowa: Des Moines

- - Louisiana: Abbeville, Baton Rouge, Breaux Bridge, Lafayette, New Iberia, Opelousas, Ruston

- - Michigan: Flint, Jackson

- - Minnesota: Duluth, East Grand Forks, Fairmont, Mankato, New Ulm, St. Cloud

- - Nevada: Las Vegas

- - New Jersey: Clark, Washington

- - New Mexico: Albuquerque, Roswell, Taos

- - New York: Avon, Clifton Park, Dansville, East Greenbush, Endicott, Geneva, Hornell, Ithaca, Jamestown, Naples, Rochester, Rome, Sodus, Spencerport, Syracuse, Wellsville, Williamsville, Wolcott

- - North Dakota: Bismarck, Fargo, Grand Forks, Jamestown, Minot

- - Ohio: Toledo

- - Oklahoma: Pryor

- - Pennsylvania: Bethlehem

- - South Carolina: Charleston, Georgetown, Greenville, Spartanburg, Union

- - Tennessee: Kingsport

- - Texas: El Paso, Houston

- - Virginia: Bristol, Manassas, Norfolk, Norton, Richlands, Richmond, Salem, Virginia Beach

- - Washington: Seattle, Tacoma, Wenatachee

- - Wisconsin: Hartland, LaCrosse

- - Wyoming: Cheyenne

National Programs Division Office Locations:

- - Professional Programs: Tampa, Florida

- - Special Programs:

    - Florida: Altamonte Springs, Miami Lakes, Plantation, Tampa

    - Missouri: St. Louis

    - New York: Mechanicville

    - Pennsylvania: Bethlehem

    - Texas: San Antonio

Services Division Office Locations:

- - Florida: Altamonte Springs, Daytona Beach, Orlando, Oviedo, St. Petersburg

- - Louisiana: Lafayette

Brokerage Division Office Locations:

- - Connecticut: Stamford

- - Florida: Daytona Beach, Ft. Lauderdale, Lake Mary, Orlando, St. Petersburg

- - Georgia: Atlanta

- - New York: Massapequa, Rochester

- - North Carolina: Charlotte

Our operating leases expire on various dates. These leases generally contain renewal options and escalation clauses based on increases in the lessors' operating expenses and other charges. We expect that most leases will be renewed or replaced upon expiration. From time to time, we may have unused space and seek to sublet such space to third parties, depending on the demand for office space in the locations involved. See note 13 of the notes to our consolidated financial statements for additional information on our lease commitments.

ITEM 3. LEGAL PROCEEDINGS

On January 19, 2000, a complaint was filed in the Superior Court of Henry County, Georgia, captioned Gresham & Associates, Inc. vs. Anthony T. Strianese, et al. The complaint names us, certain of our subsidiaries and affiliates, and two of their employees as defendants. The complaint alleges, among other things, that we tortiously interfered with the contractual relationship between the plaintiff and certain of its employees. The plaintiff alleges that we hired such persons and actively encouraged them to violate the restrictive covenants contained in their employment agreements with plaintiff. The complaint seeks compensatory damages from us with respect to each of the two employees in amounts "not less than $750,000" and seeks punitive damages for alleged intentional wrongdoing in an amount "not less than $10,000,000." The complaint also sought a declaratory judgment regarding the enforceability of the restrictive covenants in the employment agreements and an injunction prohibiting the violation of those agreements. The plaintiff subsequently dismissed the claims for a declaratory judgment and an injunction, as well as its claims of breach of contract against the two individual employees named as defendants. Those individuals, and Peachtree Special Risk Brokers, LLC, one of our affiliates named as a defendant in this action, have filed counterclaims against the plaintiff, seeking damages, and seeking a declaratory judgment holding that the restrictive covenants in the employment agreements are not enforceable. We believe that we have meritorious defenses to each of the claims remaining in this action, and intend to contest this action vigorously.

We are involved in various other pending or threatened proceedings by or against us or one or more of our subsidiaries that involve routine litigation relating to insurance risks placed by us and other contractual matters. Our management does not believe that any of such pending or threatened proceedings will have a materially adverse effect on our consolidated financial position or future operations.

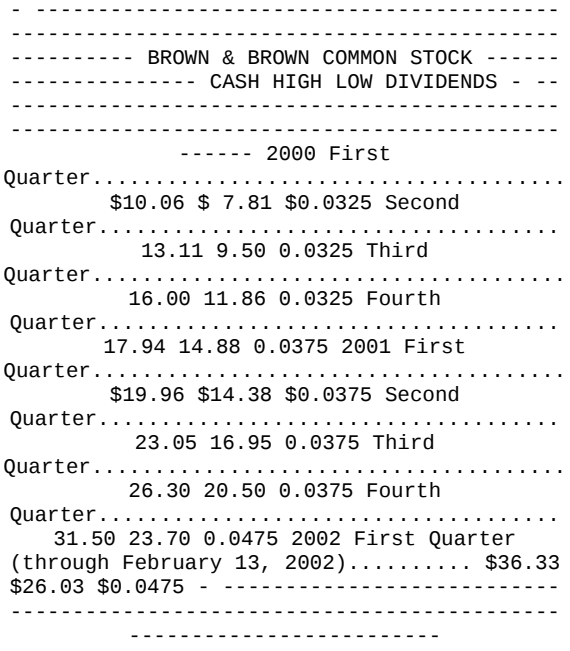
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during our fourth quarter ended December 31, 2001.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol "BRO". The table below sets forth, for the periods indicated, the intra-day high and low sales prices for our common stock as reported on the NYSE Composite Tape and dividends declared on our common stock. The stock prices and dividends reflect the two-for-one common stock split on August 23, 2000 and the two-for-one common stock split on November 21, 2001. Each such stock split was effected as a stock dividend.



The last reported sale price of our common stock on the New York Stock Exchange on February 13, 2002 was $35.10 per share. At February 11, 2002, there were 63,333,912 shares of our common stock outstanding, held by approximately 973 shareholders of record.

ITEM 6. SELECTED FINANCIAL DATA

(IN THOUSANDS, EXCEPT PER SHARE DATA AND PERCENTAGES)	YEAR ENDED DECEMBER 31,(1) 2001	2000	1999	1998	1997
INCOME STATEMENT DATA:					
Revenues					
Commissions and fees	$359,697	$258,309	$231,437	$211,722	$188,366
Investment income	3,686	4,887	3,535	4,350	5,431
Other income	1,646	2,209	2,551	718	2,315
Total revenues	365,029	265,405	237,523	216,790	196,112
Expenses					
Employee compensation and benefits	187,653	149,836	131,270	119,879	111,277
Other operating expenses	56,815	44,372	41,893	41,228	38,043
Amortization	15,860	9,226	8,343	6,329	6,057
Depreciation	6,536	6,158	5,892	5,216	4,764
Interest	5,703	1,266	1,360	1,233	1,684
Non-cash stock grant compensation	1,984	483	1,263	732	176
Total expenses	274,551	211,341	190,021	174,617	162,001
Income before income taxes and minority interest	90,478	54,064	47,502	42,173	34,111
Income taxes	34,834	20,146	18,331	16,179	13,408
Minority interest, net of income taxes	1,731	1,125	900	848	862
Net income	$ 53,913	$ 32,793	$ 28,271	$ 25,146	$ 19,841
PER SHARE DATA:					
Net income per share:					
Basic	$ 0.86	$ 0.53	$ 0.46	$ 0.41	$ 0.32
Diluted	$ 0.85	$ 0.53	$ 0.46	$ 0.41	$ 0.32
Weighted average number of shares outstanding:					
Basic	62,563	61,845	61,639	61,524	61,267
Diluted	63,222	62,091	61,655	61,524	61,267
Dividends declared per share	$ 0.1600	$ 0.1350	$ 0.1150	$ 0.1025	$ 0.0883
BALANCE SHEET DATA (PERIOD END):					
Total assets	$488,737	$324,677	$286,416	$285,028	$254,636
Long-term debt	78,195	10,660	10,905	24,522	15,993
Shareholders' equity(2)	175,285	118,372	100,355	82,073	72,377

(1) All share and per share information has been restated to give effect to the two-for-one common stock split that became effective November 21, 2001, the two-for-one common stock split that became effective August 23, 2000 and the three-for-two common stock split that became effective February 27, 1998. Each stock split was effected as a stock dividend. Prior years' results have been restated to give effect to acquisitions accounted for under the pooling-of-interests method of accounting. In addition, we made acquisitions accounted for under the purchase method of accounting during those periods, which affect the comparability of results. See "Management's discussion and analysis of financial condition and results of operations: General" and notes 2 and 3 of the notes to our consolidated financial statements for a description of our acquisitions in 2001, 2000 and 1999.

(2) Shareholders' equity as of December 31, 2001, 2000, 1999, 1998 and 1997 included net increases (in thousands) of $4,393, $2,495, $4,922, $5,540 and $6,744, respectively, as a result of our application of Statement of Financial Accounting Standards (SFAS) No. 115, ""Accounting for Certain Investments in Debt and Equity Securities."

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The following discussion should be read in conjunction with our consolidated financial statements and notes to those consolidated financial statements, included elsewhere in this report.

We are a general insurance agency and brokerage headquartered in Daytona Beach and Tampa, Florida. Since the early 1980s, our stated corporate objective has been to increase our net income per share by at least 15% every year. We have increased revenues from $95.6 million in 1993 (as originally stated, without giving effect to any subsequent acquisitions accounted for under the pooling-of-interests method of accounting) to $365.0 million in 2001, a compound annual growth rate of 18.2%. In the same period, we increased net income from $8.0 million (as originally stated, without giving effect to any subsequent acquisitions accounted for under the pooling-of-interests method of accounting) to $53.9 million in 2001, a compound annual growth rate of 26.9%. We have also increased net income per share 15.0% or more for nine consecutive years, excluding the effect of a one-time investment gain of $1.3 million in 1994 and favorable adjustments to our income tax reserves of $0.7 million in 1994 and $0.5 million in 1995. Since 1993, excluding the historical impact of poolings, our pre-tax margins improved in all but one year, and in that year, the pre-tax margin was essentially flat. These improvements have resulted primarily from net new business growth (new business production offset by lost business) and continued operating efficiencies. Our growth in 2001 was primarily the result of a higher than historical number of acquisitions, driven in large part by the then-anticipated elimination of pooling-of-interests accounting treatment for acquisitions, coupled with a general increase in premium rates and stronger net new business growth.

Our revenues are comprised principally of commissions paid by insurance companies, fees paid directly by clients and investment income. Commission revenues generally represent a percentage of the premium paid by the insured and are materially affected by fluctuations in both premium rate levels charged by insurance underwriters and the insureds' underlying "insurable exposure units," which are units that insurers use to measure or express insurance exposed to risk (such as property values, sales and payroll levels) so as to determine what premium to charge the policyholder. These premium rates are established by insurance companies based upon many factors, including reinsurance rates, none of which we control. Beginning in 1987 and continuing through 1999, revenues were adversely influenced by a consistent decline in premium rates resulting from intense competition among property and casualty insurers for market share. Among other factors, this condition of a prevailing decline in premium rates, commonly referred to as a "soft market," generally resulted in flat to reduced commissions on renewal business. The effect of this softness in rates on our revenues was somewhat offset by our acquisitions and new business production. As a result of increasing "loss ratios" (the comparison of incurred losses plus adjustment expense against earned premiums) of insurance companies through 1999, there was a general increase in premium rates beginning in the first quarter of 2000 and continuing through the fourth quarter of 2001. Although premium rates vary by line of business, geographical region, insurance company and specific underwriting factors, we believe this was the first time since 1987 that we operated in an environment of increased premiums for eight consecutive quarters. Additionally, in light of the events of September 11, 2001, insurance companies, as well as reinsurers, may extend this trend of increasing premium rates. While we cannot predict the timing or extent of premium pricing changes as a result of market fluctuations or their effect on our operations in the future, we believe that premium rates will continue to increase through at least 2002.

The volume of business from new and existing clients, fluctuations in insurable exposure units and changes in general economic and competitive conditions further impact our revenues. For example, stagnant rates of inflation and the general decline of economic activity in recent years have generally limited the increases in the values of insurable exposure units. Conversely, the increasing costs of litigation settlements and awards have caused some clients to seek higher levels of insurance coverage. Still, our revenues continue to grow through acquisitions and an intense focus

on net new business growth. We anticipate that results of operations for 2002 will continue to be influenced by these competitive and economic conditions.

We also earn "contingent commissions," which are revenue-sharing commissions from insurance companies based upon the volume and the growth and/or profitability of the business placed with such companies during the prior year. These commissions are primarily received in the first and second quarters of each year, and over the last three years, have averaged approximately 4.6% of total commissions and fees. Contingent commissions are included in our total commissions and fees in the consolidated statements of income in the year received. The term "core commissions and fees" excludes contingent commissions and represents the revenues earned directly from each specific insurance policy sold or from fee-based services rendered.

Fee revenues are generated primarily by our Services Division, which provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets and managed healthcare services. In each of the past three years, fee revenues generated by the Services Division have averaged approximately 6.8% of total commissions and fees.

Investment income consists primarily of interest earnings on premiums and advance premiums collected and held in a fiduciary capacity before being remitted to insurance companies. Our policy is to invest available funds in high-quality, short-term fixed income investment securities. Investment income also includes gains and losses realized from the sale of investments.

ACQUISITIONS AND THE IMPACT OF THE POOLING-OF-INTERESTS METHOD OF ACCOUNTING

During 2001, we acquired the following 12 agency groups in stock-for-stock transactions accounted for under the pooling-of-interests method of accounting:

- - The Huval Companies

- - Spencer & Associates, Inc. and SAN of East Central Florida, Inc.

- - The Young Agency, Inc.

- - Layne & Associates, Ltd.

- - Agency of Insurance Professionals, Inc., CompVantage Insurance Agency, LLC and Agency of Indian Programs Insurance, LLC

- - Finwall & Associates Insurance, Inc.

- - The Connelly Insurance Group, Inc.

- - The Benefit Group, Inc.

- - Logan Insurance Agency, Inc. and Automobile Insurance Agency of Virginia, Inc.

- - Froelich-Paulson-Moore, Inc. and M&J Buildings, LLC

- - McKinnon & Mooney, Inc.

- - Raleigh, Schwarz & Powell, Inc.

We also acquired the assets of 12 general insurance agencies, several books of business (client accounts) and the outstanding stock of two general insurance agencies in transactions accounted for under the purchase method of accounting.

During 2000, we acquired the following four agency groups in stock-for-stock transactions accounted for under the pooling-of-interests method of accounting:

- - Bowers, Schumann & Welch

- - The Flagship Group, Ltd.

- - WMH, Inc. and Huffman & Associates, Inc.

- - Mangus Insurance & Bonding, Inc.

We also acquired the assets of five general insurance agencies, several books of business and the outstanding stock of two general insurance agencies in transactions accounted for under the purchase method of accounting.

During 1999, we acquired the following two agency groups in stock-for-stock transactions accounted for under the pooling-of-interests method of accounting:

- - Ampher Insurance, Inc. and Ross Insurance of Florida, Inc.

- - Signature Insurance Group, Inc. and C,S&D, a Florida general partnership.

We also acquired the assets of seven general insurance agencies, several books of business and the outstanding stock of three general insurance agencies in transactions accounted for under the purchase method of accounting.

The revenues and expenses of entities that were acquired and accounted for under the purchase method of accounting are recognized only from the date of acquisition, and therefore did not impact our previously reported historical results. However, the applicable accounting rules require that our consolidated financial statements be restated for all periods to include the results of operations, financial positions and cash flows of entities acquired in transactions accounted for under the pooling-of-interests method. Because most of the pooled entities were operated as privately-held companies that paid significant year-end bonuses and compensation to their principals and owners during the periods prior to our acquisition of such entities, the combination of their lower net income results with our results diluted our historically reported profit margins, defined as income before income taxes and minority interest as a percentage of total revenues. As restated, our profit margins were 24.8%, 20.4% and 20.0% in 2001, 2000 and 1999, respectively. Without giving effect to any acquisitions accounted for under the pooling-of-interests method in the year of acquisition or in any prior year, our profit margins were 27.9%, 27.4% and 26.2% in 2001, 2000 and 1999, respectively. We believe that, as we continue to integrate these acquired entities, our profit margins will continue to improve.

The pooling-of-interests method of accounting has been eliminated for all business combinations initiated after June 30, 2001. This change in accounting rules was the impetus for many of our acquisitions in 2001. The pace of our ongoing acquisition activities may be significantly slower than it was in 2001, although we will continue to seek qualified acquisition candidates. Future acquisitions will be accounted for under the purchase method of accounting. See note 1 of the notes to our consolidated financial statements.

See notes 2 and 3 of the notes to our consolidated financial statements for a description of our acquisitions.

The following discussion and analysis regarding results of operations and liquidity and capital resources should be considered in conjunction with the accompanying consolidated financial statements and related notes.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

COMMISSIONS AND FEES

Commissions and fees increased 39% in 2001, 12% in 2000 and 9% in 1999. Core commissions and fees increased 11.3% in 2001, 11.1% in 2000 and 0.4% in 1999, excluding commissions and fees generated from operations acquired that were accounted for under the purchase method of accounting and excluding divested operations. The 2001 and 2000 results reflect stronger premium rate increases that began in the first quarter of 2000 and continued through 2001. Additionally, the 2001 increase was impacted by the higher than historical number of acquisitions consummated during that year. During 1999, property and casualty insurance premium prices declined from the previous year, and this decline was primarily responsible for the lower growth rate.

INVESTMENT INCOME

Investment income decreased to $3.7 million in 2001, compared with $4.9 million in 2000 and $3.5 million in 1999. The decrease in 2001 is primarily a result of lower available investment cash balances due to increased acquisition activity, although lower investment yields also contributed to reduced income. The increase in 2000 was primarily a result of higher levels of invested cash. Investment income also included gains of approximately $0.3 million in 2001, $0.2 million in 2000 and $0.1 million in 1999 realized from the sale of investments in various equity securities and partnership interests.

OTHER INCOME

Other income consists primarily of gains and losses from the sale and disposition of assets. In 2001, gains of $0.8 million were recognized from the sale of client accounts that were primarily related to the Auto Dealer Protector Plan(R), based in central Florida. Gains from the sale of client accounts were $0.1 million in 2000, compared with gains of $0.4 million in 1999. This decrease from 1999 to 2000 was primarily due to the gain on sales of certain accounts in 1999 within the Lawyer's Protector Plan(R) of our National Programs Division.

EMPLOYEE COMPENSATION & BENEFITS

Employee compensation and benefits increased approximately 25% in 2001, 14% in 2000 and 10% in 1999, primarily as a result of acquisitions and an increase in commissions paid to new and existing employees. Employee compensation and benefits as a percentage of total revenues was 51% in 2001, 56% in 2000 and 55% in 1999. The percentages are higher in 2000 and 1999 due to higher compensation and year-end bonuses paid to the principals and owners of pooled entities prior to the dates of acquisition. We had approximately 3,000 full-time employees at December 31, 2001, compared with approximately 2,140 at December 31, 2000 and approximately 2,000 at December 31, 1999.

OTHER OPERATING EXPENSES

Other operating expenses increased 28% in 2001, 6% in 2000, and 2% in 1999. Other operating expenses as a percentage of total revenues decreased to 16% in 2001 from 17% in 2000 and 18% in 1999. The continuing decline in other operating expenses, expressed as a percentage of total revenues, is attributable to the effective cost containment measures brought about by an initiative designed to identify areas of excess expense, and to the fact that, in an increasing premium rate environment, certain significant other operating expenses such as office rent, office supplies and

telephone costs, increase at a slower rate than commission and fee revenues increase during the same period.

DEPRECIATION

Depreciation increased 6% in 2001, 5% in 2000 and 13% in 1999. These increases were primarily due to the purchase of new computer equipment and the depreciation associated with acquired assets.

AMORTIZATION

Amortization expense increased $6.6 million, or 72%, in 2001, $0.9 million, or 11%, in 2000, and $2.0 million, or 32%, in 1999. The increase each year is due to the additional amortization of intangibles as a result of new acquisitions. See notes 1, 3 and 6 of the notes to our consolidated financial statements.

INTEREST EXPENSE

Interest expense increased $4.4 million, or 350%, in 2001, and decreased $0.9 million, or 7%, in 2000. On January 3, 2001, we obtained a $90 million term loan, primarily to acquire the insurance agency business-related assets of Riedman Corporation, which accounts for the increase in 2001. The average London Interbank Offered Rate (LIBOR) for the interest paid on that loan in 2001 was 4.4%. Effective January 2, 2002, we entered into an interest rate swap agreement to lock in an effective fixed interest rate of 4.53% for the remaining six years of the term loan, excluding our "credit risk spread" (additional interest paid to offset risk of default) between 0.5% and 1.0%. The decrease in 2000 was the result of reduced outstanding debt.

NON-CASH STOCK GRANT COMPENSATION

Non-cash stock grant compensation expense represents the expense required to be recorded under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," relating to our stock performance plan, which is more fully described in note 11 of the notes to our consolidated financial statements.

The annual cost of this stock performance plan increases only when our average stock price over a 20 trading day period increases by increments of 20% or more from the price at the time of the original grant, or when more shares are granted and the stock price increases.

During 2001, after the first vesting condition for most of the previously granted performance stock was satisfied as a result of increases in our average stock price over a 20 trading day period, we granted additional shares of performance stock. With the awards granted in 2001 and the increase in our stock price during that year, the expense for the stock performance plan increased to $2.0 million in 2001 from $0.5 million in 2000. If our stock price continues to increase in 2002, this expense could increase to as much as $3.0 million, excluding the cost of any new shares granted.

INCOME TAXES

The effective tax rate on income from operations was 38.5% in 2001, 37.3% in 2000 and 38.6% in 1999.

RESULTS OF OPERATIONS--SEGMENT INFORMATION

As discussed in note 15 of the notes to our consolidated financial statements, we operate in four business segments: the Retail, National Programs, Services and Brokerage Divisions.

The Retail Division is our insurance agency business that provides a broad range of insurance products and services to commercial, governmental, professional and individual clients. Over 95% of the Retail Division's revenues are commission-based. As a majority of our operating expenses do not change as premiums fluctuate, we believe that a majority of any fluctuation in commissions received by us will be reflected in our pre-tax income. The Retail Division's revenues accounted for 77% to 80% of our total consolidated commissions and fees over the last three years. The Retail Division's total revenues in 2001 increased $88.0 million to $287.6 million, a 44.1% increase over 2000. Of this increase, approximately $69.8 million related to commissions and fees from acquisitions accounted for under the purchase method of accounting that had no comparable revenues in 2000. The remaining increase is primarily due to net new business growth, which benefited from rising premium rates during 2001. Income before income taxes and minority interest in 2001 increased $21.9 million to $52.0 million, a 72.7% increase over 2000. This increase is due to acquired revenues, increases in premium rates and the lack of comparable year-end bonuses paid in 2000 related to the pooled entities. Total revenues in 2000 increased $17.0 million to $199.5 million, a 9.3% increase over 1999. This increase is primarily due to net new business growth and rising premium rates during 2000. Income before income taxes and minority interest in 2000 increased $2.0 million to $30.1 million, a 6.8% increase over 1999. This increase is due to net new business growth, acquired revenues and rising premium rates.

The National Programs Division is comprised of two units: Professional Programs, which provides professional liability and related package products for certain professionals delivered through nationwide networks of independent agents; and Special Programs, which markets targeted products and services designated for specific industries, trade groups and market niches. Similar to the Retail Division, essentially all of the National Programs Division's revenues are commission-based. Total revenues in 2001 increased $7.0 million to $43.8 million, an 18.9% increase over 2000, of which $2.4 million was related to net new business growth. All of this net new business growth was related to our Special Programs Division, but was partially offset by the loss of approximately $3.4 million of auto industry-related business that was terminated. Revenues related to our Professional Programs Division were essentially flat for 2001; however, prior to 2001, we experienced at least three years of 10% to 20% of annual revenue declines in this business. Income before income taxes and minority interest in 2001 increased $2.9 million to $17.9 million, a 19.6% increase over 2000, due primarily to net increases in revenues. Total revenues in 2000 increased $4.2 million to $36.8 million, a 12.8% increase over 1999, due to net new business growth in the Special Programs Division, which was partially offset by an 11.7% decline in the Professional Programs Division. Income before income taxes and minority interest in 2000 increased $2.6 million to $14.9 million, a 20.7% increase over 1999, primarily due to revenue increases in Special Programs.

The Services Division provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets and managed healthcare services. Unlike our other segments, over 90% of the Services Division's revenues are fees, which are not significantly affected by fluctuations in general insurance premiums. The Services Division's total revenues in 2001 increased $3.3 million to $25.0 million, a 15.4% increase over 2000. Of this increase, $2.3 million was the result of net new business growth and the remaining portion was acquired. Income before income taxes and minority interest in 2001 increased $0.9 million to $4.0 million, a 29.3% increase over 2000, primarily due to strong net new business growth. Total revenues in 2000 increased $4.5 million to $21.6 million, a 26.6% increase

over 1999. Of this increase, $2.7 million was the result of net new business growth and the remaining portion was acquired. Income before income taxes and minority interest in 2000 increased $0.5 million to $3.1 million, a 18.8% increase over 1999, again due primarily to strong net new business growth.

The Brokerage Division markets and sells excess and surplus commercial insurance and reinsurance, primarily through independent agents and brokers. Similar to our Retail and National Programs Divisions, essentially all of the Brokerage Division's revenues are commission-based. Total Brokerage revenues in 2001 increased $4.2 million to $12.2 million, a 53.1% increase over 2000, due entirely to net new business growth. As a result of the Brokerage Division's strong net new business growth, income before income taxes and minority interest in 2001 increased $1.4 million to $4.1 million, a 51.5% increase over 2000. Brokerage revenue in 2000 increased $1.6 million to $8.0 million, a 24.6% increase over 1999, solely due to net new business growth. Income before income taxes and minority interest for 2000 increased $0.6 million to $2.7 million, a 27.3% increase over 1999, again due to net new business growth.

QUARTERLY OPERATING RESULTS

The following table sets forth our quarterly operating results for 2001 and 2000:

- ----------

-------- (IN THOUSANDS, EXCEPT PER SHARE DATA) FIRST QUARTER SECOND QUARTER THIRD QUARTER FOURTH QUARTER - ----------
---

---------- 2001 Total revenues.....
$89,410 $89,933 $89,809 $95,877 Income before income taxes and minority interest..... 21,753 21,229 21,623 25,873 Net income.....
12,876 12,420 13,402 15,215 Net income per share:
Basic.....
$ 0.21 $ 0.20 $ 0.21 $ 0.24
Diluted.....
$ 0.20 $ 0.20 $ 0.21 $ 0.24 - --

---- 2000 Total revenues.....
$67,951 $65,002 $65,069 $67,383 Income before income taxes and minority interest..... 16,272 13,504 14,593 9,695 Net income.....
9,910 8,299 8,819 5,765 Net income per share:
Basic.....
$ 0.16 $ 0.13 $ 0.14 $ 0.09
Diluted.....
$ 0.16 $ 0.13 $ 0.14 $ 0.09 - --

LIQUIDITY AND CAPITAL RESOURCES

Our cash and cash equivalents of $16.0 million at December 31, 2001 reflects a decrease of $21.0 million from our December 31, 2000 balance of $37.0 million. During 2001, $70.0 million of cash was provided from operating activities and $90.1 million was received from long-term debt financing. From this borrowing and existing cash balances, $131.0 million was used for acquisitions, $33.3 million was used to repay long-term debt, $9.7 million was used to pay dividends and $11.0 million was used for additions to fixed assets.

Our cash and cash equivalents of $37.0 million at December 31, 2000 reflects an increase of $2.3 million from the December 31, 1999 balance of $34.7 million. During 2000, $42.3 million of cash

was provided from operating activities and $0.5 million was received from long-term debt financing. From this financing and existing cash balances, $17.7 million was used for acquisitions, $5.5 million was used for purchases of our stock, $4.5 million was used to repay long-term debt, $7.5 million was used to pay dividends and $5.6 million was used for additions to fixed assets.

Our cash and cash equivalents of $34.7 million at December 31, 1999 reflects a decrease of $5.6 million from the December 31, 1998 balance of $40.4 million. During 1999, $44.2 million of cash was provided from operating activities and $0.7 million was received from long-term debt financing. From this financing and existing cash balances, $16.2 million was used for acquisitions, $1.2 million was used for purchases of our stock, $17.9 million was used to repay long-term debt, $6.2 million was used to pay dividends and $6.2 million was used for additions to fixed assets.

Our ratio of current assets to current liabilities (the "current ratio") was 0.78 and 0.94 at December 31, 2001 and 2000, respectively. The decrease in the current ratio in 2001 is primarily attributable to the use of cash and increased debt to fund the higher level of acquisition activity.

In January 2001, we entered into a $90 million seven-year term loan agreement with SunTrust Banks, Inc. Borrowings under this facility bear interest based upon the 30-, 60- or 90-day LIBOR plus a margin ranging from 0.50% to 1.00%, depending upon our quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. Ninety-day LIBOR was 1.88% as of December 31, 2001. The loan was fully funded on January 3, 2001 and a balance of $77.1 million remained outstanding as of December 31, 2001. This loan is to be repaid in equal quarterly principal installments of $3.2 million through December 2007. Effective January 2, 2002, we entered into an interest rate swap agreement with SunTrust Banks, Inc. to lock in an effective fixed interest rate of 4.53% for the remaining six years of the term loan, excluding our credit risk spread between 0.50% and 1.00%.

We also have a revolving credit facility with SunTrust Banks, Inc. that provides for available borrowings of up to $50 million, with a maturity date of October 2002. Borrowings under this facility bear interest based upon the 30-, 60- or 90-day LIBOR plus a margin ranging from 0.45% to 1.00%, depending upon our quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. A commitment fee of 0.15% to 0.25% per year is assessed on the unused balance. As noted above, 90-day LIBOR was 1.88% as of December 31, 2001. There were no borrowings under this facility at December 31, 2001 or December 31, 2000.

We continue to maintain our credit agreement with Continental Casualty Company (CNA) under which $2.0 million (the maximum amount available for borrowing) was outstanding at December 31, 2001. The available amount will decrease by $1.0 million each August through 2003.

All three of our credit agreements require us to maintain certain financial ratios and comply with certain other covenants. We were in compliance with all such covenants as of December 31, 2001.

We believe that our existing cash, cash equivalents, short-term investment portfolio, funds generated from operations and the availability of the bank line of credit will be sufficient to satisfy our normal liquidity needs through at least the end of 2002. Additionally, we believe that funds generated from future operations will be sufficient to satisfy our normal liquidity needs, including the required annual principal payments on our long-term debt.

In December 2001, a universal "shelf" registration statement that we filed with the Securities and Exchange Commission covering the public offering and sale, from time to time, of up to an aggregate of $250 million of debt and/or equity securities, was declared effective. The primary use of this capital would be to fund acquisitions.

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

We make "forward-looking statements" within the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995 throughout this report and in the documents we incorporate by reference into this report. You can identify these statements by forward-looking words such as "may," "will," "expect," "anticipate," "believe," "estimate," "plan" and "continue" or similar words. We have based these statements on our current expectations about future events. Although we believe that our expectations reflected in or suggested by our forward-looking statements are reasonable, our actual results may differ materially from what we currently expect. Important factors which could cause our actual results to differ materially from the forward-looking statements in this report include:

- material adverse changes in economic conditions in the markets we serve;

- future regulatory actions and conditions in the states in which we conduct our business;

- competition from others in the insurance agency and brokerage business;

- the integration of our operations with those of businesses or assets we have acquired or may acquire in the future and the failure to realize the expected benefits of such integration; and

- other risks and uncertainties as may be detailed from time to time in our public announcements and Securities and Exchange Commission filings.

You should carefully read this report completely and with the understanding that our actual future results may be materially different from what we expect. All forward-looking statements attributable to us are expressly qualified by these cautionary statements.

We do not undertake my obligation to publicly update or revise any forward-looking statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the potential loss arising from adverse changes in market rates and prices, such as interest rates and equity prices. We are exposed to market risk through our investments, revolving credit line and term loan agreements.

Our invested assets are held as cash and cash equivalents, restricted cash, available-for-sale marketable equity securities, non-marketable equity securities and certificates of deposit. These investments are subject to interest rate risk and equity price risk. The fair values of our cash and cash equivalents, restricted cash, and certificates of deposit at December 31, 2001 and 2000 approximated their respective carrying values due to their short-term duration and therefore such market risk is not considered to be material.

We do not actively invest or trade in equity securities. In addition, we generally dispose of any significant equity securities received in conjunction with an acquisition shortly after the acquisition date. However, we have no current intentions to add or dispose of any of the 559,970 common stock shares of Rock-Tenn Company, a publicly-held NYSE company, which we have owned for over ten years. The investment in Rock-Tenn Company accounted for 85% and 48% of the total value of available-for-sale

marketable equity securities, non-marketable equity securities and certificates of deposit as of December 31, 2001 and 2000, respectively. Rock-Tenn Company's closing stock price at December 31, 2001 and 2000 was $14.40 and $7.44 respectively. Our exposure to equity price risk is primarily related to the Rock-Tenn Company investment. As of December 31, 2001, the value of the Rock-Tenn Company investment was $8,064,000.

To hedge the risk of increasing interest rates from January 2, 2002 through the remaining six years of our seven-year $90 million term loan, on December 5, 2001 we entered into an interest rate swap agreement that effectively converted the floating rate LIBOR-based interest payments to fixed interest rate payments at 4.53%. As of December 31, 2001, the fair value of the derivative liability was $88,000. We do not otherwise enter into derivatives, swaps or other similar financial instruments for trading or speculative purposes.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To Brown & Brown, Inc.

We have audited the accompanying consolidated balance sheets of Brown & Brown, Inc. and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Brown & Brown, Inc. and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP
Orlando, Florida
January 18, 2002

BROWN & BROWN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

YEAR ENDED DECEMBER 31, (IN THOUSANDS, EXCEPT PER SHARE DATA)	2001	2000	1999
Revenues: Commissions and fees	$359,697	$258,309	$231,437
Investment income	3,686	4,887	3,535
Other income	1,646	2,209	2,551
Total revenues	365,029	265,405	237,523
Expenses: Employee compensation and benefits	187,653	149,836	131,270
Other operating expenses	56,815	44,372	41,893
Amortization	15,860	9,226	8,343
Depreciation	6,536	6,158	5,892
Interest	5,703	1,266	1,360
Non-cash stock grant compensation	1,984	483	1,263
Total expenses	274,551	211,341	190,021
Income before income taxes and minority interest	90,478	54,064	47,502
Income taxes	34,834	20,146	18,331
Minority interest, net of income taxes	1,731	1,125	900
Net income	$ 53,913	$ 32,793	$ 28,271
Net income per share:			
Basic	$ 0.86	$ 0.53	$ 0.46
Diluted	$ 0.85	$ 0.53	$ 0.46
Weighted average number of shares outstanding:			
Basic	62,563	61,845	61,639
Diluted	63,222	62,091	61,655

See accompanying notes to our consolidated financial statements.

BROWN & BROWN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

AT DECEMBER 31, (IN THOUSANDS, EXCEPT PER SHARE DATA)	2001	2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 16,048	$ 37,027
Restricted cash	50,328	32,017
Short-term investments	451	2,149
Premiums, commissions and fees receivable	101,449	96,952
Other current assets	8,230	9,007
Total current assets	176,506	177,152
Fixed assets, net	25,544	17,357
Intangibles, net	268,311	113,031
Investments	8,983	6,457
Deferred income taxes, net	1,519	2,873
Other assets	7,874	7,807
Total assets	$488,737	$324,677
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Premiums payable to insurance companies	$151,649	$142,183
Premium deposits and credits due clients	12,078	8,347
Accounts payable	10,085	5,508
Accrued expenses	31,930	27,624
Current portion of long-term debt	20,855	4,387
Total current liabilities	226,597	188,049
Long-term debt	78,195	10,660
Other liabilities	6,308	5,937
Commitments and contingencies (Note 13)		
Minority interest	2,352	1,659
Shareholders' equity:		
Common stock, par value $0.10 per share; authorized 140,000 shares; issued and outstanding, 63,194 at 2001 and 62,164 at 2000	6,319	6,216
Additional paid-in capital	11,181	--
Retained earnings	153,392	109,661
Accumulated other comprehensive income, net of tax effect of $2,750 at 2001 and $1,595 at 2000	4,393	2,495
Total shareholders' equity	175,285	118,372
Total liabilities and shareholders' equity	$488,737	$324,677

See accompanying notes to our consolidated financial statements.

BROWN & BROWN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	COMMON STOCK			ACCUMULATED		
(IN THOUSANDS, EXCEPT SHARES AND PER SHARE DATA)	OUTSTANDING	VALUE	ADDITIONAL PAID-IN CAPITAL	OTHER COMPREHENSIVE INCOME (LOSS)	RETAINED EARNINGS	TOTAL SHAREHOLDERS' EQUITY
Balance at January 1, 1999	61,793	$6,179	$ --	$ 70,353	$ 5,540	$ 82,072
Net income					28,271	28,271
Net decrease in unrealized appreciation of available-for-sale securities				(618)		(618)
Comprehensive income						27,653
Common stock issued for employee stock benefit plans	99	10	2,923			2,933
Common stock purchased for employee stock benefit plans	(136)	(14)	(1,141)			(1,155)
Net distributions from pooled entities			(165)		(16)	(5,752)
(5,768)						
Principal payments made on ESOP obligations from pooled entities			857			857
Cash dividends paid ($0.115 per share)						(6,237)
(6,237)						
Balance at December 31, 1999	61,591	6,159	1,782	87,492	4,922	100,355
Net income					32,793	32,793
Net decrease in unrealized appreciation of available-for-sale securities				(2,427)		(2,427)
Comprehensive income						30,366
Common stock issued for employee stock benefit plans	947	95	2,134			2,229
Common stock purchased for employee stock benefit plans	(365)	(37)	(3,916)			(1,583)
(5,536)						
Net distributions from pooled entities			(9)		(1)	(1,869)
(1,870)						
Principal payments made on ESOP obligations from pooled entities			353			353
Cash dividends paid ($0.135 per share)						(7,525)
(7,525)						
Balance at December 31, 2000	62,164	6,216	--	109,661	2,495	118,372

- Net
income............................
53,913 53,913 Net increase in
unrealized appreciation of
available-for-sale
securities..........................
1,951 1,951 Net losses on cash-flow
hedging
derivatives.........................
(53) (53) ----------- Comprehensive
income.................. 55,811
Common stock issued for employee
stock benefit
plans....................... 786 79
4,749 4,828 Common stock issued for
agency
acquisition.........................
244 24 6,432 6,456 Net
distributions from pooled
entities............................
(849) (849) Adjustment to conform
fiscal year-end for pooled
entity................... 385 385
Cash dividends paid ($0.160 per
share)..............................
(9,718) (9,718) - -----------------

Balance at December 31,
2001.......... 63,194 $6,319 $
11,181 $153,392 $ 4,393 $ 175,285 -

See accompanying notes to our consolidated financial statements.

BROWN & BROWN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED DECEMBER 31, (IN THOUSANDS)	2001	2000	1999
Cash Flows from Operating Activities: Net income	$ 53,913	$ 32,793	$ 28,271
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	6,536	6,158	5,892
Amortization	15,860	9,226	8,343
Non-cash stock grant compensation	1,984	483	1,263
Deferred income taxes	199	(2,721)	(495)
Net gains on sales of investments, fixed assets and client accounts	(870)	(712)	(422)
Adjustment to conform fiscal year-end for pooled entities	385	--	--
Restricted cash increase	(18,311)	(12,051)	(1,665)
Premiums, commissions and fees receivable (increase) decrease	(2,611)	(18,432)	3,996
Other assets decrease (increase)	838	2,343	(905)
Premiums payable to insurance companies increase (decrease)	6,308	17,689	(3,066)
Premium deposits and credits due clients increase (decrease)	3,731	576	(608)
Accounts payable increase	2,279	(1,660)	2,666
Accrued expenses increase	4,306	7,316	563
Other liabilities decrease	(7,423)	(570)	(1,107)
Minority interest in earnings	2,814	1,829	1,464
Net cash provided by operating activities	69,938	42,267	44,190
Cash Flows from Investing Activities: Additions to fixed assets	(11,017)	(5,553)	(6,180)
Payments for businesses acquired, net of cash acquired	(131,039)	(17,651)	(16,220)
Proceeds from sales of fixed assets and client accounts	1,619	1,755	2,063
Purchases of investments	(3,006)	(781)	(942)
Proceeds from sales of investments	5,605	1,026	1,502
Net cash used in investing activities	(137,838)	(21,204)	(19,777)
Cash Flows from Financing Activities: Proceeds from long-term debt	90,062	493	738
Payments on long-term debt	(33,297)	(4,494)	(17,945)
Issuances of common stock for employee stock benefit plans	2,844	1,746	1,670
Purchases of common stock for employee stock benefit plans	--	(5,536)	(1,155)
Net distributions from pooled entities	(849)	(1,870)	(5,781)
Cash dividends paid	(9,718)	(7,525)	(6,237)
Cash distribution to minority interest shareholders	(2,121)	(1,597)	(1,318)
Net cash provided by (used in) financing activities	46,921	(18,783)	(30,028)
Net (decrease) increase in cash and cash equivalents	(20,979)	2,280	(5,615)
Cash and cash equivalents at beginning of year	37,027	34,747	40,362
Cash and cash equivalents at end of year	$ 16,048	$ 37,027	$ 34,747

See accompanying notes to our consolidated financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Brown & Brown, Inc., a Florida corporation, and its subsidiaries ("Brown & Brown") is a diversified insurance agency and brokerage that markets and sells to its clients insurance products and services, primarily in the property and casualty area. Brown & Brown's business is divided into four segments: the Retail Division, which provides a broad range of insurance products and services to commercial, governmental, professional and individual clients; the National Programs Division, which is comprised of two units--Professional Programs, which provides professional liability and related package products for certain professionals delivered through nationwide networks of independent agents, and Special Programs, which markets targeted products and services designated for specific industries, trade groups and market niches; the Services Division, which provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets, and managed healthcare services; and the Brokerage Division, which markets and sells excess and surplus commercial insurance and reinsurance, primarily through independent agents and brokers.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Brown & Brown, Inc. and its subsidiaries. All significant intercompany account balances and transactions have been eliminated in consolidation. Outside or third party interest in Brown & Brown's net income and net assets is reflected as minority interest in the accompanying consolidated financial statements.

As more fully described in Note 2--Pooling-of-interests acquisitions, the accompanying consolidated financial statements for all periods presented have been restated to show the effect of the acquisitions accounted for under the pooling-of-interests method of accounting.

REVENUE RECOGNITION

Commission income is recognized as of the effective date of the insurance policy or the date the client is billed, whichever is later. At that date, the earnings process has been completed and Brown & Brown can reliably estimate the impact of policy cancellations for refunds and establish reserves accordingly. The reserve for policy cancellations is periodically evaluated and adjusted as necessary. Subsequent commission adjustments are recognized upon notification from the insurance companies. Commission revenues are reported net of sub-broker commissions. Contingent commissions from insurance companies are recognized when determinable, which is when such commissions are received. Fee income is recognized as services are rendered.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as disclosures of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents principally consist of demand deposits with financial institutions and highly liquid investments having maturities of three months or less when purchased.

RESTRICTED CASH, AND PREMIUMS, COMMISSIONS AND FEES RECEIVABLE

In its capacity as an insurance agent or broker, Brown & Brown typically collects premiums from insureds and, after deducting its authorized commissions, remits the premiums to the appropriate insurance companies. Accordingly, as reported in the consolidated balance sheets, "premiums" are receivable from insureds. Unremitted insurance premiums are held in a fiduciary capacity until disbursed by Brown & Brown. In certain states where Brown & Brown operates, the use and investment alternatives for these funds are regulated by various state agencies. Brown & Brown invests these unremitted funds only in cash, money market accounts and commercial paper, and reports such amounts as restricted cash on the consolidated balance sheets. The interest income earned on these unremitted funds is reported as investment income in the consolidated statements of income.

In other circumstances, the insurance companies collect the premiums directly from the insureds and remit the applicable commissions to Brown & Brown. Accordingly, as reported in the consolidated balance sheets, "commissions" are receivable from insurance companies. "Fees" are primarily receivable from clients of Brown & Brown's Services Division.

INVESTMENTS

Brown & Brown's marketable equity securities have been classified as "available-for-sale" and are reported at estimated fair value, with the accumulated other comprehensive income (unrealized gains and losses), net of tax, reported as a separate component of shareholders' equity. Realized gains and losses and declines in value below cost that are judged to be other-than-temporary on available-for-sale securities are included in investment income. The cost of securities sold is based on the specific identification method. Interest and dividends on securities classified as available-for-sale are included in investment income in the consolidated statements of income.

As of December 31, 2001 and 2000, Brown & Brown's marketable equity securities principally represented a long-term investment of 559,970 shares of common stock in Rock-Tenn Company. Brown & Brown's President and Chief Executive Officer serves on the board of directors of Rock-Tenn Company. Brown & Brown has no current intentions to add to or to sell these shares.

Non-marketable equity securities and certificates of deposit having maturities of more than three months when purchased are reported at cost and are adjusted for other-than-temporary market value declines.

Accumulated other comprehensive income reported in shareholders' equity was $4,393,000 at December 31, 2001 and $2,495,000 at December 31, 2000, net of deferred income taxes of $2,750,000 and $1,595,000, respectively.

FIXED ASSETS

Fixed assets are stated at cost. Expenditures for improvements are capitalized, and expenditures for maintenance and repairs are charged to operations as incurred. Upon sale or retirement, the cost and related accumulated depreciation and amortization are removed from the accounts and the

resulting gain or loss, if any, is reflected in income. Depreciation has been determined using the straight-line method over the estimated useful lives of the related assets, which range from three to ten years. Leasehold improvements are amortized on the straight-line method over the term of the related lease.

INTANGIBLES

Intangible assets are stated at cost less accumulated amortization and consist of purchased client accounts, noncompete agreements, acquisition costs, and the excess of costs over the fair value of identifiable net assets acquired (goodwill). Purchased client accounts, noncompete agreements and acquisition costs are being amortized on a straight-line basis over the related estimated lives and contract periods, which range from five to 20 years. The weighted average life of purchased client accounts, noncompete agreements and acquisitions costs is 17.5 years, 7.9 years and 8.0 years as of December 31, 2001, and 15.4 years, 8.1 years, 8.4 years as of December 21, 2000, respectively. Goodwill is amortized on a straight-line basis over 15 to 40 years and has a weighted average life of 25.6 years and 32.9 years as of December 31, 2001 and 2000, respectively. Purchased client accounts are records and files obtained from acquired businesses that contain information on insurance policies and the related insured parties that is essential to policy renewals.

The carrying value of intangibles attributable to each agency division comprising Brown & Brown is periodically reviewed by management to determine if the facts and circumstances suggest that they may be impaired. In the insurance agency and brokerage industry, it is common for agencies or client accounts to be acquired at a price determined as a multiple of their corresponding revenues. Accordingly, Brown & Brown assesses the carrying value of its intangibles by comparison of a reasonable multiple applied to corresponding revenues, as well as considering the undiscounted cash flows generated by the corresponding agency division. Any impairment identified through this assessment may require that the carrying value of related intangibles be adjusted; however, no impairments have been recorded for the years ended December 31, 2001, 2000 and 1999.

DERIVATIVES

Brown & Brown utilizes a derivative financial instrument to reduce interest rate risks. Brown & Brown does not hold or issue derivative financial instruments for trading purposes. In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities," which was subsequently amended by SFAS Nos. 137 and 138. SFAS No. 133, as amended, establishes accounting and reporting standards for derivative instruments and hedging activities. These standards require that an entity recognize all derivatives as either assets or liabilities in the statement of financial condition and measure those instruments at fair value. Changes in the fair value of those instruments will be reported in earnings or other comprehensive income, depending on the use of the derivative and whether it qualifies for hedge accounting. The accounting for gains and losses associated with changes in the fair value of the derivative and the resulting effect on the consolidated financial statements will depend on the derivative's hedge designation and whether the hedge is highly effective in achieving offsetting changes in the fair value of cash flows as compared to changes in the fair value of the liability being hedged.

INCOME TAXES

Brown & Brown files a consolidated federal income tax return. Deferred income taxes are provided for in the consolidated financial statements and relate principally to expenses charged to income for financial reporting purposes in one period and deducted for income tax purposes in other periods, unrealized appreciation of available-for-sale securities, and basis differences of intangible assets.

NET INCOME PER SHARE

Basic net income per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Basic net income per share excludes dilution. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted to common stock.

The following table sets forth the computation of basic net income per common share and diluted net income per common and common equivalent share:

	YEAR ENDED DECEMBER 31, (IN THOUSANDS, EXCEPT PER SHARE DATA)	2001	2000	1999
Net income		$53,913	$32,793	$28,271
Weighted average number of common shares outstanding		62,563	61,845	61,639
Dilutive effect of stock options using the treasury stock method		659	246	16
Weighted average number of common and common equivalent shares outstanding		63,222	62,091	61,655
Basic net income per share		$ 0.86	$ 0.53	$ 0.46
Diluted net income per common and common equivalent share		$ 0.85	$ 0.53	$ 0.46

All share and per share amounts in the consolidated financial statements have been restated to give effect to the two-for-one common stock split effected by Brown & Brown on November 21, 2001 and the two-for-one common stock split effected by Brown & Brown on August 23, 2000. Each stock split was effected as a stock dividend.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of Brown & Brown's financial assets and liabilities, including cash and cash equivalents, investments, premiums, commissions and fees receivable, premiums payable to insurance companies, premium deposits and credits due clients and accounts payable, at December 31, 2001 and 2000, approximate fair value because of the short maturity of these instruments. The carrying amount of Brown & Brown's long-term debt approximates fair value at December 31, 2001 and 2000 since the debt is at floating rates.

NEW ACCOUNTING PRONOUNCEMENTS

In June 2001, the FASB issued SFAS No. 141, "Business Combinations," which requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Brown & Brown has historically used the pooling-of-interests method to record those acquisitions that met

the now-superseded APB No. 16, and the purchase method of accounting for other acquisitions. Acquisitions that met the now-superseded APB No. 16's pooling-of-interests criteria and that were initiated prior to June 30, 2001 with executed letters of intent outlining the major terms of the acquisition plan, including the ratio of exchange of stock, were accounted for as pooling-of-interests transactions. All of Brown & Brown's future acquisitions will be consummated using the purchase method.

Also in June 2001, the FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," which addresses how intangible assets that are acquired individually or as a group of other assets should be accounted for in financial statements upon their acquisition. This statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. Goodwill, which historically has been amortized over a 20-to 40-year time period, will no longer be subject to amortization. Instead, goodwill will be tested at least annually for impairment by applying a fair-value-based test. Goodwill and intangible assets acquired after June 30, 2001 were immediately subject to the provisions of SFAS No. 142; otherwise, the provisions of this statement became effective January 1, 2002. Exclusive of non-amortization of goodwill, Brown & Brown does not expect the adoption of SFAS No. 142 during the first quarter of 2002 to have a material impact on Brown & Brown's consolidated financial statements.

Additionally, in June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations," which addresses the financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 15, 2002. Brown & Brown does not expect the adoption of SFAS No. 143 to have a material impact on Brown & Brown's consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Disposal or Impairment of Long-Lived Assets," which now requires that a single accounting impairment model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and broadens the presentation of discontinued operations to include more disposal transactions. SFAS No. 144 is effective for fiscal years beginning after December 15, 2001. Brown & Brown does not expect the adoption of SFAS No. 144 to have a material impact on Brown & Brown's consolidated financial statements.

RECLASSIFICATIONS

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. POOLING-OF-INTERESTS ACQUISITIONS

In 2001, Brown & Brown acquired all of the outstanding stock of the following insurance agency or brokerage firms. These transactions have been accounted for under the pooling-of-interests method of accounting and, accordingly, Brown & Brown's consolidated financial statements and related notes have been restated for all periods prior to the dates of acquisition to include the results of operations, financial positions and cash flows of these companies. The following table reflects the effects of its 2001 acquisitions on the 2001, 2000 and 1999 individual and combined operating results of Brown & Brown:

	2001			2000			1999	
	COMMON SHARES ISSUED	NET REVENUE	NET INCOME	NET INCOME PER SHARE	NET REVENUE	NET INCOME	NET INCOME PER SHARE	NET REVENUE
	(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)							
Brown & Brown, as previously reported for 2000 and 1999		$307,050	$50,941	$ 0.87	$209,706	$33,186	$ 0.58	$188,391
The Huval Companies	654,758	7,981	458		7,784	147		6,374
Spencer & Associates, Inc. and SAN of East Central Florida, Inc.	191,176	1,971	191		2,050	(67)		1,741
The Young Agency, Inc.	1,142,858	11,784	771		11,207	(606)		9,911
Layne & Associates, Ltd.	482,334	6,707	234		6,808	(1,098)		5,701
Agency of Insurance Professionals, Inc., CompVantage Insurance Agency, LLC, and Agency of Indian Programs Insurance, LLC	240,268	2,591	257		2,168	24		1,726
Finwall & Associates Insurance, Inc.	167,466	1,685	102		1,701	215		1,522
The Connelly Insurance Group, Inc.	515,176	5,984	415		5,155	270		4,569
The Benefit Group, Inc.	119,708	865	166		1,066	426		692
Logan Insurance Agency, Inc. and Automobile Insurance Agency of Virginia, Inc.	16,736	488	68		459	54		478
Froelich-Paulson-Moore, Inc. and M&J Buildings, LLC	62,200	1,193	83		1,266	109		1,276
McKinnon & Mooney, Inc.	42,018	671	(6)		805	19		761
Raleigh, Schwarz & Powell, Inc.	1,130,112	16,059	233		15,230	114		14,381
Brown & Brown, as combined		$365,029	$53,913	$ 0.85	$265,405	$32,793	$ 0.53	$237,523
	1999							
	(IN THOUSANDS, EXCEPT NET NET							

INCOME SHARE AND PER SHARE DATA) INCOME PER SHARE - ------ ------------------------- --- ---------- Brown & Brown, as previously reported for 2000 and 1999..... $26,789 $ 0.47 The Huval Companies..... 470 Spencer & Associates, Inc. and SAN of East Central Florida, Inc. ..... (93) The Young Agency, Inc. ..... 289 Layne & Associates, Ltd. ..... (408) Agency of Insurance Professionals, Inc. CompVantage Insurance Agency, LLC, and Agency of Indian Programs Insurance, LLC..... 9 Finwall & Associates Insurance, Inc. ..... 129 The Connelly Insurance Group, Inc. ..... 194 The Benefit Group, Inc. ..... 128 Logan Insurance Agency, Inc. and Automobile Insurance Agency of Virginia, Inc. ..... 58 Froelich-Paulson-Moore, Inc. and M&J Buildings, LLC..... 140 McKinnon & Mooney, Inc..... 67 Raleigh, Schwarz & Powell, Inc..... 499 - ------------------------ -------- ------- Brown & Brown, as combined..... $28,271 $ 0.46 - ------------------------ ------------------------------ ------------------------------ ---------

In 2000, Brown & Brown acquired all of the outstanding stock of the following insurance agency or brokerage firms. These transactions have been accounted for under the pooling-of-interests method of accounting and, accordingly, Brown & Brown's consolidated financial statements and related notes have been restated for all periods prior to the dates of acquisition to include the results of operations, financial positions and cash flows of these companies. The following table reflects the effects of its 2000 acquisitions on the 2000, 1999 and 1998 individual and combined operating results of Brown & Brown:

- ---

-------- 2000 1999 1998 -------
---------- -------
---------- -------
- (IN THOUSANDS, COMMON NET NET
EXCEPT SHARE AND SHARES NET
INCOME NET INCOME PER SHARE
DATA) ISSUED REVENUE INCOME PER
SHARE REVENUE INCOME PER SHARE
REVENUE - ----------

---------- Brown & Brown,
as previously reported for 1999
and
1998.....
$197,162 $32,088 $0.58 $176,413
$27,172 $0.50 $158,947 Bowers,
Schumann &
Welch.....
1,087,176 5,223 594 5,133 (506)
5,337 The Flagship Group,
Ltd..... 379,828
3,931 246 3,850 244 4,316 WMH,
Inc. and Huffman & Associates,
Inc... 361,660 2,516 169 2,240
154 2,167 Mangus Insurance &
Bonding, Inc..... 115,910
874 89 755 (275) 718 - --------
--- --
---------- ----------
---- -------- Brown & Brown, as
combined.....
$209,706 $33,186 $0.58 $188,391
$26,789 $0.47 $171,485 - ------

- ---
---------- ----------
-- 1998 ---------- (IN
THOUSANDS, NET EXCEPT SHARE AND
NET INCOME PER SHARE DATA)
INCOME PER SHARE - ----------

---------- Brown &
Brown, as previously reported
for 1999 and
1998.....
$23,349 $0.42 Bowers, Schumann
& Welch..... (252)
The Flagship Group,
Ltd..... 314 WMH,
Inc. and Huffman & Associates,
Inc... 157 Mangus Insurance &
Bonding, Inc..... (6) - -

---- ------- Brown & Brown, as
combined.....
$23,562 $0.42 - ----------

In 1999, Brown & Brown acquired all of the outstanding stock of the following insurance agency or brokerage firms. These transactions have been accounted for under the pooling-of-interests method of accounting and, accordingly, Brown & Brown's consolidated financial statements and related notes have been restated for all periods prior to the dates of acquisition to include the results of operations, financial positions and cash flows of these companies. The following table reflects the effects of its 1999 acquisitions on the 1999 and 1998 individual and combined operating results of Brown & Brown:

	1999		1998	
	COMMON NET INCOME	NET INCOME PER SHARE	COMMON NET INCOME	NET INCOME PER SHARE - ASSUMING DILUTION
	(IN THOUSANDS, EXCEPT SHARES AND PER SHARE DATA)			
Brown & Brown, as previously reported for 1998	$171,879	$26,737	$0.50	$153,791	$23,053	$0.43
Ampher Insurance Inc. and Ross Insurance of Florida, Inc.	669,312	1,730	44	2,994	86	
Signature Insurance Group, Inc. and C,S&D General Partnership	421,540	2,804	391	2,162	210	-
Brown & Brown, as combined	$176,413	$27,172	$0.50	$158,947	$23,349	$0.42 -

3. PURCHASE ACQUISITIONS

On January 1, 2001, Brown & Brown acquired the insurance-related assets of The Riedman Corporation ("Riedman"). Riedman was a provider of a broad range of insurance products and services in 13 states. As a result of the acquisition, Brown & Brown acquired operations that generated $54,193,000 in commissions and fees in 2000, and established locations in 12 new states. The aggregate purchase price was $92,310,000, including $62,398,000 of cash, issuance of $10,546,000 in notes payable and the assumption of $19,366,000 of liabilities, which was primarily debt related to prior acquisitions by Riedman. The results of Riedman's operations have been included in the consolidated financial statements since January 1, 2001.

On May 1, 2001, Brown & Brown acquired the insurance-related assets of Parcel Insurance Plan, Inc. ("PIP"). PIP was a specialty insurance agency providing insurance coverage to commercial and private shippers for small packages and parcels with insured values of less than $25,000 each. As a result of the acquisition, Brown & Brown expanded into a new insurance brokerage niche. The aggregate purchase price was $23,012,000, including $22,869,000 of cash and the assumption of $143,000 of liabilities. The results of PIP's operations have been included in the consolidated financial statements since May 1, 2001.

On October 1, 2001, Brown & Brown acquired the insurance-related assets of Henry S. Lehr, Inc. and Apollo Financial Corporation ("Lehr"). Lehr was a provider of a broad range of insurance products and services including targeted insurance products and services for social-services organizations. As a result of the acquisition, Brown & Brown expanded its retail insurance presence in the northeastern United States. The aggregate purchase price was $11,600,000, consisting entirely of cash. The results of Lehr's operations have been included in the consolidated financial statements since October 1, 2001.

In addition, Brown & Brown acquired the assets of nine general insurance agencies, several books of business (client accounts) and the outstanding stock of two general insurance agencies. The aggregate purchase price was $47,174,000, including $36,056,000 of net cash payments, the issuance of notes payable in the amount of $4,662,000 and the issuance of 244,028 shares of Brown & Brown's common stock with an approximate fair market value as of the respective acquisition dates of $6,456,000 based on the average stock price for the 20 trading days ending three days prior to the respective closing dates. The results of these operations have been included in the consolidated financial statements since the dates of each acquisition.

The following table summarizes the estimated fair values of the assets acquired at the date of each acquisition and are based on preliminary purchase price allocations:

(IN THOUSANDS)	RIEDMAN	PIP	LEHR	OTHER	TOTAL
Current assets	$ --	$ --	$ --	$ 4,114	$ 4,114
Fixed assets	2,899	546	174	633	4,252
Purchased client accounts	43,265	10,077	5,513	23,451	82,306
Noncompete agreements	2,800	2,300	400	1,871	7,371
Acquisition costs	81	12	--	76	169
Goodwill	43,265	10,077	5,513	22,662	81,517
Other assets	--	--	--	17	17
Total assets acquired	92,310	23,012	11,600	52,824	179,746
Current liabilities	(9,388)	(143)	--	(5,333)	(14,864)
Long-term debt	(8,616)	--	--	--	(8,616)
Non-current liabilities	(1,362)	--	--	(317)	(1,679)
Total liabilities assumed	(19,366)	(143)	--	(5,650)	(25,159)
Total net assets acquired	$ 72,944	$22,869	$11,600	$47,174	$154,587

The weighted-average useful lives for the acquired intangible assets are as follows: purchased client accounts--20 years; noncompete agreements--5 years; and acquisition costs--5 years.

Goodwill of $81,517,000 was assigned to the Retail and National Programs Divisions in the amounts of $71,440,000 and $10,077,000, respectively. Of that total amount, $75,741,000 is expected to be deductible for tax purposes.

The results of operations for the acquisitions completed during 2001 have been combined with those of Brown & Brown since their respective acquisition dates. If the acquisitions had occurred at the beginning of the year 2000, Brown & Brown's results of operations would be as shown in the following table. These unaudited pro forma results are not necessarily indicative of the actual results of operations that would have occurred had the acquisitions actually been made at the beginning of the respective periods.

YEAR ENDED DECEMBER 31, (IN THOUSANDS, EXCEPT PER SHARE DATA)	2001	2000
	(UNAUDITED)	
Total revenues	$387,805	$358,583
Income before income taxes and minority interest	94,479	62,724
Net income	56,374	37,449
Net income per share:		
Basic	$ 0.90	$ 0.60
Diluted	$ 0.89	$ 0.60
Weighted average number of shares outstanding:		
Basic	62,767	62,089
Diluted	63,426	62,335

The results of operations for the Riedman acquisition were combined with Brown & Brown effective January 1, 2001. Riedman's unaudited revenues, income before income taxes and minority interest and net income included in the 2000 pro forma data summarized above approximate $54,193,000, $1,075,000 and $661,000, respectively. The impact of Riedman on the 2000 pro forma data on diluted net income per share approximates $0.01 per share.

Additional consideration paid to sellers or consideration returned to Brown & Brown by sellers as a result of purchase price adjustment provisions are recorded as adjustments to intangibles when the contingencies are settled. The net payments by Brown & Brown as a result of these adjustments totaled $2,342,000, $1,220,000 and $1,611,000 in 2001, 2000 and 1999, respectively. As of December 31, 2001, the maximum future contingency payments related to acquisitions totaled $10,852,000.

In 2000, Brown & Brown acquired the assets of five general insurance agencies, several books of business (client accounts) and the outstanding stock of two general insurance agencies. The aggregate purchase price was $19,669,000, including $19,058,000 of net cash payments and the issuance of notes payable in the amount of $611,000. Of that total amount, $12,000 was assigned to goodwill in the National Programs Division. Each of these acquisitions was accounted for as a purchase, and substantially the entire cost was assigned to purchased client accounts, noncompete agreements and goodwill. The results of these operations have been included in the consolidated financial statements since the dates of each acquisition.

In 1999, Brown & Brown acquired the assets of seven general insurance agencies, several books of business (client accounts) and the outstanding stock of three general insurance agencies. The

aggregate purchase price was $21,011,000, including $18,533,000 of net cash payments and the issuance of notes payable in the amount of $2,478,000. Of that total amount, $4,949,000 was assigned to goodwill in the Retail Division. Each of these acquisitions was accounted for as a purchase, and substantially the entire cost was assigned to purchased client accounts, noncompete agreements and goodwill. The results of these operations have been included in the consolidated financial statements since the dates of each acquisition.

4. INVESTMENTS

Investments at December 31 consisted of the following:

				2001	2000
CARRYING VALUE	CARRYING VALUE				
	NON-	NON-	(IN THOUSANDS)	CURRENT	CURRENT
CURRENT	CURRENT				
Available-for-sale marketable equity securities	$ 96	$8,064	$1,701	$4,165	Non-marketable equity securities and certificates of deposit
355	919	448	2,292		
Total investments	$451	$8,983	$2,149	$6,457	

The following table summarizes available-for-sale securities at December 31:

	GROSS	GROSS	ESTIMATED	UNREALIZED
UNREALIZED	FAIR			
(IN THOUSANDS)	COST	GAINS	LOSSES	VALUE
MARKETABLE EQUITY SECURITIES:				
2001	$ 534	$7,637	$(11)	$8,160
2000	2,141	3,738	(13)	5,866

The following table summarizes the proceeds and realized gains/(losses) on investments for the year ended December 31:

	GROSS	GROSS	
REALIZED	REALIZED	(IN THOUSANDS)	PROCEEDS
GAINS	LOSSES		
2001 Available-for-sale marketable equity securities	$ 1,607	$ --	$ --
Non-marketable equity securities and certificates of deposit	3,998	289	--
Total	$ 5,605	$ 289	$ --
2000 Available-for-sale marketable equity securities	$ 474	$ 144	$ (15)
Non-marketable equity securities and certificates of deposit	552	70	(19)
Total	$ 1,026	$ 214	$ (34)
1999 Available-for-sale marketable equity securities	$ 88	$ 14	$ (25)
Non-marketable equity securities and certificates of deposit	1,413	140	(42)
Total	$ 1,501	$ 154	$ (67)

5. FIXED ASSETS

Fixed assets at December 31 consisted of the following:

(IN THOUSANDS)	2001	2000
Furniture, fixtures and equipment	$ 56,759	$ 48,043
Land, buildings and improvements	3,324	2,680
Leasehold improvements	3,662	2,538
	63,745	53,261
Less accumulated depreciation and amortization	(38,201)	(35,904)
	$ 25,544	$ 17,357

Depreciation expense amounted to $6,536,000 in 2001, $6,158,000 in 2000 and $5,892,000 in 1999.

6. INTANGIBLES

Intangibles at December 31 consisted of the following:

(IN THOUSANDS)	2001	2000
Purchased client accounts	$191,272	$108,964
Goodwill	123,814	42,298
Noncompete agreements	29,970	22,839
Acquisition costs	2,140	1,913
	347,196	176,014
Less accumulated amortization	(78,885)	(62,983)
	$268,311	$113,031

Amortization expense amounted to $15,860,000 in 2001, $9,226,000 in 2000, and $8,343,000 in 1999.

Amortization of $4,203,000 was expensed in 2001 relating to goodwill. The consolidated income statements in 2002 will have no goodwill amortization expense in accordance with SFAS No. 142.

The FASB issued SFAS No. 142, "Goodwill and Other Intangible Assets," in June 2001. SFAS No. 142 disallows amortization of goodwill for any acquisition completed subsequent to June 30, 2001. Brown & Brown completed ten acquisitions under the purchase method of accounting after June 30, 2001 and as the result of the application of SFAS No. 142, $274,000 of goodwill that would have been amortized in 2001 under the pre-SFAS No. 142 rule was not amortized.

7. ACCRUED EXPENSES

Accrued expenses at December 31 consisted of the following:

(IN THOUSANDS)	2001	2000
Accrued bonuses	$13,230	$ 8,476
Accrued compensation and benefits	8,818	11,880
Other	9,882	7,268
Total	$31,930	$27,624

8. LONG-TERM DEBT

Long-term debt at December 31 consisted of the following:

(IN THOUSANDS)	2001	2000
Term loan agreements	$ 79,143	$ 3,000
Revolving credit facility	--	--
Notes payable from purchases of common stock	--	138
Acquisition notes payable	18,493	4,624
Other notes payable	1,414	7,285
	99,050	15,047
Less current portion	(20,855)	(4,387)
Long-term debt	$ 78,195	$10,660

In January 2001, Brown & Brown entered into a $90 million unsecured seven-year term loan agreement with a national banking institution, bearing an interest rate based upon the 30-, 60- or 90-day London Interbank Offered Rate (LIBOR) plus 0.50% to 1.00%, depending upon Brown & Brown's quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. The 90-day LIBOR was 1.88% as of December 31, 2001. The loan was fully funded on January 3, 2001 and as of December 31, 2001 had an outstanding balance of $77.1 million. This loan is to be repaid in equal quarterly installments of $3.2 million through December 2007.

In 1991, Brown & Brown entered into a long-term unsecured credit agreement with a major insurance company that provided for borrowings at an interest rate equal to the prime rate (4.75% and 9.50% at December 31, 2001 and 2000, respectively) plus 1.00%. At December 31, 2001, the maximum amount of $2.0 million currently available for borrowings was outstanding. In accordance with an August 1, 1998 amendment to the credit agreement, the outstanding balance will be repaid in annual installments of $1.0 million each August through 2003.

Brown & Brown also has a revolving credit facility with a national banking institution that provides for available borrowings of up to $50 million, with a maturity date of October 2002, bearing an interest rate based upon the 30-, 60- or 90-day LIBOR plus 0.45% to 1.00%, depending upon Brown & Brown's quarterly ratio of funded debt to earnings before interest, taxes, depreciation and amortization. A commitment fee of 0.15% to 0.25% per annum is assessed on the unused balance. The 90-day LIBOR was 1.88% as of December 31, 2001. There were no borrowings against this facility at December 31, 2001 or December 31, 2000.

All three of our credit agreements require Brown & Brown to maintain certain financial ratios and comply with certain other covenants. Brown & Brown was in compliance with all such covenants as of December 31, 2001.

Acquisition notes payable represent debt incurred to former owners of certain agencies acquired by Brown & Brown. These notes, including future contingent payments, are payable in monthly and annual installments through February 2014, including interest in the range from 5.0% to 9.0%.

Interest paid in 2001, 2000 and 1999 was $5,324,000, $1,364,000 and $1,301,000, respectively.

At December 31, 2001, maturities of long-term debt were $20,855,000 in 2002, $18,198,000 in 2003, $13,518,000 in 2004, $12,060,000 in 2005, $11,464,000 in 2006 and $22,955,000 in 2007 and beyond.

To hedge the risk of increasing interest rates from January 2, 2002 through the remaining six years of its seven-year $90 million term loan, Brown & Brown entered into an interest rate swap agreement that effectively converted the floating rate LIBOR-based interest payments to fixed interest rate payments at 4.53%. This agreement did not impact or change the required 0.5% to 1.00% credit risk spread portion of the term loan. In accordance with SFAS No. 133, as amended, Brown & Brown recorded a liability as of December 31, 2001 for the fair value of the interest rate swap at December 31, 2001 for approximately $53,000, net of taxes of approximately $33,000. Brown & Brown has designated and assessed the derivative as a highly effective cash flow hedge, and accordingly, the effect is reflected in other comprehensive income in the accompanying Consolidated statements of shareholders' equity.

9. INCOME TAXES

At December 31, 2001, Brown & Brown had a net operating loss carryforward of $1,900,000 for income tax reporting purposes, portions of which expire in the years 2011 through 2021. This carryforward was derived from agencies acquired by Brown & Brown in 2001 and 1998. For financial reporting purposes, a valuation allowance of $38,000 has been recognized to offset the deferred tax asset related to this carryforward.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for income tax reporting purposes. Significant components of Brown & Brown's deferred tax liabilities and assets as of December 31 are as follows:

(IN THOUSANDS)	2001	2000
Deferred tax liabilities:		
Fixed assets	$ --	$ 738
Net unrealized appreciation of available-for-sale securities	2,750	1,595
Prepaid insurance and pension	616	542
Intangible assets	1,186	460
Total deferred tax liabilities	$ 4,552	$ 3,335
Deferred tax assets:		
Fixed assets	$ 57	$ --
Deferred compensation	2,987	3,440
Accruals and reserves	2,044	1,394
Net operating loss carryforwards	731	1,085
Other	290	327
Valuation allowance for deferred tax assets	(38)	(38)
Total deferred tax assets	$ 6,071	$ 6,208
Net deferred tax (asset)/liability	$(1,519)	$(2,873)

Significant components of the provision (benefit) for income taxes for the year ended December 31 are as follows:

	(IN THOUSANDS)		
	2001	2000	1999
Current:			
Federal	$30,731	$19,642	$16,171
State	4,302	3,225	2,655
Total current provision	$35,033	$22,867	$18,826
Deferred:			
Federal	$ (179)	$(2,337)	$ (425)
State	(20)	(384)	(70)
Total deferred (benefit) provision	$ (199)	$(2,721)	$ (495)
Total tax provision	$34,834	$20,146	$18,331

A reconciliation of the differences between the effective tax rate and the federal statutory tax rate for the year ended December 31 is as follows:

	2001	2000	1999
Federal statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal income tax benefit	3.0	3.3	3.7
Interest exempt from taxation and dividend exclusion	(0.3)	(0.4)	(0.3)
Non-deductible goodwill amortization	0.4	0.4	0.5
Other, net	0.4	(1.0)	(0.3)
Effective tax rate	38.5%	37.3%	38.6%

Income taxes paid in 2001, 2000 and 1999 were $33,840,000, $18,740,000, and $16,132,000, respectively.

10. EMPLOYEE SAVINGS PLAN

Brown & Brown has an Employee Savings Plan (401(k)) under which substantially all employees with more than 30 days of service are eligible to participate. Under this plan, Brown & Brown makes matching contributions, subject to a maximum of 2.5% of each participant's salary. Further, Brown & Brown provides for a discretionary profit sharing contribution for all eligible employees. Brown & Brown's contributions to the plan totaled $4,357,000 in 2001, $3,663,000 in 2000 and $3,126,000 in 1999.

11. STOCK-BASED COMPENSATION AND INCENTIVE PLANS

STOCK PERFORMANCE PLAN

Brown & Brown has adopted a stock performance plan, under which up to 3,600,000 shares of Brown & Brown's stock ("Performance Stock") may be granted to key employees contingent on the employees' future years of service with Brown & Brown and other criteria established by the Compensation Committee of Brown & Brown's Board of Directors. Shares must be vested before participants take full title to Performance Stock. Of the grants currently outstanding, specified

portions will satisfy the first condition for vesting based on increases in the market value of Brown & Brown's common stock from the initial price specified by Brown & Brown. Dividends are paid on unvested shares of Performance Stock that have satisfied the first vesting condition, and participants may exercise voting privileges on such shares which are considered to be "awarded shares." Awarded shares are included as issued and outstanding common stock shares and are included in the calculation of basic and diluted earnings per share. Awarded shares satisfy the second condition for vesting on the earlier of (i) 15 years of continuous employment with Brown & Brown from the date shares are granted to the participants; (ii) attainment of age 64; or (iii) death or disability of the participant. At December 31, 2001, 2,893,488 shares had been granted under the plan at initial stock prices ranging from $3.79 to $24.00. As of December 31, 2001, 2,545,702 shares had met the first condition for vesting and had been awarded; and 59,988 shares had satisfied both conditions for vesting and had been distributed to participants.

The compensation element for Performance Stock is equal to the fair market value of the shares at the date the first vesting condition is satisfied and is expensed over the remainder of the vesting period. Compensation expense related to this Plan totaled $1,984,000 in 2001, $483,000 in 2000 and $1,263,000 in 1999.

EMPLOYEE STOCK PURCHASE PLAN

Brown & Brown has adopted an employee stock purchase plan ("the Stock Purchase Plan"), which allows for substantially all employees to subscribe to purchase shares of Brown & Brown's stock at 85% of the lesser of the market value of such shares at the beginning or end of each annual subscription period. Of the 3,000,000 shares authorized for issuance under the Stock Purchase Plan as of December 31, 2001, 847,566 shares remained available and reserved for future issuance.

INCENTIVE STOCK OPTION PLAN

On April 21, 2000, Brown & Brown adopted a qualified incentive stock option plan (the "Incentive Stock Option Plan") that provides for the granting of stock options to certain key employees. The objective of this plan is to provide additional performance incentives to grow Brown & Brown's pre-tax earnings in excess of 15% annually. Brown & Brown is authorized to grant options for up to 2,400,000 common shares, of which 1,152,000 were granted on April 21, 2000 at the most recent trading day's closing market price of $9.67 per share. All of the outstanding options vest over a one-to-ten-year period, with a potential acceleration of the vesting period to three to six years based on achievement of certain performance goals. All of the options expire ten years after the grant date. As of December 31, 2001, 72,380 option shares were exercisable. During 2001, no additional option shares were granted or exercised, and 20,000 shares were canceled.

The weighted average fair value of the incentive stock options granted during 2000 estimated on the date of grant using the Black-Scholes option-pricing model, was $4.73 per share. The fair value of these options granted is estimated on the date of grant using the following assumptions: dividend yield of 0.86%; expected volatility of 29.6%; risk-free interest rate of 6.3%; and an expected life of ten years.

PRO FORMA EFFECT OF PLANS

Brown & Brown accounts for the Stock Purchase Plan and the Incentive Stock Option Plan using the intrinsic value method prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost is required. Had compensation expense for these plans been determined consistent with SFAS No. 123, "Accounting for Stock-Based Compensation," Brown & Brown's net income and net income per share for the year ended December 31 would have been reduced to the pro forma amounts indicated below:

(IN THOUSANDS, EXCEPT PER SHARE DATA) (UNAUDITED)	2001	2000	1999
NET INCOME: As reported	$53,913	$32,793	$28,271
Pro forma	51,382	31,795	28,090
NET INCOME PER SHARE: As reported	$ 0.85	$ 0.53	$ 0.46
Pro forma	$ 0.81	$ 0.51	$ 0.46

12. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Brown & Brown's significant non-cash investing and financing activities for the year ended December 31 are as follows:

(IN THOUSANDS)	2001	2000	1999
Unrealized holding gain (loss) on available-for-sale securities, net of tax effect of $1,188 for 2001; net of tax benefit of $1,552 for 2000, and $395 for 1999	$ 1,951	$(2,427)	$(618)
Net losses on cash flow-hedging derivatives, net of tax benefit of $33 for 2001	(53)	--	--
Notes payable issued or assumed for purchased client accounts	34,767	611	2,478
Notes received on the sale of fixed assets and client accounts	192	467	1,305
Common stock issued for acquisitions accounted for under the purchase method of accounting	6,456	--	--

13. COMMITMENTS AND CONTINGENCIES

Brown & Brown leases facilities and certain items of office equipment under noncancelable operating lease arrangements expiring on various dates through 2015. The facility leases generally contain renewal options and escalation clauses based on increases in the lessors' operating expenses and other charges. Brown & Brown anticipates that most of these leases will be renewed

or replaced upon expiration. At December 31, 2001, the aggregate future minimum lease payments under all noncancelable lease agreements in excess of one year were as follows:

(IN THOUSANDS)	
2002	$14,253
2003	11,851
2004	8,996
2005	6,062
2006	3,705
Thereafter	6,000
Total minimum future lease payments	$50,867

Rental expense in 2001, 2000 and 1999 for operating leases totaled $14,608,000, $11,109,000 and $8,965,000, respectively.

Brown & Brown is not a party to any legal proceedings other than various claims and lawsuits arising in the normal course of business. Management of Brown & Brown does not believe that any such claims or lawsuits will have a material effect on Brown & Brown's financial condition or results of operations.

14. BUSINESS CONCENTRATIONS

Substantially all of Brown & Brown's premiums receivable from clients and premiums payable to insurance companies arise from policies sold on behalf of insurance companies. Brown & Brown, as agent and broker, typically collects premiums, retains its commission and remits the balance to the insurance companies. A significant portion of business written by Brown & Brown is for clients located in Arizona, Florida and New York. Accordingly, the occurrence of adverse economic conditions or an adverse regulatory climate in Arizona, Florida and/or New York could have a material adverse effect on Brown & Brown's business, although no such conditions have been encountered in the past.

For the years ended December 31, 2001, 2000 and 1999, approximately 5.2%, 6.5% and 11.2%, respectively, of Brown & Brown's total revenues were derived from insurance policies underwritten by one insurance company. Should this carrier seek to terminate its arrangement with Brown & Brown, Brown & Brown believes other insurance companies are available to underwrite the business, although some additional expense and loss of market share could possibly result. No other insurance company accounts for 5% or more of Brown & Brown's total revenues.

15. SEGMENT INFORMATION

Brown & Brown's business is divided into four segments: the Retail Division, which provides a broad range of insurance products and services to commercial, professional and individual clients; the National Programs Division, which is comprised of two units--Professional Programs, which provides professional liability and related package products for certain professionals delivered through nationwide networks of independent agents, and Special Programs, which markets targeted products and services designated for specific industries, trade groups and market niches; the Services Division, which provides insurance-related services, including third-party administration, consulting for the workers' compensation and employee benefit self-insurance markets, and

managed healthcare services; and the Brokerage Division, which markets and sells excess and surplus commercial insurance and reinsurance, primarily through independent agents and brokers. Brown & Brown conducts all of its operations within the United States of America.

The accounting policies of the reportable segments are the same as those described in Note 1 of Notes to Consolidated Financial Statements. Brown & Brown evaluates the performance of its segments based upon revenues and income before income taxes and minority interest. Intersegment revenues are not significant.

In 2001, Brown & Brown reclassified two profit centers into the National Programs Division that were previously reported in the Brokerage Division. Total revenues for these profit centers in 2000 and 1999 were $15,185,000 and $8,822,000 respectively. Segment information for 2000 and 1999 has been reclassified to conform to the current year presentation.

Summarized financial information concerning Brown & Brown's reportable segments is shown in the following table. The "Other" column includes corporate-related items and any income and expenses not allocated to reportable segments.

YEAR ENDED DECEMBER 31, 2001 (IN THOUSANDS)	NATIONAL PROGRAMS	RETAIL SERVICES	BROKERAGE	OTHER	TOTAL
Total revenues	$287,555	$ 43,790	$24,968	$ 12,228	$365,029
Investment income	4,383	1,718	365	113	(2,893) 3,686
Interest expense	13,345	1,108	277	--	(9,027) 5,703
Depreciation	4,627	879	508	178	344 6,536
Amortization	13,366	2,334	24	54	82 15,860
Income before income taxes and minority interest	52,013	17,864	3,969	4,087	12,545 90,478
Total assets	417,799	116,257	8,088	25,266	(78,673) 488,737
Capital expenditures	6,104	299	376	437	3,801 11,017

YEAR ENDED DECEMBER 31, 2000 (IN THOUSANDS)	NATIONAL PROGRAMS	RETAIL SERVICES	BROKERAGE	OTHER	TOTAL
Total revenues	$199,527	$ 36,838			

$21,643 $ 7,985 $ (588) $265,405 Investment income..... 3,349 2,135 278 118 (993) 4,887 Interest expense..... 2,590 51 28 -- (1,403) 1,266 Depreciation..... 4,141 1,134 518 150 215 6,158 Amortization..... 7,729 1,406 4 55 32 9,226 Income before income taxes and minority interest..... 30,114 14,937 3,070 2,697 3,246 54,064 Total assets..... 236,787 96,477 6,277 15,087 (29,951) 324,677 Capital expenditures... 3,682 489 867 266 249 5,553 - ---------- ---------- ---------- ---------- ----------

- ----------

---------- YEAR ENDED
DECEMBER 31, 1999
NATIONAL (IN
THOUSANDS) RETAIL
PROGRAMS SERVICES
BROKERAGE OTHER TOTAL
- ----------

---------- Total
revenues.....
$182,480 $ 32,644
$17,094 $ 6,409 $
(1,104) $237,523
Investment
income..... 2,828
1,452 224 90 (1,059)
3,535 Interest
expense..... 1,778 -
- 34 -- (452) 1,360
Depreciation.....
3,899 1,237 425 116
215 5,892
Amortization.....
7,172 1,067 -- 64 40
8,343 Income before
income taxes and
minority
interest.....
28,199 12,372 2,584
2,118 2,229 47,502
Total
assets.....
202,167 80,228 6,484
9,042 (11,505) 286,416
Capital
expenditures... 4,043
544 346 153 1,094
6,180 - ----------

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not Applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Set forth below is certain information concerning our executive officers and directors. All directors and officers hold office for one-year terms or until their successors are elected and qualified.

NAME	AGE	POSITIONS	YEAR FIRST BECAME A DIRECTOR
J. Hyatt Brown	64	Chairman of the Board, President and Chief Executive Officer	1993
Jim W. Henderson	55	Executive Vice President, Assistant Treasurer and Director	1993
Samuel P. Bell, III	62	Director	1993
Bradley Currey, Jr.	71	Director	1995
Theodore J. Hoepner	60	Director	1994
David H. Hughes	58	Director	1997
Toni Jennings	52	Director	1999
John R. Riedman	73	Director	2001
Jan E. Smith	62	Director	1997
C. Roy Bridges		Regional Executive	

	Vice President	52	--
Linda S. Downs	Regional Executive Vice President	51	--
Kenneth D. Kirk	Regional Executive Vice President	41	--
J. Scott Penny	Regional Executive Vice President	35	--
Thomas E. Riley	Regional Executive Vice President	46	--
Cory T. Walker	Vice President, Chief Financial Officer and Treasurer	44	--
Laurel L. Grammig	Vice President, Secretary and General Counsel	43	--
Thomas M. Donegan, Jr.	Vice President, Assistant Secretary and Assistant General Counsel	31	--
M. Catherine Wellman	Vice President, Assistant Secretary and Assistant General Counsel	28	--

J. Hyatt Brown. Mr. Brown has been our President and Chief Executive Officer since 1993, and the Chairman of the Board of Directors since 1994. Mr. Brown was President and Chief Executive Officer of our predecessor corporation from 1961 to 1993. He was a member of the Florida House of Representatives from 1972 to 1980, and Speaker of the House from 1978 to 1980. Mr. Brown serves on the Board of Directors of SunTrust Banks, Inc., SunTrust Bank/East Central Florida, International Speedway Corporation, The FPL Group, Inc., BellSouth Corporation, Rock-Tenn Company, and SCPIE Holdings Inc., each a publicly held company. He also serves on the Board of Trustees of Stetson University, of which he is a past Chairman, and serves as a member of the YMCA Advisory Board, the March of Dimes Board of Directors, and the Salvation Army Advisory Council. He

is also the treasurer of the Council of Insurance Agents and Brokers.

Jim W. Henderson. Mr. Henderson served as our Senior Vice President from 1993 to 1995, and was elected Executive Vice President in 1995. He served as Senior Vice President of our predecessor corporation from 1989 to 1993, and as Chief Financial Officer from 1985 to 1989.

Samuel P. Bell, III. Mr. Bell has been a shareholder of the law firm of Pennington, Moore, Wilkinson, Bell & Dunbar, P.A. since January 1, 1998 and also serves as Of Counsel to the law firm of Cobb Cole & Bell. Prior to that, he was a shareholder and managing partner of Cobb Cole & Bell. He has served as counsel to us and our predecessor corporation since 1964. Mr. Bell was a member of the Florida House of Representatives from 1974 to 1988.

Bradley Currey, Jr. Mr. Currey served as Chief Executive Officer of Rock-Tenn Company, a manufacturer of packaging and recycled paperboard products, from 1989 to 1999 and as Chairman of the Board of Rock-Tenn Company from 1993 to January 31, 2000, when he retired. He also previously served as President (1978-1995) and Chief Operating Officer (1978-1989) of Rock-Tenn Company. Mr. Currey is a member of the Board of Directors and the Executive Committee of Rock-Tenn Company; the Board of Directors, the Executive Committee and the Compensation Committee of Genuine Parts Company; and the Board of Directors of Enzymatic Deinking Technologies, Inc. Mr. Currey is Trustee Emeritus and a past Chairman of the Board of Trustees of Emory University. He is also a past Chairman of the Federal Reserve Bank of Atlanta.

Theodore J. Hoepner. Mr. Hoepner has been Vice Chairman of SunTrust Banks, Inc. since 2000. From 1995 to 2000, Mr. Hoepner served as Chairman of the Board, President and Chief Executive Officer of SunTrust Banks, Inc. f/k/a SunTrust Banks of Florida, Inc. From 1990 through 1995, he served as Chairman of the Board, President and Chief Executive Officer of SunBank, N.A. From 1983 through 1990, he was the Chairman of the Board and Chief Executive Officer of SunBank/Miami, N.A.

David H. Hughes. Mr. Hughes has been Chief Executive Officer of Hughes Supply, Inc., a publicly held business-to-business distributor of construction and industrial supplies, since 1974, and has been Chairman of the Board since 1986. Mr. Hughes is a member of the Board of Directors of SunTrust Banks, Inc. and Darden Restaurants, Inc., a publicly held company.

Toni Jennings. Ms. Jennings has been President of Jack Jennings & Sons, Inc., a commercial construction firm based in Orlando, Florida, since 1982. Ms. Jennings also serves as Secretary and Treasurer of Jennings & Jennings, Inc., an architectural millwork firm based in Orlando, Florida. Ms. Jennings was a member of the Florida Senate from 1980 to 2000, and President of the Florida Senate from 1996 to 2000. She previously served in the Florida House of Representatives from 1976 to 1980. She currently serves on the Salvation Army Advisory Board; the Rollins College Board of Trustees and the Board of Directors of SunTrust Bank/Central Florida, Hughes Supply, Inc. and the Florida Chamber of Commerce.

John R. Riedman. Mr. Riedman was elected to our Board of Directors in January 2001. He has served as Chairman of Riedman Corporation, based in Rochester, New York, since 1992. In January 2001, we acquired the insurance agency operations of Riedman Corporation, at which time Mr. Riedman joined us as an Executive Vice President and was elected as Vice Chairman of Brown & Brown of New York, Inc., one of our subsidiaries. Mr. Riedman is a Trustee and Finance Committee member of ViaHealth, a Rochester-based healthcare services network; an honorary Trustee of WXXI Public Broadcasting Corporation; and a member of the Executive Committee of the Greater Rochester Chamber of Commerce. He serves as President of 657 East Avenue Corp. (a subsidiary of Rochester Museum and Science Center) and of the Monroe County Sheriff's Foundation, and as Chairman of the Greater Rochester Sports Authority. He serves on the Board of Directors of High Falls Brewing Company, Sage, Rutty & Company, Inc., a Rochester-based financial services firm; the New York State Thruway Authority; and the New York State Canal Corporation. Mr. Riedman also served as a director and Chairman of the Audit Committee of Fleet Financial Group, a publicly-held company, from 1988 to 1999.

Jan E. Smith. Mr. Smith has served as President of Jan Smith & Company, a commercial real estate and business investment firm, since 1978. Mr. Smith is also the managing general partner of Ramblers Rest Resort, Ltd., a recreational vehicle park in Venice, Florida, and President of Travel Associates, Inc. Mr. Smith serves on the Board of Directors of SunTrust Bank/Gulf Coast, and is a member of the University of South Florida Foundation Board of Trustees. He also serves as a member of the Florida Education Governance Reorganization Transition Task Force and as a

member of the Tampa Bay Business Hall of Fame. He is a past member of the Advisory Council of the Federal Reserve Bank of Atlanta.

C. Roy Bridges. Mr. Bridges was elected as one of our Regional Executive Vice Presidents in January 2002. Since 1998, Mr. Bridges has overseen our profit center operations in northern and Western Florida, as well as in Louisiana and Oklahoma. Prior to undertaking his current duties, Mr. Bridges served as profit center manager of our Ft. Myers, Florida retail office from 1993 to 1998. Mr. Bridges also served as profit center manager of our Tampa, Florida retail office from 1998 to 2001 and was previously a profit center manager of our Brooksville, Florida retail office.

Linda S. Downs. Ms. Downs was elected as one of our Regional Executive Vice Presidents in January 2002. Since 1998, Ms. Downs has overseen various profit center operations for us, including operations in Tennessee, Virginia, and Orlando, Florida, as well as our professional and commercial insurance programs. Prior to undertaking her current duties, Ms. Downs served as profit center manager of our Orlando, Florida retail office from 1980 to 1998.

Kenneth D. Kirk. Mr. Kirk was elected as one of our Regional Executive Vice Presidents in January 2002. Since 1995, Mr. Kirk has overseen our profit center operations in Arizona, California, Colorado, New Mexico, Nevada, Washington and Wyoming, as well as in El Paso, Texas. Prior to undertaking his current duties, Mr. Kirk served as profit center manager of our Phoenix, Arizona retail office from 1995 to 2000.

J. Scott Penny. Mr. Penny was elected as one of our Regional Executive Vice Presidents in January 2002. Mr. Penny oversees our profit center operations in Indiana, Iowa, Ohio, Michigan, Minnesota, North Dakota and Wisconsin. Since 1999, Mr. Penny has served as profit center manager of our Indianapolis, Indiana retail office. Prior to that, Mr. Penny served as profit center manager of our Jacksonville, Florida retail office from 1997 to 1999.

Thomas E. Riley. Mr. Riley was elected as one of our Regional Executive Vice Presidents in January 2002. Since 1999, Mr. Riley has overseen our profit center operations in southeastern Florida, as well as in Connecticut, New Jersey, New York, and Pennsylvania. Prior to undertaking his current duties, Mr. Riley served as profit center manager of our Fort Lauderdale, Florida retail office from 1992 to 2001 and served as Chief Financial Officer from 1990 to 1991.

Cory T. Walker. Mr. Walker has been our Vice President, Treasurer and Chief Financial Officer since 2000. Mr. Walker previously served as our Vice President and Chief Financial Officer from 1992 to 1994. Between 1995 and 2000, Mr. Walker served as profit center manager for our Oakland, California retail office. Before joining us, Mr. Walker was a Senior Audit Manager for Ernst & Young LLP.

Laurel L. Grammig. Ms. Grammig has been our Vice President, Secretary and General Counsel since 1994. Before joining us, Ms. Grammig was a partner of the law firm of Holland & Knight LLP in Tampa, Florida.

Thomas M. Donegan, Jr. Mr. Donegan has been our Vice President, Assistant Secretary and Assistant General Counsel since 2000. Before joining us, Mr. Donegan was an associate with the law firm of Smith, Gambrell & Russell LLP in Atlanta, Georgia.

M. Catherine Wellman. Ms. Wellman has been our Assistant General Counsel since 2000 and was elected as our Vice President and Assistant Secretary in January 2001. Before joining us, Ms. Wellman was an associate with the law firm of Meier, Lengauer, Bonner, Muszynski & Doyle, P.A. in Orlando, Florida.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who own more than 10% of our outstanding shares of common stock, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Officers, directors and 10% shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file.

Based solely on our review of the copies of such reports furnished to us and written representations from certain reporting persons that no SEC Form 5s were required to be filed by those persons, we believe that during 2001, our officers, directors and 10% beneficial owners timely complied with all applicable filing requirements, except for David H. Hughes, a director, who was late in filing one Form 4 with respect to one transaction (the subject transaction has since been reported), and C. Roy Bridges, Linda S. Downs, Kenneth D. Kirk, Thomas E. Riley, and Dan W. Williamson, who did not timely file a Form 3 after qualifying in October 2001 as our "executive officers" under the SEC's rules (Form 5s including the information required on Form 3 have since been filed for each of these individuals). (Mr. Williamson resigned as an "executive officer" in January 2002 but continues to serve as profit center manager of our Toledo, Ohio retail office.)

ITEM 11. EXECUTIVE COMPENSATION

The following table sets forth the compensation received by our Chief Executive Officer, and the four other highest paid executive officers in 2001 (the "Named Executive Officers") for services rendered to us in such capacity for each of the three years, as applicable, in the period ended December 31, 2001:

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION SALARY($)	ANNUAL COMPENSATION BONUS($)	OTHER ANNUAL COMPENSATION ($)(1)	LONG-TERM COMPENSATION AWARDS SECURITIES UNDERLYING OPTIONS (#)	ALL OTHER COMPENSATION ($)(2)
J. Hyatt Brown..... Chairman of the Board,..... President & Chief Executive.... Officer	2001	$ 529,167	$ 502,205	--	--	$ 6,800
	2000	493,835	342,568	--	--	6,800
	1999	426,381	292,364	--	--	6,400
Jim W. Henderson(3)..... Executive Vice President.....	2001	$ 346,466	$ 526,799	$ 16,118	--	$ 6,800
	2000	334,375	325,000	10,306	239,116	6,800
	1999	325,350	254,000	6,900	--	6,400
Thomas E. Riley(4)..... Regional Executive Vice President	2001	$ 246,270	$ 510,000	$ 16,118	--	$ 6,800
Kenneth D. Kirk(5)..... Regional Executive Vice President	2001	$ 271,687	$ 404,942	$ 15,945	--	$ 6,800
C. Roy Bridges(6)..... Regional Executive Vice President	2001	$ 267,105	$ 404,966	$ 13,254	--	$ 6,800

(1) Certain of the Named Executive Officers have been granted shares of performance stock under our stock performance plan. For a description of the terms of such grants, the number of shares granted and the value of such shares, see "Executive Compensation - Long-Term Incentive Plans - Awards in Last Fiscal Year," below. These dollar amounts reflect cash dividends paid to officer-grantees on those granted performance stock shares that have met the first condition for vesting.

(2) Amounts shown represent our 401(k) plan profit sharing and matching contributions.

(3) Mr. Henderson was originally granted 59,779 options under our incentive stock option plan, effective April 21, 2000. On August 23, 2000 and November 21, 2001, respectively, we implemented a 2-for-1 stock split, each effected as a stock dividend. Under the incentive stock option plan, the number of shares underlying granted options are automatically adjusted to reflect any stock dividend, stock split, reverse stock split, recapitalization, combination, reclassification or similar event or change in our capital structure. The weighted average exercise price per share for the granted options is $9.67, which represents the closing market price of our common stock on April 20, 2000 of $38.69, after adjustment by our Compensation Committee for the two aforementioned 2-for-1 stock splits.

(4) By virtue of undertaking policy-making functions, Mr. Riley qualified under applicable securities regulations as a Named Executive Officer in October 2001 and was elected as a Regional Executive Vice President in January 2002.

(5) By virtue of undertaking policy-making functions, Mr. Kirk qualified under applicable securities regulations as a Named Executive Officer in October 2001 and was elected as a Regional Executive Vice President in January 2002.

(6) By virtue of undertaking policy-making functions, Mr. Bridges qualified under applicable securities regulations as a Named Executive Officer in October 2001 and was elected as a Regional Executive Vice President in January 2002.

OPTION GRANTS IN 2001

Grants of stock options under our incentive stock option plan are intended to provide an incentive for key employees to achieve our short- to medium-range performance goals. This is done generally by tying the vesting of granted options to the grantee's region or profit center achieving compound annual growth in pre-tax earnings in excess of 15% over pre-tax earnings for 1999, the plan's base year, for the three-year period ending December 31, 2002. The granted options will vest as these performance standards are achieved or on the day prior to the ten-year anniversary date of the grant, whichever is earlier. Vested stock options may be exercised only pursuant to a schedule set forth in each grantee's agreement with us. The grantee may not sell or transfer any granted stock options.

No stock options were granted to the Named Executive Officers in 2001.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END OPTION VALUES

No stock options granted under our incentive stock option plan were exercised during fiscal year 2001. The closing market price of our stock underlying the granted options was $27.30 per share as of December 31, 2001. The resulting difference between the year-end market price and the adjusted exercise price per-share of $9.67 is $17.63 per share. Therefore, the values at fiscal year-end of unexercised in-the-money options granted to the Named Executed Officers are as set forth in the table below:

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT DECEMBER 31, 2001($)		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT DECEMBER 31, 2001($)	
NAME	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
J. Hyatt Brown.....	--	--	--	--
Jim W. Henderson.....	10,340	228,776	$182,294	$4,033,321
Thomas E. Riley.....	10,340	116,404	182,294	2,052,203
Kenneth D. Kirk.....	10,340	57,124	182,294	1,007,096
C. Roy Bridges.....	10,340	185,324	182,294	3,267,262

LONG-TERM INCENTIVE PLANS - AWARDS IN LAST FISCAL YEAR

Grants of stock under our stock performance plan are intended to provide an incentive for key employees to achieve our long-range performance goals, generally by providing incentives to remain with us for a long period after the grant date and by tying the vesting of the grant to appreciation of our stock price. The table below sets forth the number of shares of performance stock granted to the Named Executive Officers in 2001 and the criteria for vesting.

NAME	NUMBER OF SHARES(1)(2)	PERFORMANCE OR OTHER PERIOD UNTIL MATURATION OR PAYOUT(3)
J. Hyatt Brown.....	--	--
Jim W. Henderson.....	20,000	15 years
Thomas E. Riley.....	20,000	15 years
Kenneth D. Kirk.....	20,000	15 years
C. Roy Bridges.....	20,000	15 years

(1) None of the shares of performance stock granted to the Named Executive Officers has fully vested as of the date hereof. In order for the grants described above to fully vest, (i) the grantee would have to remain with us for a period of 15 years from the date of grant (subject to the exceptions set forth in footnote (3) below), and (ii) our stock price would have to appreciate at a specified rate during the five-year period beginning on the grant date. For each 20% increase in an average stock price over a 20 trading day period within such five-year period, dividends will be payable to the grantee on 20% of the shares granted and the grantee will have the power to vote such shares. The grantee will not have any of the other indicia of ownership (e.g., the right to sell or transfer the shares) until such shares are fully vested.

(2) The dollar value of the respective grants to Messrs. Henderson, Riley, Kirk, and Bridges on April 1, 2001, the date of grant, was $350,000. This value represents the number of shares granted multiplied by the closing market price of our common stock on the New York Stock Exchange on the date of grant, as adjusted for our 2-for-1 common stock split effected November 21, 2001. The aggregate number of shares of performance stock granted to the Named Executive Officers as of December 31, 2001 was 115,300 for Mr. Henderson, 115,300 for Mr. Riley, 114,220 for Mr. Kirk, and 97,400 for Bridges. The corresponding dollar values of all shares of performance stock granted to the Named Executive Officers as of December 31, 2001 were $3,147,690 for Mr. Henderson, $3,147,690 for Mr. Riley, $3,118,206 for Mr. Kirk, and $2,659,020 for Mr. Bridges.

(3) If the grantee's employment with us were to terminate before the end of the 15-year vesting period, such grantee's interest in his shares would be forfeited unless (i) the grantee has attained age 64, (ii) the grantee's employment with us terminates as a result of his death or disability, or (iii) the Compensation Committee, in its sole and absolute discretion, waives the conditions of the grant of performance stock.

EMPLOYMENT AND DEFERRED COMPENSATION AGREEMENTS

Effective July 29, 1999, J. Hyatt Brown entered into an Employment Agreement that superseded Mr. Brown's prior agreement with us. The agreement provides that Mr. Brown will serve as Chairman of the Board, President and Chief Executive Officer. The agreement also provides that upon termination of employment, Mr. Brown will not directly or indirectly solicit any of our clients or employees for a period of three years.

The agreement requires us to make a payment to an escrow account upon a Change of Control (as defined in the agreement). If, within three years after the date of such Change of Control, Mr. Brown is terminated or he resigns as a result of certain Adverse Consequences (as defined in the agreement), the amount in the escrow account will be released to Mr. Brown. The amount of the payment will be equal to two times the following amount: three times the sum of Mr. Brown's annual base salary and most recent annual bonus, multiplied by a factor of one plus the percentage representing the percentage increase, if any, in the price of our common stock between the date of the agreement and the close of business on the first business day following the date the public announcement of the Change of Control is made. Mr. Brown will also be entitled to receive all benefits he enjoyed prior to the Change of Control for a period of three years after the date of termination of his employment.

As defined in the agreement, a "Change of Control" includes the acquisition by certain parties of 30% or more of our outstanding voting securities, certain changes in the composition of the Board of Directors that are not approved by the incumbent Board, and the approval by our shareholders of a plan of liquidation, certain mergers or reorganizations, or the sale of substantially all of our assets. The "Adverse Consequences" described above generally involve our breach of the agreement, a change in the terms of Mr.

Brown's employment, a reduction in our dividend policy, or a diminution in Mr. Brown's role or responsibilities.

We entered into the agreement with Mr. Brown after determining that it was in our best interests and our shareholders' best interests to retain his services in the event of a threat or occurrence of a Change of Control and thereafter, without alteration or diminution of his continuing leadership role in determining and implementing our strategic objectives. We also recognized that, unlike our other key personnel who participate in our stock performance plan, Mr. Brown does not participate in that plan and would not enjoy the benefit of the immediate vesting of stock interests granted pursuant to that plan in the event of a Change of Control. Brown & Brown or Mr. Brown may terminate his employment at any time with 30 days' notice.

Jim W. Henderson, C. Roy Bridges, Linda S. Downs, Kenneth D. Kirk, J. Scott Penny, Thomas E. Riley, Cory T. Walker, Laurel L. Grammig, Thomas M. Donegan, Jr., and M. Catherine Wellman have each entered into standard employment agreements with us. These agreements may be terminated by either party (in the case of Mr. Henderson, Ms. Downs, and Mr. Kirk, upon 30 days' advance written notice). Compensation under these agreements is at amounts agreed upon between us and the employee from time to time. Additionally, for a period of two years following the termination of employment (three years in the case of Mr. Henderson, Ms. Downs, Mr. Kirk, and Mr. Riley), these agreements prohibit the employee from directly or indirectly soliciting or servicing our clients or employees.

John R. Riedman entered into an Employment Agreement with the Company, effective January 1, 2001. See Item 13, "Certain Relationships and Related Transactions."

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

The members of our Compensation Committee during 2001 were Samuel P. Bell, III (Chairman), Bradley Currey, Jr., Theodore J. Hoepner, David H. Hughes, Toni Jennings and Jan E. Smith.

Samuel P. Bell, III is a partner in the law firm of Pennington, Moore, Wilkinson, Bell & Dunbar, P.A. and serves as Of Counsel to the law firm of Cobb Cole & Bell. Cobb Cole & Bell performed services for us in 2001 and is expected to continue to perform legal services for us during 2002.

Theodore J. Hoepner is the Vice Chairman of SunTrust Banks, Inc. We have a $50 million line of credit and a $90 million term loan with SunTrust Banks, Inc. We expect to continue to use SunTrust Banks, Inc. during 2002 for some of our cash management requirements. Additionally, SunTrust Robinson Humphrey Capital Markets, a division of SunTrust Capital Markets, Inc., the investment banking subsidiary of SunTrust Banks, Inc., may provide investment banking services to us from time to time. Mr. Brown and Mr. Hughes are each directors of SunTrust Banks, Inc. Ms. Jennings is a director of SunTrust Bank/Central Florida. Mr. Smith is a director of SunTrust Bank/Gulf Coast. For other transactions involving management and us, see "Management - Transactions with Management and Others."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of December 31, 2001, information as to our common stock beneficially owned by (1) each of our directors, (2) each executive officer named in the Summary Compensation Table, (3) all of our directors and executive officers as a group, and (4) any person who we know to be the beneficial owner of more than 5% of the outstanding shares of our common stock:

NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP(1)(2)(3)	PERCENT OF TOTAL
J. Hyatt Brown(4) 220 South Ridgewood Avenue Daytona Beach, Florida 32114	10,891,244	17.2%
Samuel P. Bell, III(5)	6,800	*
C. Roy Bridges(6)	167,508	*
Bradley Currey, Jr	144,100	*
Jim W. Henderson(7)	564,431	*
Theodore J. Hoepner	6,000	*
David H. Hughes	10,000	*
Toni Jennings	1,324	*
Kenneth D. Kirk(8)	666,918	1.1%
John R. Riedman	20,000	*
Thomas E. Riley	185,640	*
Jan E. Smith(9)	3,400	*
T. Rowe Price Associates, Inc.(10) 100 E. Pratt Street Baltimore, MD 21202	5,417,800	8.6%
All current directors and executive officers as a group (18 persons)	13,113,287	20.8%

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* Less than 1%

(1) Beneficial ownership of shares, as determined in accordance with applicable Securities and Exchange Commission rules, includes shares as to which a person has or shares voting power and/or investment power. We have been informed that all shares shown are held of record with sole voting and investment power, except as otherwise indicated. All share amounts, percentages and share values have been adjusted to reflect any applicable stock splits effected by us.

(2) The number and percentage of shares owned by the following persons include the indicated number of shares owned through our 401(k) Plan as of December 31, 2001: Mr. Bridges - 19,302; Mr. Henderson - 238,447; Mr. Kirk - 0; Mr. Riley - 30,148; all directors and officers as a group - 327,618. The number and percentage of shares owned by the following persons also include the indicated number of shares which such persons have been granted under our stock performance plan as of December 31, 2001 and which have satisfied the first condition for vesting: Mr. Bridges - 89,400; Mr. Henderson - 107,300; Mr. Kirk - 106,220; Mr. Riley - 107,300; all directors and officers as a group - 705,728. These stock performance plan shares have voting and dividend rights, but the holders thereof have no power to sell or dispose of the shares, and the shares are subject to forfeiture. See "Executive Compensation - Long-Term Incentive Plans - Awards in Last Fiscal Year."

(3) Also includes any options exercisable within 60 days of December 31, 2001 granted to directors and officers under our incentive stock option plan. On April 21, 2000, the indicated number of options were granted to the following persons under the incentive stock option plan: Mr. Henderson - 239,116; Mr. Bridges - 195,664; Mr. Kirk - 67,464; Mr. Riley - 126,744; all directors and officers as a group - 915,716. Of these granted amounts, 10,340 options became exercisable by each such Named Executive Officer and by Ms. Downs on April 21, 2001.

and the underlying shares are therefore deemed to be beneficially owned. An additional 10,340 options will become exercisable by each such Named Executive Officer on April 21, 2002.

(4) All shares are beneficially owned jointly with Mr. Brown's spouse, either directly or indirectly, and these shares have shared voting and investment power.

(5) All shares are held in joint tenancy with Mr. Bell's spouse, and these shares have shared voting and investment power.

(6) Mr. Bridges' ownership includes 6,080 shares held in joint tenancy with Mr. Bridges' wife, which shares have shared voting and investment power. Mr. Bridges' ownership also includes 1,250 shares owned by his spouse, as to which he disclaims beneficial ownership.

(7) Mr. Henderson's ownership includes 179,224 shares held in joint tenancy with Mr. Henderson's wife, which shares have shared voting and investment power.

(8) Mr. Kirk's ownership includes 550,358 shares held in a revocable family trust for which Mr. Kirk and his spouse serve as Trustees.

(9) Mr. Smith's ownership includes 1,400 shares owned by his spouse, as to which he disclaims beneficial ownership.

(10) Based upon information contained in a report filed by T. Rowe Price Associates, Inc. ("Price Associates") with the Securities and Exchange Commission, these securities are owned by various individuals and institutional investors, including T. Rowe Price Small-Cap Value Fund (which owns 2,123,500 shares, representing 3.4% of the shares outstanding), for which Price Associates serves as investment adviser with power to direct investments and/or sole power to vote the securities. Under Securities and Exchange Commission rules, Price Associates is deemed to be a beneficial owner of such securities; however, Price Associates disclaims beneficial ownership of such securities.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Effective as of January 1, 2001, we acquired all of the insurance agency business-related assets of Riedman Corporation ("Riedman"), based in Rochester, New York. As of January 1, 2001, Riedman's capital stock was owned by John R. Riedman, James R. Riedman and a trust, the equal beneficiaries of which were John R. Riedman's four children, James R. Riedman, David J. Riedman, Katherine R. Griswold, and Susan R. Holliday. Simultaneously with this transaction, Brown & Brown of Wyoming, Inc. ("Brown & Brown-Wyoming"), one of our wholly-owned subsidiaries, acquired all of the insurance agency business-related assets of Riedman Insurance of Wyoming, Inc. ("Riedman-Wyoming"), a wholly-owned subsidiary of Riedman based in Cheyenne, Wyoming. These acquisitions, recorded using the purchase method of accounting, were made pursuant to an asset purchase agreement among us, Riedman, and Riedman's shareholders, a purchase agreement between us and Andrew Meloni, a key employee of Riedman, and a general assignment and bill of sale from Riedman-Wyoming to Brown & Brown-Wyoming.

The aggregate consideration for these assets, which is payable in cash in three installments by us and Brown & Brown-Wyoming, was equal to approximately 1.55 times Riedman's revenues for the year 2000 less certain Riedman debt related to its prior acquisitions, which we assumed. Cory T. Walker, our Vice President, Treasurer and Chief Financial Officer, determined the purchase price of the assets we acquired, based upon the above-described formula. The cash consideration paid by us and Brown &

Brown-Wyoming at closing was approximately $61,566,572. Certain of the assets acquired in these transactions were acquired by Riedman within two years prior to the transactions, at an approximate aggregate cost of $12,135,000.

Riedman is the landlord under a lease agreement with us, as tenant, with respect to office space in Rochester, New York that was entered into in connection with the transactions referenced in the preceding paragraph. The lease provides for our payment of annual rent of $300,000 for a term of five years from January 2001. Additionally, we assumed and took assignment of a covenant not to compete owed to Riedman from John R. Riedman's brother, Frank Riedman. We received a discounted credit toward the asset purchase price for amounts payable to Frank Riedman pursuant to this assumed obligation. We will pay Frank Riedman ten equal quarterly installments of $82,500 which commenced January 2001.

In January 2001, John R. Riedman, Chairman of Riedman, was elected as one of our directors, and also became one of our Executive Vice Presidents and Vice Chairman of Brown & Brown of New York, Inc., one of our subsidiaries. Mr. John Riedman was paid an annual salary of $150,000 in 2001 pursuant to an employment agreement with us that provides for a minimum term of one year, and continues thereafter until terminated in accordance with its terms.

James R. Riedman, President of Riedman, is John R. Riedman's son and was elected in January 2001 as an Executive Vice President of Brown & Brown of New York, Inc. Mr. James Riedman was paid an annual salary of $150,000 pursuant to an employment agreement with us that provided for a minimum term of four months, and continued thereafter until terminated in accordance with its terms. Mr. James Riedman resigned in June 2001.

As of January 2001, Mr. John Riedman directly owned 25.5% of Riedman's capital stock, Mr. James Riedman and an unrelated third party each directly owned 1.8% of such stock, and Mr. John Riedman's children beneficially owned the remainder of such stock through the aforementioned trust. In addition, we received a credit toward the asset purchase price for amounts payable by us for covenants not to compete with terms of five years entered into with Mr. John Riedman and each of his four children. At closing, we paid an aggregate of $1,250,000 split equally among Mr. John Riedman and his four children for such covenants. Additionally, Mr. John Riedman and Mr. James Riedman were each paid $250,000 in 2001 and will each be paid $250,000 annually for the next two years for their respective covenants.

J. Powell Brown, who is the son of J. Hyatt Brown, is employed by us as the profit center manager for the Orlando, Florida retail office and received compensation of $360,277 for services rendered to us in 2001. P. Barrett Brown, who is also the son of J. Hyatt Brown, is employed by Brown & Brown Insurance of Arizona, Inc., one of our subsidiaries as a producer in that subsidiary's Phoenix, Arizona retail office, and received compensation of $75,966 for services rendered to that subsidiary in 2001.

Eileen Craig, who is the sister-in-law of Kenneth D. Kirk, was employed in 2001 by Brown & Brown Insurance of Arizona, Inc. as profit center manager for the Tucson, Arizona retail office, and received compensation of $80,350 for services rendered to that subsidiary in 2001. Ms. Craig resigned in January 2002.

Joanne B. Penny, who is the mother of J. Scott Penny, is employed by us as a producer in our Daytona Beach, Florida retail office and received compensation of $168,552 for services rendered in 2001.

For other transactions involving management and us, see "Executive Compensation - Compensation Committee Interlocks and Insider Participation."

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as part of this report:

1. Consolidated Financial Statements of Brown & Brown, Inc. consisting of:

   (a) Consolidated Statements of Income for each of the three years in the period ended December 31, 2001.

   (b) Consolidated Balance Sheets as of December 31, 2001 and 2000.

   (c) Consolidated Statements of Shareholders' Equity for each of the three years in the period ended December 31, 2001.

   (d) Consolidated Statements of Cash Flows for each of the three years in the period ended December 31, 2001.

   (e) Notes to Consolidated Financial Statements.

   (f) Report of Independent Certified Public Accountants.

2. Consolidated Financial Statement Schedules. The Consolidated Financial Statement Schedules are omitted because they are not applicable.

3. EXHIBITS

   2a Agreement and Plan of Reorganization, dated as of July 25, 2001, by and among the Registrant, Brown & Brown of Washington, Inc., Raleigh, Schwarz & Powell, Inc. and the Raleigh, Schwarz & Powell, Inc. Employee Stock Ownership Plan (incorporated by reference to Exhibit 2.1 to Form S-4/A filed October 3, 2001).

   2b Amendment No. 1 to Agreement and Plan of Reorganization, dated as of August 10, 2001, by and among the Registrant, Brown & Brown of Washington, Inc., Raleigh, Schwarz & Powell, Inc. and the Raleigh, Schwarz & Powell, Inc. Employee Stock Ownership Plan (incorporated by reference to Exhibit 2.2 to Form S-4/A filed October 3, 2001).

   3a Articles of Amendment to Articles of Incorporation (incorporated by reference to Exhibit 3a to Form 10-Q for the quarter ended September 30, 2001), and Amended and Restated Articles of Incorporation (incorporated by reference to Exhibit 3a to Form 10-Q for the quarter ended March 31, 1999).

   3b Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3b to Form 10K for the year ended December 31, 1996).

10a	Amended and Restated Revolving and Term Loan Agreement dated January 3, 2001 by and between the Registrant and SunTrust Bank (incorporated by reference to Exhibit 4a to Form 10-K for the year ended December 31, 2001).
10a(1)	Extension of the Term Loan Agreement between the Registrant and SunTrust (incorporated by reference to Exhibit 10b to Form 10-Q for the quarter ended September 30, 2000).
10a(2)	Asset Purchase Agreement dated September 11, 2000, by and among the Registrant, Riedman Corporation, and Riedman Corporation's shareholders (incorporated by reference to Exhibit 10a to Form 10-Q for the quarter ended September 30, 2000).
10a(3)	First Amendment to Asset Purchase Agreement, dated January 3, 2001, by and among the Registrant, Riedman Corporation, and Riedman Corporation's shareholders (incorporated by reference to Exhibit 10(b) to Form 8-K filed on January 18, 2001).
10a(4)	General Assignment and Bill of Sale, dated January 1, 2001, from Riedman Insurance of Wyoming, Inc. to Brown & Brown of Wyoming, Inc. (incorporated by reference to Exhibit 10(c) to Form 8-K filed on January 18, 2001).
10b(1)	Lease of the Registrant for office space at 220 South Ridgewood Avenue, Daytona Beach, Florida dated August 15, 1987 (incorporated by reference to Exhibit 10a(3) to Form 10-K for the year ended December 31, 1993).
10b(2)	Lease Agreement for office space at SunTrust Financial Centre, Tampa, Florida, dated February 1995, between Southeast Financial Center Associates, as landlord, and the Registrant, as tenant (incorporated by reference to Exhibit 10a(4) to Form 10-K for the year ended December 31, 1994).
10b(3)	Lease Agreement for office space at Riedman Tower, Rochester, New York, dated January 3, 2001, between Riedman Corporation, as landlord, and the Registrant, as tenant (incorporated by reference to Exhibit 10b(3) to Form 10-K for the year ended December 31, 2001).
10c(1)	Loan Agreement between Continental Casualty Company and the Registrant dated August 23, 1991 (incorporated by reference to Exhibit 10d to Form 10-K for the year ended December 31, 1991).
10c(2)	Extension to Loan Agreement, dated August 1, 1998, between the Registrant and Continental Casualty Company (incorporated by reference to Exhibit 10c(2) to Form 10-Q for the quarter ended September 30, 1998).
10d	Indemnity Agreement dated January 1, 1979, among the Registrant, Whiting National Management, Inc., and Pennsylvania Manufacturers' Association Insurance Company (incorporated by reference to Exhibit 10g to Registration Statement No. 33-58090 on Form S-4).

10e	Agency Agreement dated January 1, 1979 among the Registrant, Whiting National Management, Inc., and Pennsylvania Manufacturers' Association Insurance Company (incorporated by reference to Exhibit 10h to Registration Statement No. 33-58090 on Form S-4).
10f(1)	Deferred Compensation Agreement, dated May 6, 1998, between the Registrant and Kenneth E. Hill (incorporated by reference to Exhibit 10l to Form 10-Q for the quarter ended September 30, 1998).
10f(2)	Letter Agreement, dated May 6, 1998, between the Registrant and Kenneth E. Hill (incorporated by reference to Exhibit 10m to Form 10-Q for the quarter ended September 30, 1998).
10g	Employment Agreement, dated as of July 29, 1999, between the Registrant and J. Hyatt Brown (incorporated by reference to Exhibit 10f to Form 10-K for the year ended December 31, 1999).
10h	Portions of Employment Agreement, dated April 28, 1993 between the Registrant and Jim W. Henderson (incorporated by reference to Exhibit 10m to Form 10-K for the year ended December 31, 1993).
10i	Employment Agreement, dated May 6, 1998 between the Registrant and Kenneth E. Hill (incorporated by reference to Exhibit 10k to Form 10-Q for the quarter ended September 30, 1998).
10j	Employment Agreement, dated January 3, 2001 between the Registrant and John R. Riedman (incorporated by reference to Exhibit 10j to Form 10-K for the year ended December 31, 2000).
10k	Noncompetition, Nonsolicitation and Confidentiality Agreement, effective as of January 1, 2001 between the Registrant and John R. Riedman (incorporated by reference to Exhibit 10l to form 10-K for the year ended December 31, 2000).
10l	Asset Purchase Agreement, effective as of May 1, 2001, by and among Brown & Brown of Missouri, Inc., Parcel Insurance Plan, Inc., Overseas Partners Capital Corp., and Overseas Partners, Ltd.
10m	Asset Purchase Agreement, effective October 1, 2001, by and among Brown & Brown of Lehigh Valley, Inc., Henry S. Lehr, Inc., William H. Lehr, and Patsy A. Lehr.
10n(1)	Registrant's 2000 Incentive Stock Option Plan (incorporated by reference to Exhibit 4 to Registration Statement No. 333-43018 on Form S-8 filed on August 3, 2000).
10n(2)	Registrant's Stock Performance Plan (incorporated by reference to Exhibit 4 to Registration Statement No. 333-14925 on Form S-8 filed on October 28, 1996).

10o	Rights Agreement, dated as of July 30, 1999, between the Registrant and First Union National Bank, as Rights Agent (incorporated by reference to Exhibit 4.1 to Form 8-K filed on August 2, 1999).
10p	International Swap Dealers Association, Inc. Master Agreement dated as of December 5, 2001 between SunTrust Bank and the Registrant and letter agreement dated December 6, 2001, regarding confirmation of interest rate transaction.
10q	Asset Purchase Agreement, effective October 3, 2001, by and among Brown & Brown of Lehigh Valley, Inc., Apollo Financial Corporation, William H. Lehr and Patsy A. Lehr.
21	Subsidiaries of the Registrant.
23	Consent of Arthur Andersen LLP.
24	Powers of Attorney pursuant to which this Form 10-K has been signed on behalf of certain directors and officers of the Registrant.

(b) REPORTS ON FORM 8-K.

We filed the following Current Reports on Form 8-K during the last quarter of the fiscal year ended December 31, 2001:

1. Current Report on Form 8-K regarding the filing of a "universal shelf" registration statement with the Commission pursuant to Rule 415 under the Securities Act of 1933, as amended, filed on December 19, 2001.

2. Current Report on Form 8-K regarding the financial results of at least 30 days of post-merger combined operations with Raleigh, Schwarz & Powell, Inc. and Golden Gate Holdings, Inc. filed on December 12, 2001.

3. Current Report on Form 8-K regarding the completion of the acquisition via merger of Raleigh, Schwarz & Powell, Inc. and Golden Gate Holdings, Inc. filed on November 6, 2001.

4. Current Report on Form 8-K regarding the declaration by the Board of Directors of the two-for-one stock split effected November 21, 2001 and an increase in the quarterly cash dividend amount, filed on October 24, 2001.

5. Current Report on Form 8-K regarding our financial results for the quarter ended September 30, 2001, filed on October 2, 2001.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BROWN & BROWN, INC.
Registrant

By: *

J. Hyatt Brown
Chief Executive Officer

Date: February 14, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

SIGNATURE	TITLE	DATE
*	Chairman of the Board, President	February 14, 2002
J. Hyatt Brown	and Chief Executive Officer (Principal Executive Officer)	
*	Director	February 14, 2002
Samuel P. Bell, III		
*	Director	February 14, 2002
Bradley Currey, Jr.		
*	Director	February 14, 2002
Jim W. Henderson		
*	Director	February 14, 2002
David H. Hughes		
*	Director	February 14, 2002
Theodore J. Hoepner		
*	Director	February 14, 2002
Toni Jennings		
*	Director	February 14, 2002
John R. Riedman		
*	Director	February 14, 2002
Jan E. Smith		
*	Vice President, Treasurer and Chief Financial Officer (Principal Financial and Accounting Officer)	February 14, 2002
Cory T. Walker		

*By: /S/ LAUREL L. GRAMMIG
Laurel L. Grammig
Attorney-in-Fact

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT, dated as of May 1, 2001 (this "Agreement"), is made and entered into by and among BROWN & BROWN OF MISSOURI, INC., a corporation incorporated under the laws of the State of Missouri ("Buyer"), PARCEL INSURANCE PLAN, INC., a corporation incorporated under the laws of the State of Delaware ("Seller"), OVERSEAS PARTNERS CAPITAL CORP., a corporation organized under the laws of the State of Delaware ("Parent") and OVERSEAS PARTNERS LTD., a corporation organized under the laws of the Islands of Bermuda ("OPL").

BACKGROUND

Seller has its principal executive offices in St. Louis, Missouri and is engaged in the small package insurance (i.e., insurance of individual packages under US$25,000.00 in value) agency business throughout the United States (as more fully described in SECTION 1.2, the "Business"), and wishes to sell substantially all of its assets relating to the Business to Buyer. Buyer desires to acquire such assets upon the terms and conditions expressed in this Agreement. OPL owns all of the outstanding capital stock of Parent, which in turn owns all of the outstanding capital stock of Seller. OPL and Parent are entering into this Agreement to provide certain non-competition, indemnification and other assurances to Buyer as a material inducement for Buyer to enter into this transaction.

THEREFORE, in consideration of the respective representations, warranties, covenants and agreements set forth herein, the parties agree as follows:

ARTICLE 1.
THE ACQUISITION

Section 1.1 COVENANTS OF SALE AND PURCHASE. As of the Effective Date (as defined in SECTION 2.6), at the Closing (as defined in SECTION 2.1) and upon and subject to the terms and conditions of this Agreement, the parties mutually covenant and agree as follows:

(a) Seller shall sell, convey and assign to Buyer all of its right, title and interest of Seller in and to the Acquired Assets (as defined in SECTION 1.2), free and clear of all liens, pledges, security interests, charges, restrictions or encumbrances of any nature whatsoever;

(b) OPL shall agree to the non-competition covenants in SECTION 5.2;

(c) Buyer shall purchase the Acquired Assets from Seller and assume the Assigned Contracts (as defined in SECTION 1.2(C)) in exchange for the consideration described in SECTION 1.4(A)(I), SECTION 1.4(A)(II) and SECTION 1.4(A)(IV); and

(d) Buyer shall receive the benefit of such covenants by OPL in exchange for the consideration described in SECTION 1.4(A)(III).

Section 1.2 THE ACQUIRED ASSETS. In this Agreement, the phrase "Acquired Assets" means all of the assets of Seller described below:

(a) Purchased Book of Business. All of the Business, including but not limited to the small package insurance agency business and renewals and expirations thereof, together with all written or otherwise recorded documentation, data or information relating to the Business, whether compiled by Seller or by other agents or employees of Seller, including but not limited to: (i) lists of insurance companies and records pertaining thereto; and (ii) customer lists, prospect lists, policy forms, and/or rating information, expiration dates, information on risk characteristics, information concerning insurance markets for large or unusual risks, and all other types of written or otherwise recorded information customarily used by Seller or available to Seller, including all other records of and pertaining to the accounts and customers of Seller, past and present, including, but not limited to, the active insurance customers of Seller, all of whom are listed on Schedule 1.2(a) hereto (collectively, the "Purchased Book of Business").

(b) Intangibles. All intangible personal property currently used by Seller in connection with the Business or pertaining to the Acquired Assets, including without limitation the following:

(i) all of Seller's Business records necessary to enable Buyer to renew the Purchased Book of Business;

(ii) the goodwill of the Business, including the corporate name "Parcel Insurance Plan, Inc.", and any other trade names that are currently used by Seller, and all telephone listings, post office boxes, mailing addresses (to the extent transferable), and advertising signs and materials that are currently used by Seller; and

(iii) all Intellectual Property (as defined below) related to the Business and currently used by Seller.

As used in this Agreement, the term "Intellectual Property" means (A) all patents, patent applications, and patent disclosures, together with all reissuances, continuations, continuations-in-part, revisions, extensions, and reexaminations thereof, (B) all trademarks and service marks, including all goodwill associated therewith, and all applications, registrations, and renewals in connection therewith, (C) all copyrightable works, all copyrights, and all copyright applications, registrations, and renewals in connection therewith, (D) all trade secrets and confidential business information (including research and development, know-how, formulas, compositions, manufacturing and production processes and techniques, technical data, designs, drawings, specifications, customer and supplier lists, pricing and cost information, and business and marketing plans and proposals), (E) all computer software (including data and related documentation), but excluding computer software commercially available to the general public and readily replaceable, (F) all other proprietary rights, and (G) all copies and tangible embodiments thereof (in whatever form or medium).

(c) Assigned Contracts. All of Seller's (i) non-solicitation and non-disclosure agreements and covenants not to compete listed on Schedule 1.2(c)(i) and contracts and agreements described in SECTIONS 3.9(C)(I), (II), (IV) (but only with respect to capitalized lease obligations), (V) (but only with respect to agreements that are in favor of Buyer) and (XII) and listed on Schedule 3.9(c), and (ii) contracts and agreements that would be required to be listed on Schedule 3.9(c) pursuant to SECTIONS 3.9(C)(I), (II), (IV) (but only with respect to capitalized lease

obligations) and (XII) but for the amount of annual payments provided thereunder, which are not listed on Schedule 3.9(c), which contracts and agreements Seller has attempted in good faith to list on Schedule 1.2(c)(ii) hereto (all of the contracts, agreements and instruments referenced in (i) and (ii) of this SECTION 1.2(C) are collectively referred to herein as the "Assigned Contracts").

(d) Miscellaneous Items. All other assets of Seller relating or pertaining to the Purchased Book of Business, which may include (i) computer disks, servers, software, databases (whether in the form of computer tapes or otherwise), related object and source codes, and associated manuals, and any other records or media of storage or programs for retrieval of information pertaining to the Purchased Book of Business, (ii) all supplies and materials, including promotional and advertising materials, brochures, plans, supplier lists, manuals and handbooks, and related written data and information, (iii) all Internet web site content, related object and source codes, domain names and addresses, (iv) claims, customer and other deposits (subject to the assumption of the liabilities related thereto pursuant to SECTION 1.4(D)(I)), prepayments, refunds, causes of action, choses in action, rights of recovery, rights of set off, and rights or recoupment, (v) copies of personnel, benefit, compensation and other records and documents relating to the employees of Seller, and (vi) any transferable franchises, approvals, permits, licenses, orders, registrations, certificates, variances and similar rights obtained from Governmental Authorities (as defined in Section 3.5), in all cases excluding all property and casualty agent licenses or broker licenses held by Seller or its employees.

(e) Tangible Property. All items of furniture, fixtures, computers, office equipment and other tangible property used in the Business, including but not limited to the property listed in Schedule 1.2(e). To the extent that any of such items are subject to a lease identified in Schedule 3.9(c), Buyer shall assume such lease and acquire all of Seller's right, if any, to acquire such property upon termination of such lease.

Section 1.3 EXCLUSIONS AND EXCEPTIONS. Seller does not agree to sell or assign, and Buyer does not agree to purchase or assume, any assets, liabilities and obligations not described in SECTION 1.2 and SECTION 1.4(D)(I) of this Agreement. Without limiting the foregoing and notwithstanding anything to the contrary set forth in, Buyer shall not purchase or assume any of the following:

(a) Seller's cash in hand or in banks and other readily liquid working capital as of the close of business on the Effective Date or the Closing Date, whichever amount is greater, including Seller's accounts and other receivables, money market certificates, stocks and bonds;

(b) (i) any contract, lease or other obligation that relates to the Acquired Assets or the Purchased Book of Business and is not otherwise specifically assigned to Buyer under this Agreement (including, without limitation, any agreement (except capitalized lease obligations) described in SECTION 3.9(C)(IV) of this Agreement), or (ii) any contract, lease or other obligation whatsoever not relating to the Acquired Assets or the Purchased Book of Business;

(c) (i) Seller's corporate charter and by-laws, qualifications to conduct business as a foreign corporation, arrangements with registered agents relating to foreign qualifications, taxpayer and other identification numbers, seals, minute books, stock transfer books, blank stock certificates, and other documents relating to the organization, maintenance, and existence of Seller

as a corporation or (ii) any of the rights of Seller under this Agreement (or under any other agreement between Seller on the one hand and Buyer on the other hand entered into on or after the date of this Agreement);

(d) except as set forth in SECTION 5.11(D), any duty or liability of any type whatsoever with respect to any employee or to any pension or profit sharing plan or other employee benefit including, without limitation, those described in SECTION 3.19 hereof;

(e) any liability of Seller, Parent, or any of their respective directors, officers, employees, agents, affiliates or representatives, with respect to any litigation, proceedings, or other actions or disputes directly or indirectly involving such parties including, but not limited to, any such actions or disputes set forth in Schedule 3.10 hereto;

(f) (i) any liability of Seller for Taxes (as defined in SECTION 6.6 hereof) arising in connection with the consummation of the transactions contemplated hereby (including any income Taxes arising because Seller is transferring the Acquired Assets), (ii) any obligation of Seller to indemnify any person or entity (including Parent) by reason of the fact that such person or entity was a director, officer, employee, or agent of Seller or was serving at the request of any such entity as a partner, trustee, director, officer, employee, or agent of another entity (whether such indemnification is for judgments, damages, penalties, fines, costs, amounts paid in settlement, losses, expenses, or otherwise and whether such indemnification is pursuant to any statute, charter document, bylaw, agreement, or otherwise) (iii) any liability of Seller for costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby, or (iv) any liability or obligation of Seller under this Agreement (or under any related agreement between Seller on the one hand and Buyer on the other hand entered into on or after the date of this Agreement); or

(g) any documents, books, records, agreements, correspondence and financial data, whether in paper, electronic, digital or other format, which do not relate or pertain to the Business.

Section 1.4 CONSIDERATION; ASSUMPTION OF LIABILITIES.

(a) Buyer shall on the Closing Date: (i) assume the Assumed Liabilities as provided in SECTION 1.4(D); (ii) deliver to Seller at the Closing US$18,256,711.18 which equals (A) Twenty Million Seven Hundred Thousand United States Dollars (US$20,700,000), plus (B) the amount by which the "Credit Due Seller" as set forth in Schedule 1.4(a) exceeds the amount of the "Credit Due Buyer" as set forth in Schedule 1.4(a) but not less than zero, minus (C) US$168,264.17, the amount by which the "Credit Due Buyer" as set forth in Schedule 1.4(a) exceeds the amount of the "Credit Due Seller" as set forth in Schedule 1.4(a) but not less than zero, plus (D)US$24,975.35 the "Total Assumed Liabilities" amount set forth on Schedule 1.4(d)(i), minus (E) US$2,300,000 (the "Holdback Amount"); (iii) deliver to OPL at the Closing Two Million Three Hundred Thousand United States Dollars (US$2,300,000.00); and (iv) deliver to LeBoeuf, Lamb, Greene & MacRae, L.L.P. ("LeBoeuf") at the Closing the Holdback Amount.

(b) Subject to SECTION 1.4(C), all amounts payable by Buyer pursuant to SECTION 1.4(A) shall be paid to Seller, OPL and LeBoeuf in cash by wire transfer or delivery of other

immediately available funds in United States currency to one or more accounts designated in writing by LeBoeuf, Seller and/or OPL no later than two (2) business days prior to the date each such payment is to be made.

(c) The Holdback Amount described in SECTION 1.4(A)(II)(E) shall be subject to reduction pursuant to SECTION 1.5 hereof to offset any obligations of Seller or OPL under the indemnification provisions contained in ARTICLE 6 hereof. Satisfaction of any indemnity obligations from the Holdback Amount shall not operate to waive the indemnification obligations of Seller or OPL contained in ARTICLE 6 for damages incurred by Buyer in excess of such amounts. The Holdback Amount plus interest as provided in SECTION 1.5 hereof as may be reduced pursuant to SECTION 1.5 hereof, shall be paid to Seller on April 30, 2002 (or the next business day if April 30, 2002 is not a business day).

(d) As of the Effective Date, at the Closing and as additional consideration for the purchase of the Acquired Assets, Buyer shall execute and deliver to Seller:

(i) an assumption agreement, in substantially the form attached hereto as Exhibit A (the "Assumption Agreement"), pursuant to which Buyer shall assume from Seller and agree, subject to SECTION 1.3, to pay, perform and discharge when due, to the extent the same are unpaid, unperformed or undischarged on the Effective Date, all of the liabilities and obligations of Seller (A) which arise under the terms of any Assigned Contract, or (B) which are set forth on Schedule 1.4(d)(i) (collectively, the "Assumed Liabilities"); and

(ii) a bill of sale and assignment, in substantially the form attached hereto as Exhibit B (the "Bill of Sale and Assignment").

(e) For federal and state income tax purposes, the parties agree to allocate the aggregate consideration set forth in SECTION 1.4(A) as follows: (i) $546,649 shall be allocated to the tangible property listed on Schedule 1.2(e); (ii) $2,300,000 shall be allocated to the covenants of OPL set forth in SECTION 5.2 hereof; and (iii) the remainder shall be allocated to the Purchased Book of Business (the "Allocation"). Each of Buyer and Seller shall file, in accordance with the Internal Revenue Code of 1986, as amended (the "Code"), an Asset Acquisition Statement on Form 8594 with its federal income tax return for the tax year in which the Closing Date occurs, and shall contemporaneously provide the other party with a copy of the Form 8594 being filed. The Form 8594 shall be consistent with the Allocation. Each of Buyer and Seller also shall prepare any additional Forms 8594 from time to time as are required to reflect any adjustments to the consideration set forth in SECTION 1.4(A), and shall provide the other party with a copy of the additional Form 8594 within 60 days after the calendar year in which the adjustment occurs. The final version of each additional Form 8594 as agreed to by Buyer and Seller shall be timely filed by each of Buyer and Seller.

Section 1.5 ESCROW OF HOLDBACK AMOUNT.

(a) At the Closing, Buyer, Seller and LeBoeuf shall enter into the Escrow Agreement in the form attached hereto as Exhibit C. Subject to SECTION 1.5(c), the Escrow Fund thereunder shall be subject to withdrawal by Buyer in whole or in part to satisfy Seller's and OPL's indemnification obligations hereunder, with the balance of the Holdback Amount, if any, remaining

after such withdrawals and payments, plus all accumulated interest thereon, liquidated promptly after April 30, 2002 and, no later than three (3) business days after such liquidation, delivered to Seller.

(b) Promptly after the Closing, Buyer and Seller shall direct LeBoeuf to transfer the Holdback Amount plus any interest thereon to a financial institution within or without the United States (the "Bank") as selected by Seller (subject to the reasonable approval of Buyer), which shall hold such amount in a money market deposit account, in Buyer's name and designated as the "Parcel Insurance Plan Escrow Account", which shall bear interest at the prevailing rate offered by such financial institution for such accounts. Such account, subject to SECTION 1.5(C), shall be subject to withdrawal by Buyer in whole or in part to satisfy Seller's or OPL's indemnification obligations hereunder, with the balance of the Holdback Amount, if any, remaining after any such withdrawals and payments, plus all accumulated interest thereon, liquidated promptly after April 30, 2002 and, no later than three (3) business days after such liquidation, delivered to Seller.

(c) Upon the occurrence of an indemnifiable event under ARTICLE 6 hereof, Buyer shall first make a claim for the indemnifiable amount resulting from such indemnifiable event from the Holdback Amount and shall provide written notice of intention to make a withdrawal from the Escrow Fund under the Escrow Agreement referenced in SECTION 1.5(A) or the money market deposit account referenced in SECTION 1.5(B), as the case may be, to Seller or OPL. Such notice shall summarize the reason for such withdrawal and the amount of the Holdback Amount to be applied in satisfaction of OPL's indemnification obligation. If Seller agrees with the purpose of such withdrawal, then Seller and Buyer shall submit a written notice signed by Seller and Buyer to LeBoeuf or the Bank, as the case may be, directing LeBoeuf or the Bank, as the case may be, to release the indemnifiable amount to Buyer. If Seller disputes in good faith the purpose of such withdrawal, Seller and Buyer shall resolve any dispute before submitting any written notice to LeBoeuf or the Bank, as the case may be.

Section 1.6 COMMISSIONS COLLECTED. Notwithstanding anything to the contrary in SECTION 1.3, all commissions on installments of agency bill policies actually received by Seller prior to the Effective Date (as defined in SECTION 2.6) shall be the property of Seller and those actually received by Seller or Buyer on or after the Effective Date shall be the property of Buyer. All contingent commissions and/or override commissions received on or after the Effective Date, regardless of when earned, shall be the property of Buyer. All additional or return commissions as a result of audits conducted prior to the Effective Date and actually received from or repaid to insurance carriers before the Effective Date shall be the property or the responsibility of Seller, regardless of the effective date of the underlying policy, and those actually received from or repaid to insurance carriers on or after the Effective Date shall be the property or responsibility of Buyer, regardless of the effective date of the underlying policy. Notwithstanding the provisions of SECTION 3.12 and SECTION 6.6 of this Agreement, (a) Seller shall be responsible for and shall indemnify Buyer for Taxes in respect of commissions that are the property of Seller in accordance with this SECTION 1.6, and (b) Buyer shall be responsible for and shall indemnify Seller for Taxes in respect of commissions that are the property of Buyer in accordance with this SECTION 1.6.

ARTICLE 2.
CLOSING, ITEMS TO BE DELIVERED, FURTHER ASSURANCES, AND EFFECTIVE DATE

Section 2.1 CLOSING. The consummation of the purchase and sale of the Acquired Assets and the assumption of the Assumed Liabilities under this Agreement (the "Closing") shall take place at 10 a.m., local time, on May 11, 2001 or on such later date upon which the parties may mutually agree (the "Closing Date") at the offices of LeBoeuf, Lamb, Greene & MacRae, L.L.P., 125 West 55th Street, New York City, New York 10019, unless another location is agreed to by the parties hereto.

Section 2.2 CONVEYANCE AND DELIVERY BY SELLER. At the Closing:

(a) Seller shall surrender and deliver possession of the Acquired Assets to Buyer and take such steps as may be required to put Buyer in actual possession and operating control of the Acquired Assets, and in addition shall deliver to Buyer such bills of sale and assignments and other good and sufficient instruments and documents of conveyance, in form reasonably satisfactory to Buyer, as shall be necessary and effective to consummate the transactions specified or contemplated by this Agreement and to transfer and assign to, and vest in, Buyer all of Seller's right, title, and interest in and to the Acquired Assets free and clear of any lien, charge, pledge, security interest, restriction or encumbrance of any kind except as otherwise indicated in this Agreement; and

(b) Seller shall deliver to Buyer: (i) all keys to each office site, facility, and equipment transferred to Buyer; (ii) all security and access codes, if any, applicable to each site, facility, and equipment transferred to Buyer; and (iii) the Bill of Sale and Assignment, executed by Seller.

Section 2.3 ASSUMPTION AND DELIVERY BY BUYER. On the Closing Date, Buyer shall (a) make the payments described in SECTION 1.4(A)(II), (III) and (IV), by wire transfer of immediately available funds in United States currency to the appropriate accounts, and (b) deliver to Seller the Assumption Agreement, executed by Buyer.

Section 2.4 MUTUAL PERFORMANCE. At the Closing, the parties shall also deliver to each other the agreements and other documents referred to in ARTICLE 5 hereof.

Section 2.5 FURTHER ASSURANCES. From time to time after the Closing, at Buyer's request, Seller shall execute, acknowledge and deliver to Buyer such other instruments of conveyance and transfer and shall take such other actions and execute and deliver such other documents, certifications and further assurances as Buyer may reasonably request in order to vest more effectively in Buyer, or to put Buyer more fully in possession of, any of the Acquired Assets. Each of the parties hereto shall cooperate with the others and execute and deliver to the other parties such other instruments and documents and take such other actions as may be reasonably requested from time to time by any other party hereto as necessary to consummate the transactions specified or contemplated by this Agreement and to carry out, evidence and confirm the intended purposes of this Agreement.

Section 2.6 EFFECTIVE DATE. The effective date of all documents and instruments executed at the Closing shall be May 1, 2001 at 12:01 am Central Daylight Time (the "Effective Date") unless otherwise specified.

ARTICLE 3.
REPRESENTATIONS AND WARRANTIES OF SELLER, PARENT AND OPL

Seller, Parent and OPL represent and warrant, jointly and severally, to Buyer as follows:

Section 3.1 ORGANIZATION OF SELLER. Seller is a corporation organized and in good standing under the laws of the State of Delaware. Seller has all requisite corporate power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted. Seller is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the property owned, leased, or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary.

Section 3.2 ORGANIZATION OF PARENT AND OPL.

(a) Parent is a corporation organized and in good standing under the laws of the State of Delaware. Parent has all requisite corporate power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted.

(b) OPL is a corporation organized and in good standing under the laws of the Islands of Bermuda. OPL has all requisite corporate power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted.

Section 3.3 CAPITALIZATION. Parent owns and holds all of the outstanding shares of capital stock of Seller and there are no outstanding options or rights to acquire additional shares of capital stock of Seller.

Section 3.4 AUTHORITY. Seller, Parent and OPL each have the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement, and the consummation of the Agreement and the other transactions contemplated hereby, have been duly authorized by all necessary corporate action on the part of Seller, Parent and OPL, including without limitation the respective boards of directors of Seller, Parent and OPL. This Agreement has been, and the other agreements, documents and instruments required to be delivered by Seller, Parent and OPL in accordance with the provisions hereof (collectively, the "Seller's Documents") shall be, duly executed and delivered by duly authorized officers of Seller, Parent and OPL on behalf of Seller, Parent and OPL, respectively, and assuming this Agreement constitutes a valid and binding obligation of Buyer, this Agreement constitutes, and the Seller's Documents when executed and delivered shall constitute, legal, valid and binding obligations of Seller, Parent and OPL, enforceable against Seller, Parent and OPL in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization or similar laws from time to time in effect which offset

creditors' rights generally and general equitable principles (regardless of whether the issue of enforceability is considered in a proceeding in equity or in law).

Section 3.5 CONSENTS AND APPROVALS; NO VIOLATIONS. Except as set forth in Schedule 3.5, neither the execution, delivery or performance of this Agreement by Seller and Parent nor the consummation by them of the transactions contemplated hereby nor compliance by it with any of the provisions hereof shall (a) conflict with or result in any breach of, any provision of their respective Certificates of Incorporation or Bylaws (or equivalent charters or organizational documents), (b) require any filing with, or permit, authorization, consent or approval of, any federal, state, local, or foreign court, arbitral tribunal, administrative agency or commission, or other governmental or other regulatory authority or agency (each a "Governmental Authority"), or (c) result in a violation or breach of, or constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or require any notice or consent under any of the terms, conditions or provisions of any agreement or other instrument or obligation to which Seller or Parent is a party or by which Seller or any of its properties or assets may be bound.

Section 3.6 NO THIRD PARTY OPTIONS. There are no existing agreements, options, commitments, or rights with, of or to any person to acquire any of Seller's assets, properties or rights included in the Acquired Assets or any interest therein.

Section 3.7 FINANCIAL STATEMENTS AND OTHER FINANCIAL DATA. The following financial statements of Seller (collectively, the "Financial Statements") have been delivered or previously made available to Buyer: (i) statements of assets, liabilities and equity-income tax basis and the related statements of revenues, expenses and retained earnings-income tax basis, and the respective accountants' compilation reports related thereto, as of and for the fiscal years ended December 31, 2000, December 31, 1999, and December 31, 1998 (the "Most Recent Fiscal Year End") for Seller, and (ii) unaudited statements of assets, liabilities and equity-income tax basis and the related statements of revenues, expenses and retained earnings-income tax basis ("Most Recent Financial Statements") as of and for the three (3) months ended March 31, 2001 (the "Most Recent Fiscal Month End"). The Financial Statements (including the Notes thereto) have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis throughout the periods covered thereby, present fairly the financial condition of Seller, including assets and liabilities (whether accrued, absolute, contingent or otherwise) as of such dates and the results of operations of Seller for such periods, are correct and complete, and are consistent with the books and records of Seller (which books and records are correct and complete); provided, however, that the Most Recent Financial Statements lack footnotes and other presentation items. Seller has not guaranteed any premium financing on behalf of its customers.

Section 3.8 ORDINARY COURSE OF BUSINESS. Since the Most Recent Fiscal Month End, Seller has carried on the Business in the usual, regular and ordinary course in substantially the manner heretofore conducted and has taken no unusual actions in contemplation of this transaction, except with the consent of Buyer. Since the Most Recent Fiscal Month End, there have been no events or changes having an adverse effect on Seller, the Business or the Acquired Assets. Except as set forth in Schedule 3.8, all of Seller's accounts payable, including accounts payable to insurance carriers, are current and reflected properly on its books and records, and

shall be paid in accordance with their terms at their recorded amounts. Other than as described on Schedule 3.8, and without limiting the generality of the foregoing, since the Most Recent Fiscal Month End:

(a) Seller has not sold, leased, transferred, or assigned any of its assets, tangible or intangible, other than for a fair consideration in the ordinary course of business;

(b) Seller has not entered into any agreement, contract, lease, or license (or series of related agreements, contracts, leases, and licenses) either involving more than US$5,000.00 or outside the ordinary course of business;

(c) no party (including Seller) has accelerated, terminated, modified, or canceled any agreement, contract, lease, or license (or series of related agreements, contracts, leases, and licenses) involving more than US$5,000.00 to which Seller is a party or by which it is bound;

(d) Seller has not imposed or granted any mortgage, pledge, lien, encumbrance, charge or other security interest upon any of its assets, tangible or intangible;

(e) Seller has not made any capital expenditure (or series of related capital expenditures) either involving more than US$5,000.00, or outside the ordinary course of business;

(f) Seller has not made any capital investment in, any loan to, or any acquisition of the securities or assets of, any other person or entity (or series of related capital investments, loans, and acquisitions) either involving more than US$5,000.00, or outside the ordinary course of business;

(g) Seller has not issued any note, bond, or other debt security or created, incurred, assumed, or guaranteed any indebtedness for borrowed money or capitalized lease obligation either involving more than US$5,000.00 singly or US$10,000.00, in the aggregate;

(h) Seller has not delayed or postponed the payment of accounts payable and other liabilities outside the ordinary course of business;

(i) Seller has not canceled, compromised, waived, or released any right or claim (or series of related rights and claims) either involving more than US$5,000.00, or outside the ordinary course of business;

(j) Seller has not granted any license or sublicense of any rights under or with respect to any patent, trademark, servicemark, logo, corporate name or computer software;

(k) there has been no change made or authorized in the charter or bylaws of Seller;

(l) Seller has not issued, sold, or otherwise disposed of any of its capital stock, or granted any options, warrants, or other rights to purchase or obtain (including upon conversion, exchange, or exercise) any of its capital stock;

(m) Seller has not declared, set aside, or paid any dividend or made any distribution with respect to its capital stock (whether in cash or in kind) or redeemed, purchased, or otherwise acquired any of its capital stock;

(n) Seller has not experienced any damage, destruction, or loss (whether or not covered by insurance) to its property;

(o) Seller has not made any loan to, or entered into any other transaction with, any of its directors, officers, and employees outside the ordinary course of business;

(p) Seller has not entered into any employment contract or collective bargaining agreement, written or oral, or modified the terms of any existing such contract or agreement;

(q) Seller has not granted any increase in the base compensation of any of its directors, officers, and employees outside the ordinary course of business;

(r) Seller has not adopted, amended, modified or terminated any bonus, profit-sharing, incentive, severance, or other plan, contract, or commitment for the benefit of any of its directors, officers, and employees;

(s) Seller has not made any other change in employment terms for any of its directors, officers, and employees outside the ordinary course of business;

(t) Seller has not made or pledged to make any charitable or other capital contribution outside the ordinary course of business; and

(u) Seller has not entered into any agreement to purchase or acquire any insurance agency business.

Section 3.9 ASSETS.

(a) Seller owns and holds, free and clear of any lien, charge, pledge, security interest, restriction, encumbrance or third-party interest of any kind whatsoever (including insurance company payables), sole and exclusive right, marketable title and interest in and to the Acquired Assets, including but not limited to the customer expiration records for those customers listed in Schedule 1.2(a), together with the exclusive right to use such records and all customer accounts, copies of insurance policies and contracts in force and all files, invoices and records pertaining to the customers, their contracts and insurance policies, and all other information comprising the Purchased Book of Business. Seller has not received notice that any of the accounts listed in Schedule 1.2(a) has canceled or non-renewed or intends to cancel or non-renew. Schedule 1.2(a) also shows the premiums paid to Seller by each customer during the twelve-month period ended April 30, 2001. None of the accounts shown in Schedule 1.2(a) represents business that has been brokered through a third party.

(b) The service marks "Parcel Insurance Plan(R)" and "PIP(R)" are the only service marks used by Seller within the past three years. Seller has not received notice of any claims filed during the past three years against Seller alleging that it has violated, infringed on or otherwise improperly used the Intellectual Property rights of a third party, or, if so, the claim has been settled,

withdrawn or abandoned with no existing liability to Seller and, to the Knowledge (as defined in SECTION 7.2 hereof) of Seller and Parent, Seller has not violated or infringed any trademark, trade name, service mark, service name, patent, copyright or trade secret held by others.

(c) Schedule 3.9(c) lists all material contracts, agreements and other written or verbal arrangements to which Seller is a party, including, but not limited to:

(i) any agreement (or group of related agreements) for the lease of personal property to or from any person or entity providing for lease payments in excess of US$10,000.00 per annum;

(ii) any agreement (or group of related agreements) for the purchase or sale of raw materials, commodities, supplies, products, or other personal property, or for the furnishing or receipt of services, the performance of which shall extend over a period of more than one (1) year, result in a loss to Seller, or involve consideration in excess of US$10,000.00;

(iii) any agreement concerning a partnership or joint venture;

(iv) any agreement (or group of related agreements) under which it has created, incurred, assumed, or guaranteed any indebtedness for borrowed money, or any capitalized lease obligation, in excess of US$10,000.00 or under which it has imposed a security interest on any of its assets, tangible or intangible;

(v) any employment, confidentiality, nonsolicitation or noncompetition agreement;

(vi) any agreement involving Parent or any of Parent's affiliates (other than Seller);

(vii) any collective bargaining agreement;

(viii) any agreement for the employment of any individual on a full-time, part-time, consulting, or other basis providing annual compensation in excess of US$50,000.00 or providing severance benefits in excess of US$50,000.00;

(ix) any agreement under which Seller has advanced or loaned any amount to any of its directors, officers, and employees outside the ordinary course of business;

(x) any agreement under which the consequences of a default or termination could have a adverse effect on the Business, financial condition, operations, results of operations, or future prospects of Seller; or

(xi) any other written arrangement (or group of related arrangements) either involving more than US$10,000.00 or not entered into in the ordinary course of business.

Seller has delivered or made available to Buyer true and complete copies of each such agreement, and, in the case of unwritten agreements, a true and complete summary of such arrangements. Seller is in compliance with the terms thereof. With respect to each such

agreement listed in Schedule 3.9(c), to the Knowledge of Seller: (A) the agreement is legal, valid, binding, enforceable, and in full force and effect; (B) the agreement shall continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby, and no event has occurred that with notice or lapse of time would constitute a breach or default, or permit termination, modification, or acceleration, under the agreement; and (C) no party has repudiated any provision of the agreement.

(d) The computer software currently being used by Seller in connection with the Business performs in accordance with the documentation, and other written material used in connection therewith is substantially free of defects in programming and operation as needed in the operation of the Business. Seller has delivered or previously made available to Buyer complete and correct copies of all user and technical documentation in their possession related to such software.

(e) Seller owns or leases all buildings, equipment, and other assets necessary for the conduct of the Business as presently conducted. All such assets are included within the Acquired Assets. Each such asset is free from defects (patent and latent), has been maintained in accordance with normal industry practice, is in good operating condition and repair (subject to normal wear and tear), and is suitable for the purposes for which it presently is used and presently is proposed to be used.

Section 3.10 LITIGATION AND CLAIMS; SOLVENCY. Except as disclosed in Schedule 3.10, there is no suit, claim, action, proceeding or investigation pending or, to the Knowledge of Seller, threatened against Seller before any Governmental Authority that would have a material adverse effect on (i) the ability of Seller to timely perform its obligations under this Agreement or any Seller's Document or to consummate the transactions contemplated hereby or thereby, or (ii) the Business or financial condition, results of operations or assets of Seller (a "Material Adverse Effect") or that would prevent Seller from consummating the transactions contemplated by this Agreement. Seller is not subject to any outstanding order, writ, injunction or decree which, insofar as can be reasonably foreseen, individually or in the aggregate, in the future would have a Material Adverse Effect or would prevent Seller from consummating the transactions contemplated hereby. No voluntary or involuntary petition in bankruptcy, receivership, insolvency or reorganization with respect to Seller, or petition to appoint a receiver or trustee of Seller's property, has been filed by or against Seller, nor shall Seller file such a petition prior to the Closing Date or for one hundred (100) days thereafter, and if such petition is filed by others, the same shall be promptly discharged. Seller has not made any assignment for the benefit of creditors or admitted in writing insolvency or that its property at fair valuation shall not be sufficient to pay its debts, nor shall Seller permit any judgment, execution, attachment or levy against it or its properties to remain outstanding or unsatisfied for more than ten (10) days. Seller shall not become insolvent as a result of consummating the transactions contemplated by this Agreement.

Section 3.11 COMPLIANCE WITH APPLICABLE LAW. Except as set forth in Schedule 3.11, Seller holds all permits, licenses, variances, exemptions, orders and approvals of all Governmental Authorities necessary for the lawful conduct of the Business (collectively, the "Permits"), and Seller is in compliance with the terms of the Permits except where the failure to hold any such Permit or where noncompliance with such Permits would not have a Material

Adverse Effect. Seller is not in violation of any law, ordinance or regulation of any Governmental Authority including without limitation any law, ordinance or regulation relating to any of Seller's employment practices. As of the date of this Agreement, no investigation or review by any Governmental Authority with respect to Seller is pending or, to the Knowledge of Seller and Parent, threatened.

Section 3.12 TAX MATTERS. Seller has no liability or obligation in respect of Taxes (as defined in SECTION 6.6) for which Buyer may become liable or to which the Acquired Assets may become subject.

Section 3.13 NON-SOLICITATION COVENANTS. Neither Seller nor Parent is a party to any agreement that restricts Seller's or Parent's ability to compete in the insurance agency industry or solicit specific insurance accounts.

Section 3.14 ERRORS AND OMISSIONS. Seller has not incurred any liability or taken or failed to take any action that may reasonably be expected to result in a liability for errors or omissions in the conduct of the Business, except such liabilities as are fully covered by insurance (other than deductibles). All errors and omissions (E&O) claims currently pending or threatened against Seller are set forth in Schedule 3.10. Seller has E&O insurance coverage in force, with minimum liability limits of $3 million per claim and $3 million aggregate, and a deductible of $10,000 per claim, and shall provide to Buyer evidence of such E&O coverage prior to or on the Closing Date.

Section 3.15 ENVIRONMENTAL AND PUBLIC SAFETY COMPLIANCE. Seller and its predecessors entities and affiliates have complied with all laws (including rules and regulations thereunder) of any Government Authority concerning the environment, public health and safety, and employee health and safety except where noncompliance would not have a Material Adverse Effect, and no charge, complaint, action, suit, proceeding, hearing, investigation, claim, demand or notice has been filed or commenced against Seller or its predecessor entities or affiliates alleging any failure to comply with any such law, rule or regulation. Neither Seller nor its predecessor entities or affiliates has received any notification from any Governmental Authority that it allegedly was a contributor to or a potentially responsible party in connection with, any place a which Hazardous Material was stored, treated, released or disposed. The term "Hazardous Materials" means any "toxic substance" as defined in 15 U.S.C. ss.ss. 2601 et seq. on the date hereof, including materials designated on the date hereof as "hazardous substances" under 42 U.S.C. ss.ss.9601 et seq. or other applicable laws, and toxic, radioactive, caustic, or otherwise hazardous substances, including petroleum and its derivatives, asbestos, PCBs, formaldehyde, chlordane and heptachlor.

Section 3.16 POWERS OF ATTORNEY. There are no outstanding powers of attorney executed on behalf of Seller.

Section 3.17 INSURANCE. Schedule 3.17 sets forth the following information with respect to each insurance policy (including policies providing property, casualty, liability, and workers' compensation coverage and bond and surety arrangements, and that policy described in SECTION 3.14 hereof) to which Seller has been a party, a named insured, or otherwise the beneficiary of coverage at any time within the past three (3) years:

(a) the name, address, and telephone number of the agent;

(b) the name of the insurer, the name of the policyholder, and the name of each covered insured;

(c) the policy number and the period of coverage;

(d) the scope (including an indication of whether the coverage was on a claims made, occurrence, or other basis) and amount (including a description of how deductibles and ceilings are calculated and operate) of coverage; and

(e) a description of any retroactive premium adjustments or other loss-sharing arrangements.

With respect to each such insurance policy, to the Knowledge of Seller: (i) the policy is legal, valid, binding, enforceable, and in full force and effect; (ii) the policy shall continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in ARTICLE 1 hereof); (iii) neither Seller nor any other party to the policy is in breach or default (including with respect to the payment of premiums or the giving of notices), and no event has occurred which, with notice or the lapse of time, would constitute such a breach or default, or permit termination, modification, or acceleration, under the policy; and (iv) no party to the policy has repudiated any provision thereof.

Section 3.18 LABOR MATTERS. Seller is not a party to or bound by any collective bargaining agreement, nor has it experienced any strikes, grievances, claims of unfair labor practices, or other collective bargaining disputes. To the Knowledge of Seller, Seller has not committed any unfair labor practice. Neither Seller, Parent nor the directors and officers (and employees with responsibility for employment matters) of Seller or Parent has any Knowledge of any organizational effort presently being made or threatened by or on behalf of any labor union with respect to employees of Seller.

Section 3.19 EMPLOYEE BENEFIT PLANS. Schedule 3.19 lists each Employee Benefit Plan (as defined below) that Seller maintains or to which Seller contributes.

(a) Seller's group health plan, which includes Seller's flexible spending account plan (collectively, the "Group Health Plans"), complies in form and in operation in all material respects with the applicable requirements of ERISA (as defined below), the Code, and other applicable laws. No such Employee Benefit Plan is under audit by the United States Internal Revenue Service or the United States Department of Labor, or any foreign governmental agencies performing similar functions.

(b) All required reports and descriptions (including Form 5500 Annual Reports and summary plan descriptions) have been filed or distributed appropriately with respect to the Group Health Plans. The requirements of Part 6 of Subtitle B of Title I of ERISA and of Code Section 4980B have been met with respect to the Group Health Plans.

(c) All premiums or other payments for all periods ending on or before the Closing Date have been paid with respect to the Group Health Plans.

(d) Seller has delivered (or no later than sixty (60) days prior to the Closing Date shall deliver) to Buyer correct and complete copies of the plan documents and summary plan descriptions, the most recent Form 5500 Annual Report, and all related trust agreements, insurance contracts, and other funding agreements that implement the Group Health Plans.

(e) Seller does not contribute to, nor has ever been required to contribute to, any Multiemployer Plan (as such term is defined in ERISA Section 3(37)) or has any liability (including withdrawal liability) under any Multiemployer Plan.

(f) Seller does not maintain or contribute, nor has ever maintained or contributed, or has ever been required to contribute to any Employee Welfare Benefit Plan (as such term is defined in ERISA Section 3(1) providing medical, health, or life insurance or other welfare-type benefits for current or future retired or terminated employees, their spouses, or their dependents (other than in accordance with Code Section 4980B).

(g) Except as provided in SECTION 5.11(C) and (D), Buyer shall have no obligations or liability with respect to any Employee Benefit Plan after the Closing Date.

As used in this Agreement, the term "Employee Benefit Plan" means any (a) Employee Pension Benefit Plan, as such term is defined in ERISA Section 3(2), (b) Employee Welfare Benefit Plan, as such term is defined in ERISA Section 3(1), or (c) material fringe benefit plan or program, which covers or provides benefits to any Seller employee.

As used in this Agreement, the term "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

Section 3.20 UNDISCLOSED LIABILITIES. Except where such liability would not have a Material Adverse Effect, Seller has no liability (and there is no basis for any present or future action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand against it giving rise to any liability), except for (a) liabilities set forth on the face of the balance sheet (rather than in any notes thereto) included in the Most Recent Financial Statements and (b) liabilities that have arisen after the Most Recent Fiscal Month End in the ordinary course of business (none of which results from, arises out of, relates to, is in the nature of, or was caused by any breach of contract, breach of warranty, tort, infringement, or violation of law).

Section 3.21 INTELLECTUAL PROPERTY.

(a) Seller owns or has the right to use pursuant to license, sublicense, agreement, or permission all Intellectual Property necessary for the operation of the Purchased Book of Business as presently conducted, except where the failure to own, or have the right to use, such Intellectual Property would not reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect. Each item of Listed Intellectual Property owned or used by Seller immediately prior to the Closing hereunder shall be owned or available for use by Buyer on terms and conditions substantially similar to those applicable immediately subsequent to the Closing hereunder. "Listed Intellectual Property" shall mean those items listed in Schedule 3.21(c) and

3.21(d) (except for computer software that is commercially available to the general public and readily replaceable).

(b) To Seller's Knowledge, Seller has not interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of third parties, and neither Seller nor Parent has received any written notice or complaint (other than notices or complaints that have been resolved, withdrawn or abandoned) alleging any such interference, infringement, misappropriation, or violation (including any claim that Seller must license or refrain from using any Intellectual Property rights of any third party). To the Knowledge of Seller, no third party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Intellectual Property rights of Seller.

(c) Seller has no patents issued in its name, or patent applications filed or pending. Schedule 3.21(c) identifies each license or other agreement to which Seller is a party and pursuant to which Seller has granted to any third party the right to use any of its Intellectual Property. Seller has delivered to Buyer correct and complete copies of all such licenses and other agreements (as amended to date). Schedule 3.21(c) also identifies (1) each trade name and registered or unregistered trademark and service mark currently used by Seller in the Business and (2) each copyright registration owned by Seller. With respect to each item of Intellectual Property required to be identified in Schedule 3.21(c):

(i) Seller possesses all right, title, and interest in and to the item, free and clear of any security interest, license, or other restriction;

(ii) The item is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge;

(iii) No action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand is pending or, to the Knowledge of Seller, threatened, that challenges the legality, validity, enforceability, use, or ownership of the item; and

(iv) Seller has not granted any sublicense or similar right with respect to the license, sublicense, agreement, or permission.

(d) Schedule 3.21(d) identifies each license, sublicense, or other agreement to which Seller is a party and pursuant to which Seller is authorized to use Intellectual Property that any third party owns. Seller has delivered to Buyer correct and complete copies of all such licenses, sublicenses, or other agreements, (as amended to date). With respect to each license, sublicense or agreement identified in Schedule 3.21(d):

(i) the license, sublicense, agreement, or permission covering the item is legal, valid, binding, enforceable, and in full force and effect;

(ii) the license, sublicense, agreement, or permission shall continue to be legal, valid, binding, enforceable, and in full force and effect on identical terms following the consummation of the transactions contemplated hereby (including the assignments and assumptions referred to in ARTICLE 2 above);

(iii) to Seller's Knowledge, no party to the license, sublicense, agreement, or permission is in breach or default, and no event has occurred that with notice or default or permit termination, modification, or acceleration thereunder;

(iv) no party to the license, sublicense, agreement, or permission has provided notice of repudiation of any provision thereof;

(v) to the Knowledge of Seller, the underlying item of Intellectual Property is not subject to any outstanding injunction, judgment, order, decree, ruling, or charge;

(vi) no action, suit, proceeding, hearing, investigation, or complaint is pending against Seller or, to the Knowledge of Seller, is threatened, that challenges the legality, validity, or enforceability of the underlying item of Intellectual Property; and

(vii) Seller is not a party to any sublicense pursuant to which Seller has granted rights to the license, sublicense, or agreement.

Section 3.22 SUBSIDIARIES. Seller does not have and has never had any subsidiaries.

Section 3.23 NO MISREPRESENTATIONS. None of the representations and warranties of Seller and Parent set forth in this Agreement, notwithstanding any investigation thereof by Buyer, contains any untrue statement of a material fact, or omits the statement of any material fact necessary to render the statements made not materially misleading.

ARTICLE 4.
BUYER'S REPRESENTATIONS AND WARRANTIES

Buyer represents and warrants to Seller and Parent as follows:

Section 4.1 ORGANIZATION. Buyer is a corporation organized and in good standing under the laws of Missouri, and its status is active. Buyer has all requisite corporate power and authority and all necessary governmental approvals to own, lease, and operate its properties and to carry on its business as now being conducted and as proposed to be conducted.

Section 4.2 AUTHORITY. Buyer has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery, and performance of this Agreement, and the consummation of the Agreement and the other transactions contemplated hereby, have been duly authorized by all necessary corporate action on the part of Buyer, including without limitation the board of directors of Buyer. This Agreement has been, and the other agreements, documents and instruments required to be delivered by Buyer in accordance with the provisions hereof (collectively, the "Buyer's Documents") shall be, duly executed and delivered by duly authorized officers of Buyer, and, assuming this Agreement constitutes a valid and binding obligation of Seller, constitutes, and the Buyer's Documents when executed and delivered shall constitute, valid and binding obligations of Buyer, enforceable against it in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization or similar laws from time to time in effect which offset creditors' rights generally and general equitable principles (regardless of whether the issue of enforceability is considered in a proceeding in equity or in law).

Section 4.3 CONSENTS AND APPROVALS; NO VIOLATIONS. Neither the execution, delivery, or performance of this Agreement by Buyer nor the consummation by Buyer of the transactions contemplated hereby nor compliance by Buyer with any of the provisions hereof shall (a) conflict with or result in any breach of any provision of the Articles of Incorporation or the Bylaws of Buyer, (b) require any filing with, or permit, authorization, consent, or approval of, any Governmental Authority (except for necessary reports and other filings with the Securities and Exchange Commission (the "SEC") and the New York Stock Exchange), (c) result in a violation or breach of, or constitute a default under, result in the acceleration of, create in any party the right to accelerate, terminate, modify or cancel, or, except in connection with (i) the loan facilities of Buyer's parent company, Brown & Brown, Inc., with SunTrust Bank and Continental Casualty Company, respectively, or (ii) the insurance carriers for certain of Buyer's insurance policies, require any notice or consent any of the terms, conditions, or provisions of any agreement or other instrument or obligation to which Buyer is a party or by which Buyer or any of its properties or assets may be bound.

Section 4.4 LITIGATION. There is no suit, claim, action, proceeding, or investigation pending or, to the Knowledge of Buyer, threatened against Buyer or its affiliates before any Governmental Authority that would have a material adverse effect on Buyer or would prevent Buyer from consummating the transactions contemplated by this Agreement. Buyer is not subject to any outstanding order, writ, injunction or decree which, insofar as can be reasonably foreseen, individually or in the aggregate, in the future would have a material adverse effect on Buyer or would prevent Buyer from consummating the transactions contemplated hereby. No voluntary or involuntary petition in bankruptcy, receivership, insolvency or reorganization with respect to Buyer, or petition to appoint a receiver or trustee of Buyer's property, has been filed by or against Buyer, nor shall Buyer file such a petition prior to the Closing Date or for one hundred (100) days thereafter, and if such petition is filed by others, the same shall be promptly discharged. Buyer has not made any assignment for the benefit of creditors or admitted in writing insolvency or that its property at fair valuation shall not be sufficient to pay its debts, nor shall Buyer permit any judgment, execution, attachment or levy against it or its properties to remain outstanding or unsatisfied for more than ten (10) days.

Section 4.5 COMPLIANCE WITH APPLICABLE LAW. Buyer holds all permits, licenses, variances, exemptions, orders, and approvals of all Governmental Authorities necessary for the lawful conduct of its insurance agency business and the Purchased Book of Business. Buyer is not in violation of any law, ordinance or regulation of any Governmental Authority, including, without limitation, any law, ordinance or regulation relating to any of Buyer's employment practices except where a failure to comply would not have a material adverse effect on Buyer. As of the date of this Agreement, no investigation or review by any Governmental Authority with respect to Buyer is pending or, to the Knowledge of Buyer, threatened.

Section 4.6 CONTRACTS WITH THIRD PARTIES. Buyer and its affiliates have no contract, agreement or understanding with any third party concerning a potential sale of the Acquired Assets or the Business, or any portion of either, following the Closing.

Section 4.7 FINANCIAL ABILITY. Buyer has adequate financial resources and capability to consummate the transactions contemplated by this Agreement and to honor its obligations

hereunder. Buyer will not become insolvent as a result of consummating the transactions contemplated by this Agreement.

Section 4.8 NO MISREPRESENTATIONS. None of the representations and warranties of Buyer set forth in this Agreement, notwithstanding any investigation thereof by Seller, contains any untrue statement of a material fact, or omits the statement of any material fact necessary to render the statements made not materially misleading.

ARTICLE 5.
ADDITIONAL AGREEMENTS

Section 5.1 BROKERS OR FINDERS. Each of the parties represents, as to itself, its subsidiaries and its affiliates, that no agent, broker, investment banker, financial advisor, or other firm or person is or shall be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement, and each of the parties agrees to indemnify and hold the others harmless from and against any and all claims, liabilities, or obligations with respect to any fees, commissions, or expenses asserted by any person on the basis of any act or statement alleged to have been made by such party or its affiliate.

Section 5.2 NON-COMPETITION COVENANTS. Given the national nature of the Business, OPL agrees that, for a period of five (5) years beginning on the Closing Date, OPL shall not directly or indirectly (including, without limitation, through Seller and/or Parent or any successor entity thereof) engage in, or be or become the owner of a direct or indirect equity interest in, or otherwise consult with, be employed by, or participate in the business of, any entity (other than Buyer) engaged as a managing general agency (MGA) in the Small Package Insurance agency business with respect to customers whose shipments originate from within the United States (including its territories, commonwealths and dependencies). Without limiting the foregoing, OPL shall not, during such five-year period, (a) solicit, divert, accept business from, nor service, directly or indirectly, as insurance solicitor, insurance agent, insurance broker or otherwise, for his account or the account of any other agent, broker, or insurer, either as owner, shareholder, promoter, employee, consultant, manager or otherwise, any account that is part of the Purchased Book of Business or any insurance account then serviced by Buyer, or (b) directly or indirectly hire or solicit any employees of Buyer or its affiliates (other than Charles D. Smith) to work for OPL or any of its affiliates, or any company that competes with Buyer or its affiliates.

Section 5.3 REMEDY FOR BREACH OF COVENANTS. In the event of a breach of the provisions of SECTION 5.2, Buyer shall be entitled to injunctive relief as well as any other applicable remedies at law or in equity. Should a court of competent jurisdiction declare any of the covenants set forth in SECTION 5.2 unenforceable due to a unreasonable restriction, duration, geographical area or otherwise, the parties agree that such court shall be empowered and shall grant Buyer or its affiliates injunctive relief to the extent reasonably necessary to protect their respective interests. Seller, Parent and OPL each acknowledge that the covenants set forth in SECTION 5.2 represent an important element of the value of the Acquired Assets and were a material inducement for Buyer to enter into this Agreement.

Section 5.4 SUCCESSOR RIGHTS. The covenants contained in SECTION 5.2 shall inure to the benefit of any successor in interest of Buyer by way of merger, consolidation, sale or other succession.

Section 5.5 ERRORS AND OMISSIONS TAIL COVERAGE. Seller shall purchase and pay in full for a tail coverage extension on its E&O insurance policy. Such coverage shall extend for a period of at least three (3) years from the Closing Date, shall have per claim and aggregate coverages and deductibles consistent with the coverages and deductibles currently maintained by Seller, and shall otherwise be in form and substance reasonably acceptable to Buyer. Seller shall take all reasonable steps to secure such coverage and shall deliver to Buyer evidence of such coverage as soon as practicable after the Closing Date.

Section 5.6 EXPENSES. Each of Buyer, Seller, Parent and OPL shall bear its own costs and expenses (including legal fees and expenses) incurred in connection with this Agreement and the transactions contemplated hereby. Seller, Parent and OPL each agree that Buyer shall not bear Seller's, Parent's or OPL's costs or expenses (including any of their legal fees and expenses) in connection with this Agreement or any of the transactions contemplated hereby. Seller also agrees that it has not paid any amount to any third party, and shall not pay any amount to any third party until after the Closing, with respect to any of the costs and expenses of Seller, Parent and OPL (including any of their legal fees and expenses) in connection with this Agreement or any of the transactions contemplated hereby. Sales, transfer, documentary and similar taxes, fees and assessments, if any, payable in connection with the sale, conveyance, assignment, transfers and deliveries made to Buyer in connection herewith shall be paid by Seller.

Section 5.7 CONFIDENTIALITY.

(a) Buyer, Seller, Parent and OPL shall consult with each other before issuing, and provide each other the opportunity to review and comment upon, any press release, filing with the SEC or other public statements with respect to the transactions contemplated hereby and shall not issue any such press release or make any such public statement prior to such consultation and the receipt of the approval of the other party, except as may be required by applicable law, by court process or by obligations pursuant to any listing agreement with any national securities exchange.

(b) Seller, Parent and OPL shall each treat confidential and hold as such all of the information concerning the Business and affairs of the Seller prior to Closing or Buyer subsequent to the Closing that is not already generally available to the public ("Confidential Information"); provided, however, that Seller, Parent and OPL shall be permitted to use the Confidential Information in connection with the defense against any legal proceeding, claim, complaint or investigation involving Seller, Parent or OPL; provided, further, that Seller, Parent and OPL shall use reasonable best efforts to retain the confidentiality of such information used in any such defense. If Seller or Parent is requested or required (by oral question or request for information or documents in any legal proceeding, interrogatory, subpoena, civil investigative demand, or similar process) to disclose any Confidential Information, Seller (on behalf of itself or Parent, as the case may be) shall notify Buyer promptly of the request or requirement so that Buyer may seek an appropriate protective order or waive compliance with the provisions of this SECTION 5.7. If, in the absence of a protective order or the receipt of a waiver hereunder, Seller, Parent or OPL is, on the advice of counsel, compelled to disclose any Confidential Information to

any tribunal or else stand liable for contempt, Seller, Parent or OPL, as the case may be, may disclose the Confidential Information to the tribunal solely in connection with such matter; provided, however, that Seller, Parent or OPL, as the case may be, shall use its best efforts to obtain, at the request of Buyer, an order or other assurance that confidential treatment shall be accorded to such portion of the Confidential Information required to be disclosed as Buyer shall designate.

Section 5.8 ENFORCEMENT OF EMPLOYMENT AGREEMENTS. After the Closing, and at Buyer's request, Seller shall (a) take all reasonable measures to enforce the terms of those non-compete/non-solicitation agreements with its existing employees that either have not been or cannot be assigned to Buyer, including pursuing legal and injunctive proceedings, and (b) cooperate with Buyer in enforcing the terms of those contracts assigned to Buyer and shall join in any legal or injunctive proceedings instituted by Buyer for such purpose. Buyer shall bear the costs and fees of any such proceedings.

Section 5.9 CORPORATE NAME; DISSOLUTION OF SELLER AND/OR PARENT.

(a) Promptly after the Closing, Seller agrees to cease all use of the corporate name "Parcel Insurance Plan, Inc." or the service marks "Parcel Insurance Plan(R)", "PIP(R)", or any derivative thereof and shall, no later than five (5) business days after the Closing, file an amendment to its Certificate of Incorporation with the Delaware Secretary of State, changing its corporate name to a new corporate name that bears no resemblance to its current corporate name.

(b) Buyer acknowledges and agrees that at any time after the Closing Date, Seller and/or Parent may voluntarily dissolve pursuant to Section 275 of the Delaware General Corporation Law. Within 15 business days after the filing of a certificate of dissolution with the Secretary of State of the State of Delaware, Buyer shall be provided with written notice of any such dissolution. Upon any such dissolution, OPL shall succeed to the rights and obligations hereunder of the dissolved party.

Section 5.10 TERMINATION OF EMPLOYEE BENEFIT PLANS. At the Closing, Seller shall deliver to Buyer copies of duly adopted resolutions of Seller's Board of Directors (a) terminating Seller's Employee Benefits Plans (other than the Group Health Plans), with such termination effective prior to the Closing Date, (b) providing that no contributions shall be made to Seller's 401(k) Plan after such date, and (c) directing Seller's or Parent's legal counsel to apply for a determination letter from the Internal Revenue Service with respect to the termination of the 401(k) Plan and to submit a notice of intent to terminate to all interested parties under the 401(k) Plan.

Section 5.11 EMPLOYEES OF SELLER. (a) (a) Prior to the Closing Date, Buyer shall make offers of employment to all Seller employees listed in Schedule 5.11 (the "Transferred Employees"). Such offers of employment shall be at compensation levels which are, in the aggregate, economically similar to the compensation levels which Transferred Employees enjoyed as employees of Seller. Additionally, such Transferred Employees shall be entitled to the same benefits as conferred upon any other employees of comparable rank of Buyer. Buyer agrees to provide to the Transferred Employees who become employees of Buyer credit for service under the existing employee benefit plans in which employees of Buyer are participants (the "Existing Plans"), to the extent permissible under the Existing Plans and to the extent that such Transferred Employees are otherwise eligible to

participate, as employees of Buyer, in the Existing Plans, for the purposes of participation, vesting and accrual of benefits; provided, however, that no credit for service for purposes of participation, vesting or accrual of benefits under the Existing Plans will be awarded to any such Transferred Employees under any Existing Plan with respect to any period that is prior to the earliest date that any of Buyer's existing employees have received credit for purposes of participation, vesting or accrual of benefits under such Existing Plan. Buyer further agrees that, to the extent possible, it will waive any "pre-existing condition" exclusion or waiting periods that may limit any such Transferred Employee's qualification for coverage under Buyer's standard and customary health benefits and will credit all co-payments and deductions paid by the Transferred Employees under Seller's plan prior to the Closing toward any applicable deductible out-of-pocket requirements. Buyer shall maintain such compensation and benefit levels for a period of at least one (1) year after the Closing Date for those Transferred Employees who remain employed with Buyer.

(b) On and after the Effective Date, Buyer agrees to assume responsibility for any and all liabilities and obligations of Seller which have arisen or may arise in connection with the employment of the Transferred Employees. Without limiting the foregoing, Buyer agrees that such liabilities shall include, but not be limited to: the timely payment of all payroll expenses, the timely withholding, payment and/or deposit of any applicable income or employment taxes, and the timely payment of any required contributions to any Employee Benefit Plan of Seller. Each of the foregoing liabilities are among the Assumed Liabilities as defined in SECTION 1.4(D)(I) hereof.

(c) Buyer agrees to assume responsibility for providing the appropriate COBRA notices and for providing COBRA continuation coverage to all "M&A qualified beneficiaries" as such term is defined in Treas. Reg. ss. 54.4980B-9. For purposes of this Agreement, COBRA means health continuation obligations under ss. 4980B of the Code.

(d) Subject to SECTION 6.6 hereof, on and after the Closing Date, Buyer agrees to assume responsibility for Seller's Group Health Plans, until such time as those Transferred Employees who participate in such Group Health Plans become enrolled to participate in Buyer's group health plan (including Buyer's flexible spending account plan).

(e) Nothing contained in this Agreement, expressed or implied, is intended to confer any rights, obligations, liabilities, or remedies on behalf of any Transferred Employee or their respective beneficiaries, dependents or successors.

Section 5.12 NOTICES AND CONSENTS. Seller shall give any notices to third parties, and Seller shall use its reasonable best efforts to obtain any third party consents, that Buyer may request in connection with the matters referred to in Schedule 3.5. Seller and Buyer shall give any notices to, make any filings with, and use their reasonable best efforts and cooperate with one another to obtain any authorizations, consents, and approvals of governments and governmental agencies in connection with the matters referred to in SECTION 3.5 above.

Section 5.13 CONDITIONS TO EACH PARTY'S OBLIGATION. The respective obligations of each party to effect the transactions contemplated by this Agreement to take place on the Closing Date shall be subject to the satisfaction prior to or on the Closing Date of the following conditions, any of which may be waived by a party with respect to its own obligation to close:

(a) Approvals. All authorizations, consents, orders, or approvals of, or declarations or filings with, or expirations of waiting periods imposed by, any Governmental Authority, the failure to obtain which would have a Material Adverse Effect, shall have been filed, occurred, or been obtained.

(b) No Injunctions or Restraints. No temporary restraining order, preliminary or permanent injunction, or other order issued by any court of competent jurisdiction or other legal restraint or prohibition shall be in effect (i) preventing the consummation of the transaction, (ii) causing any of the transactions contemplated by this Agreement to be rescinded following consummation, (iii) affecting adversely the right of Buyer to own the Acquired Assets or to operate the Business, or (iv) affecting adversely the Business, assets, properties, operation (financial or otherwise), or prospects of Buyer with respect to its ownership of the Acquired Assets or operation of its business as a result of such acquisition; provided, however, that the party invoking this provision shall use its best efforts to have any such restraint removed.

(c) Third Party Consents. All required third-party consents shall have been obtained, including without limitation the consents listed in Schedule 3.5.

Section 5.14 CONDITIONS TO OBLIGATIONS OF BUYER. The obligation of Buyer to effect the transactions contemplated by this Agreement to occur on the Closing Date is subject to the satisfaction of the following conditions, unless waived by Buyer:

(a) Representations and Warranties. The representations and warranties of the Seller, Parent and OPL set forth in this Agreement shall be true and correct in all material respects as of the Closing Date.

(b) Performance of Obligations by Seller, Parent, and OPL. Seller, Parent and OPL shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing Date including, without limitation, the satisfaction and release of any liens, judgments, or other encumbrances upon any of the Acquired Assets.

(c) Seller, Parent and OPL Certificates. An officer of each of Seller, Parent and OPL shall have delivered to Buyer a certificate to the effect that each of the conditions specified in SECTIONS 5.13(A), (B) and (C), and SECTIONS 5.14(A) and (B) is satisfied in all respects.

(d) Evidence of E&O Coverage. Buyer shall have received from Seller evidence of E&O coverage required in SECTION 5.5.

(e) Termination of Seller Employee Benefit Plans. Buyer shall have received from Seller copies of duly adopted resolutions of Seller's Board of Directors as described in SECTION 5.10.

(f) Charles Smith Non-Solicitation and Confidentiality Agreement. Buyer and Charles D. Smith, a member of the Board of Directors of, and President, Treasurer and Assistant Secretary of Seller, shall have executed and delivered a mutually agreeable Non-Solicitation and Confidentiality Agreement.

(g) Non-Disclosure and Non-Piracy Agreement. Daniel K. Daly shall have executed and delivered to Buyer a copy of Buyer's standard employment agreement, which contains confidentiality and non-solicitation provisions.

(h) Completion of All Actions to be Taken by Seller, Parent and OPL. All actions to be taken by Seller, Parent and OPL in connection with consummation of the transactions contemplated hereby and all certificates, opinions, instruments, and other documents required to effect the transactions contemplated hereby shall be reasonably satisfactory in form and substance to Buyer.

(i) Adverse Changes. There shall have been no material adverse change to the business or financial condition of the Seller since the Most Recent Fiscal Month End.

Section 5.15 CONDITIONS TO OBLIGATION OF SELLER, PARENT AND OPL. The obligations of Seller, Parent and OPL to effect the transactions contemplated by this Agreement to occur on the Closing Date are subject to the satisfaction of the following conditions, unless waived by Seller, Parent or OPL:

(a) Representations and Warranties. The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects as of the Closing Date.

(b) Performance of Obligations by Buyer. Buyer shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date.

(c) Buyer's Closing Certificate. An officer of Buyer shall have delivered to Seller a certificate to the effect that each of the conditions specified in SECTIONS 5.13(A), (B) and (C) and SECTIONS 5.15(A) and (B) are satisfied.

(d) Completion of All Actions Taken by Buyer. All actions to be taken by Buyer in connection with consummation of the transactions contemplated hereby and all certificates, opinions, instruments and other documents required to effect the transactions contemplated hereby shall be reasonably satisfactory in form and substance to Seller.

Section 5.16 ADDITIONAL POST-CLOSING COVENANTS. The parties agree as follows with respect to the period following the Closing:

(a) General. Seller acknowledges and agrees that from and after the Closing, Buyer shall be entitled to possession of all documents, books, records, agreements and financial data of any sort, whether in paper, electronic, digital or other format, relating to the Acquired Assets; provided, however, that for a period of 30 days following the Closing Date, Buyer shall provide to Seller, Parent and OPL and cause its affiliates to provide to Seller, Parent and OPL the reasonable opportunity to investigate, access, examine and copy such documents, books, records, agreements and financial data, whether in paper, electronic, digital or other format, including such documents, books, records, agreements and financial data transferred to Buyer pursuant to the Assumption Agreement. Any such investigation, access and examination shall be conducted during the regular business hours upon reasonable prior notice (but in any event, not less than two (2) business days

prior to such investigation, access or examination) and under other reasonable circumstances, and Seller, Parent, OPL and Buyer and their respective employees, agents and representatives, including their respective counsel and independent public accountants, shall cooperate in a reasonable manner and as reasonably requested with the employees and representatives of each party and its affiliates in connection with such investigation, access and examination.

(b) Litigation Support. If and for so long as any party actively is contesting or defending against any action, suit, proceeding, hearing, investigation, charge, complaint, claim, or demand in connection with (i) any transaction contemplated under this Agreement or (ii) any fact, situation, circumstance, status, condition, activity, practice, plan, occurrence, event, incident, action, failure to act, or transaction on or prior to the Closing Date involving the Acquired Assets, the other party shall cooperate with the contesting or defending party and its counsel in the contest or defense, make available its personnel, preserve documents and provide such testimony and access to its books and records as shall be necessary in connection with the contest or defense, all at the sole cost and expense of the contesting or defending party (unless the contesting or defending party is entitled to indemnification therefor under ARTICLE 6 hereof).

(c) Transition. Seller shall not take any action that is designed or intended to have the effect of discouraging any lessor, licensor, customer, supplier, insurance carrier, or other business associate of Seller from maintaining the same business relationships with Buyer after the Closing as it maintained with Seller prior to the Closing. Seller shall refer all customer inquiries relating to the Business to Buyer from and after the Closing.

Section 5.17 CONSENTS TO ASSIGNMENT.

(a) Anything in this Agreement to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any contract, lease, license or agreement of any claim or right or any benefit arising thereunder or resulting therefrom if an attempted assignment thereof, without the consent of a third party thereto, would constitute a breach thereof.

(b) If any such consent is not obtained prior to the Closing, Seller, Parent, OPL and Buyer shall cooperate (at their own expense) in any lawful and reasonable arrangement under which Buyer shall obtain the economic claims, rights and benefits under the asset, claim or right with respect to which the consent has not been obtained in accordance with this Agreement, including subcontracting, sublicensing or subleasing to Buyer and enforcement of any and all rights of Seller against the other party thereto arising out of a breach or cancellation thereof by the other party.

ARTICLE 6.
INDEMNIFICATION

Section 6.1 SURVIVAL OF REPRESENTATIONS, WARRANTIES, INDEMNITIES AND COVENANTS. Subject to SECTION 6.6, the representations, warranties and indemnities set forth in this Agreement shall survive for a period of two (2) years from the Closing Date (the "Indemnification Period"). All post-closing covenants shall survive the Closing for the period(s) specified in this Agreement or, if not specified, for the Indemnification Period. If a party has received notice of a potential breach of a representation, covenant or warranty, or the occurrence

of an otherwise potentially-indemnifiable event under this Agreement within the Indemnification Period, such party may preserve its right to assert a later claim for damages arising from such breach or event by delivering notice of same to the other party within the Indemnification Period.

Section 6.2 INDEMNIFICATION PROVISIONS FOR THE BENEFIT OF BUYER.

(a) To the extent that any Diverting Employee (as defined below) directly or indirectly diverts, on or before the one-year anniversary of the Closing Date, any line of coverage which is part of any account comprising the Purchased Book of Business, subject to SECTION 1.5(C), Buyer shall be paid by Seller or Parent (which obligations shall be joint and several) an amount equal to (i) 3.0 times (ii) the aggregate annualized policy commissions on such diverted lines of coverage. For purposes of this Agreement, a "Diverting Employee" means any person who is an employee of Seller during the sixty (60)-day period prior to the Closing Date but does not become employed by Buyer by virtue of refusing to sign Buyer's standard employment agreement; provided, however, that any person that is employed by Buyer at any time during the one year period following the Closing Date shall not be a Diverting Employee (unless such person ceased to be employed by Buyer during such one year period because of such person's refusal to sign Buyer's standard employment agreement).

(b) Subject to SECTION 1.5(C), Seller and OPL agree, jointly and severally, to indemnify and hold Buyer and its officers, directors, and affiliates harmless from and against any Adverse Consequences (as defined below), net of any tax benefits or insurance actually received by Buyer, that any of such parties may suffer or incur resulting from, arising out of, relating to, or caused by (i) the breach of any of Seller's, Parent's or OPL's representations, warranties, obligations or covenants contained herein, (ii) the operation of the Business, the ownership of the Acquired Assets by Seller prior to the Effective Date, including, without limitation, any claims or lawsuits based on conduct of Seller, Parent or OPL occurring before the Effective Date, or (iii) any liability of Seller that becomes a liability of Buyer under any bulk transfer law of any jurisdiction, under any common law doctrine of de facto merger or successor liability, or otherwise by operation of law). For purposes of this ARTICLE 6, the phrase "Adverse Consequences" means all charges, complaints, actions, suits, proceedings, hearings, investigations, claims, demands, judgments, orders, decrees, stipulations, injunctions, damages, dues, penalties, fines, costs, amounts paid in settlement, liabilities (whether known or unknown, whether absolute or contingent, whether liquidated or unliquidated, and whether due or to become due), obligations, taxes, liens, losses, expenses, and fees, including all attorneys' fees and court costs. For purposes of this SECTION 6.2, "Adverse Consequences" also specifically includes any Adverse Consequences attributable to any deductible(s) due and payable under Seller's E&O tail policy as described in SECTION 5.5 hereof; provided, however, that to the extent Buyer incurs or suffers any Adverse Consequences for which equitable relief may be sought, the parties agree that Buyer may seek equitable relief for such Adverse Consequences from Seller, Parent, and/or OPL, as appropriate.

Section 6.3 INDEMNIFICATION PROVISIONS FOR THE BENEFIT OF SELLER AND PARENT. Buyer agrees to indemnify and hold Seller, Parent, OPL and their respective officers, directors, shareholders and affiliates harmless from and against any Adverse Consequences, net of any tax benefits or insurance actually received by such party, any of such parties may suffer or incur resulting from, arising out of, relating to, or caused by (a) the breach of any of Buyer's representations, warranties, obligations or covenants contained herein, (b) the operation of the

Business, ownership of the Acquired Assets or assumption of the Assumed Liabilities by Buyer on or after the Effective Date, including, without limitation, any claims or lawsuits based on conduct of Buyer occurring on or after the Closing, or (c) the employment by Buyer on or after the Effective Date of any of the Transferred Employees who become employees of Buyer.

Section 6.4 MATTERS INVOLVING THIRD PARTIES.

(a) If any third party shall notify any party (the "Indemnified Party") with respect to any matter (a "Third Party Claim") that may give rise to a claim for indemnification against the other party (the "Indemnifying Party") under this ARTICLE 6, then the Indemnified Party shall promptly notify the Indemnifying Party thereof in writing; provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party from any obligation hereunder unless (and then solely to the extent) the Indemnifying Party thereby is prejudiced.

(b) The Indemnifying Party shall have the right to defend the Indemnified Party against the Third Party Claim with counsel of its choice satisfactory to the Indemnified Party so long as (i) the Indemnifying Party notifies the Indemnified Party in writing within fifteen (15) days after the Indemnified Party has given notice of the Third Party Claim that the Indemnifying Party shall indemnify the Indemnified Party from and against the entirety of any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim, (ii) the Indemnifying Party provides the Indemnified Party with evidence reasonably acceptable to the Indemnified Party that the Indemnifying Party shall have the financial resources to defend against the Third Party Claim and fulfill its indemnification obligations hereunder, (iii) the Third Party Claim involves only money damages and does not seek an injunction or other equitable relief, (iv) settlement of, or an adverse judgment with respect to, the Third Party Claim is not, in the good faith judgment of the Indemnified Party, likely to establish a precedential custom or practice materially adverse to the continuing business interests of the Indemnified Party, and (v) the Indemnifying Party conducts the defense of the Third Party Claim actively and diligently.

(c) So long as the Indemnifying Party is conducting the defense of the Third Party Claim in accordance with SECTION 6.4(B) above, (i) the Indemnified Party may retain separate co-counsel at its sole cost and expense and participate in the defense of the Third Party Claim, (ii) the Indemnified Party shall not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim without the prior written consent of the Indemnifying Party, and (iii) the Indemnifying Party shall not consent to the entry of any judgment or enter into any settlement with respect to the Third Party Claim unless such settlement is on exclusively monetary terms or the Indemnified Party shall have consented in writing to the terms of such settlement.

(d) If any of the conditions in SECTION 6.4(B) above is or becomes unsatisfied, however, (i) the Indemnified Party may defend against, and consent to the entry of any judgment or enter into any settlement with respect to, the Third Party Claim in any manner it may deem appropriate (and the Indemnified Party need not consult with, or obtain any consent from, the Indemnifying Party in connection therewith), (ii) the Indemnifying Party shall reimburse the Indemnified Party promptly and periodically for the costs of defending against the Third Party Claim (including reasonable attorneys' fees and expenses), and (iii) the Indemnifying Party shall

remain responsible for any Adverse Consequences the Indemnified Party may suffer resulting from, arising out of, relating to, in the nature of, or caused by the Third Party Claim to the fullest extent provided in this ARTICLE 6.

Section 6.5 LIMITS ON INDEMNIFICATION.

(a) Deductible. (i) Seller, Parent and OPL shall not have any obligation or liability to Buyer under SECTION 6.2 unless and until the aggregate amount of Adverse Consequences suffered by Buyer arising out of matters referred to in SECTION 6.2 shall have exceeded US$150,000.00, in which case Seller, Parent and OPL shall be obligated and liable under SECTION 6.2 only with respect to such excess; and (ii) Buyer shall not have any obligation or liability to Seller, Parent or OPL under SECTION 6.3 unless and until the aggregate amount of Adverse Consequences suffered by Seller, Parent and OPL arising out of the matters referred to in SECTION 6.3 shall have exceeded US$150,000.00, in which case Buyer shall be obligated and liable under SECTION 6.3 only with respect to such excess.

(b) Limit of Liability. The aggregate liability of Seller, Parent and OPL, on the one hand, and Buyer, on the other hand, under SECTION 6.2 or SECTION 6.3, respectively, shall not exceed US$23,000,000.

Section 6.6 PAYMENT OF AND INDEMNIFICATION FOR TAXES, LITIGATION AND CERTAIN EMPLOYEE BENEFIT MATTERS. Notwithstanding anything in this ARTICLE 6 to the contrary:

(a) Seller shall be responsible for and shall indemnify Buyer for all Taxes in respect of the Acquired Assets payable for any Tax period or portion thereof ending on or prior to the Effective Date. Buyer shall be responsible for and shall indemnify Seller for all Taxes in respect of the Acquired Assets payable for any Tax period or portion thereof beginning on or after the Effective Date. All representations, warranties, covenants and indemnities in connection with any Tax liabilities (including, without limitation, in connection with Buyer's payment of any portion of the consideration pursuant to SECTION 1.4(A) hereof) shall survive until the expiration of the applicable statute of limitations period, provided, however, that there shall be no double recovery for any breach of representation under SECTION 3.12 hereof for any indemnification obligation under SECTION 6.6(A) hereof.

As used in this Agreement, the term "Tax" means any federal, state, local, or foreign income, gross receipts, license, payroll, employment, excise, severance, stamp, occupation, premium, windfall profits, environmental (including taxes under Code Section 59A), customs duties, capital stock, franchise, profits, withholding, social security (or similar), unemployment, disability, real property, personal property, sales, use, transfer, registration, value added, alternative or add-on minimum, estimated, or other tax of any kind whatsoever, including any interest, penalty, or addition thereto, whether disputed or not.

(b) Notwithstanding SECTION 6.1, all representations, warranties, covenants and indemnities in connection with the operation of the Business, any litigation or other proceeding of any nature whatsoever directly or indirectly related to the Acquired Assets or the Assumed Liabilities arising prior to the Effective Date (including, but not limited to, any class action, litigation or proceeding involving Seller, Parent or OPL), shall survive until such litigation or

proceeding has been finally decided, settled or adjudicated; provided, however, that Buyer shall not be entitled to indemnification pursuant to SECTION 6.3 unless Buyer has delivered to OPL written notice of any such litigation or proceeding within one (1) year of: (i) the commencement of such litigation or proceeding that commences on or after the Effective Date, or (ii) the joinder of Seller, Parent or OPL to any class action, litigation or proceeding which such joinder occurs on or after the Effective Date.

(c) All representations, warranties, covenants and indemnities in connection with Buyer's assumption of responsibility for Seller's Group Health Plans as set forth in Section 5.11(d) hereof shall survive until the expiration of the applicable statute of limitations period.

(d) No Adverse Consequences with respect to the indemnifiable events set forth in this SECTION 6.6 shall be subject to the deductible or liability limitation (including the calculation of such deductible or liability limitation) set forth in SECTION 6.5 hereof.

Section 6.7 TAX EFFECTS OF INDEMNIFICATION PAYMENTS. The Parties agree that any indemnification payments made pursuant to this Agreement, except any indemnification payment with respect to any breach of any covenant in SECTION 5.2 of this Agreement, shall be treated for tax purposes as an adjustment to the payments made under SECTION 1.4(A)(II), (III) or (IV).

ARTICLE 7.
[INTENTIONALLY OMITTED]

ARTICLE 8.
MISCELLANEOUS

Section 8.1 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, by facsimile (if confirmed), or mailed by registered or certified mail (return receipt requested), or overnight courier service to the parties at the following addresses or at such other address for a party as shall be specified by like notice:

(a) If to Buyer, to

Brown & Brown of Missouri, Inc.
c/o Brown & Brown, Inc.
401 E. Jackson St., Suite 1700
Tampa, Florida 33601
Fax No.: (813) 222-4464
Attn: Laurel Grammig
General Counsel

(b) If to Seller, Parent or OPL, to

Parcel Insurance Plan, Inc.
c/o Overseas Partners Capital Corp.
115 Perimeter Center Place, Suite 940
Atlanta, Georgia 30346
Fax No.: (770) 913-6756
Attn: David Gorst

With a copy to:

Overseas Partners Ltd.
Mintflower Place
8 Par-la-ville Road
Hamilton HMO8 Bermuda
Fax No.: (441) 295-3078
Attn: Malcolm C. Furbert

and to:

LeBoeuf, Lamb, Greene & MacRae, L.L.P.
125 West 55th Street
New York, New York 10019
Fax No.: (212) 424-8500
Attn: Michael Groll

Any party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other party notice in the manner herein set forth.

Section 8.2 USE OF TERM "KNOWLEDGE". "Knowledge" means the actual knowledge of any director or officer of Buyer, Seller, Parent or OPL, as the case may be, as to any matter as to which such person has executive or supervisory responsibilities, and as to which such person has exercised reasonable diligence in the performance of such responsibilities.

Section 8.3 COUNTERPARTS. This Agreement may be executed in two (2) or more counterparts, each of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 8.4 ENTIRE AGREEMENT. This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

Section 8.5 ASSIGNMENT. Except as contemplated in SECTION 5.4 hereof, neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the

other parties. This Agreement shall be binding upon, inure to the benefit of, and be enforceable by the parties and their respective successors and assigns.

Section 8.6 SEVERABILITY. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be illegal, invalid or unenforceable, either in whole or in part, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of the remaining provisions or covenants, or any part thereof, all of which shall remain in full force and effect.

Section 8.7 ATTORNEYS' FEES AND COSTS. The prevailing party in any proceeding brought to enforce the terms of this Agreement shall be entitled to an award of reasonable attorneys' fees and costs incurred in investigating and pursuing such action, both at the trial and appellate levels.

Section 8.8 GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with internal Missouri law without regard to any applicable conflicts of law.

Section 8.9 AMENDMENT; WAIVER. No amendment of any provision of this Agreement shall be valid unless the same shall be in writing and signed by the parties hereto. Each of Seller and Parent may consent to any such amendment for itself at any time prior to the Closing without the prior authorization of its Board of Directors. No waiver by any party of any default, misrepresentation, or breach of warranty or covenant hereunder, whether intentional or not, shall be deemed to extend to any prior or subsequent default, misrepresentation, or breach of warranty or covenant hereunder or affect in any way any rights arising by virtue of any prior or subsequent such occurrence.

Section 8.10 INCORPORATION OF EXHIBIT AND SCHEDULES. The Exhibit and Schedules identified in this Agreement are incorporated herein by reference and made a part hereof.

Section 8.11 SPECIFIC PERFORMANCE. Each of the parties acknowledges and agrees that the other party would be damaged irreparably if any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached. Accordingly, each of the parties agrees that the other party shall be entitled to an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any action instituted in any court of the United States or any state thereof having jurisdiction over the parties and the matter in addition to any other remedy to which it may be entitled, at law or in equity.

Section 8.12 BULK TRANSFER LAWS. Seller hereby indemnifies and agrees to hold Buyer harmless from, against and in respect of, and shall on demand reimburse Buyer for, any loss, liability, cost or expense suffered or incurred by Buyer by reason of the failure of Seller to pay or discharge any claims of creditors that could be asserted against Buyer by reason of non-compliance with the provisions of any bulk transfer laws of any jurisdiction in connection with the transactions contemplated by this Agreement.

* * * * * * * * * *

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK - SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have signed or caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

BROWN & BROWN OF MISSOURI, INC.

By: /s/ Jim W. Henderson

Name: Jim W. Henderson
Title: President

PARCEL INSURANCE PLAN, INC.

By: /s/ Charles D. Smith

Name: Charles D. Smith
Title: President

OVERSEAS PARTNERS CAPITAL CORP.

By: /s/ Mary R. Hennessy

Name: Mary R. Hennessy
Title: President

OVERSEAS PARTNERS LTD.

By: /s/ Mark R. Bridges

Name: Mark R. Bridges
Title: Executive Vice President, Chief Financial Officer

EXHIBIT AND SCHEDULES

Exhibit A:	Form of Assumption Agreement
Exhibit B:	Form of Bill of Sale and Assignment
Exhibit C:	Form of Escrow Agreement
Schedule 1.2(a):	Active Insurance Customers of Seller
Schedule 1.2(c)(i):	Assigned Contracts - Non-Disclosure Agreements
Schedule 1.2(c)(ii):	Assigned Contracts - Other
Schedule 1.2(e):	Tangible Property
Schedule 1.4(a):	Adjustments to Purchase Price
Schedule 1.4(d)(i):	Assumed Liabilities
Schedule 3.5:	Consents and Approvals
Schedule 3.8:	Ordinary Course Transactions
Schedule 3.9(c):	Material Contracts
Schedule 3.10:	List of Claims and Litigation of Seller
Schedule 3.11:	Compliance
Schedule 3.17:	Insurance
Schedule 3.19:	Employee Benefit Plans
Schedule 3.21(c):	Owned Intellectual Property
Schedule 3.21(d):	Licensed Intellectual Property
Schedule 5.11:	Transferred Employees

EXHIBIT 10m

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of October 3, 2001, is made and entered into by and among BROWN & BROWN OF LEHIGH VALLEY, INC., a Pennsylvania corporation ("Buyer"); HENRY S. LEHR, INC., a Pennsylvania corporation ("Seller"); and WILLIAM H. LEHR, a resident of the Commonwealth of Pennsylvania, and PATSY A. LEHR, a resident of the Commonwealth of Pennsylvania (each a "Shareholder" and collectively, the "Shareholders").

BACKGROUND

Seller is engaged in the insurance agency business in Bethlehem, Pennsylvania (the "Business"), and wishes to sell certain of its assets relating to such Business to Buyer. Buyer desires to acquire such assets upon the terms and conditions expressed in this Agreement. The Shareholders own all of the outstanding capital stock of Seller and is entering into this Agreement to provide certain non-competition, indemnification and other assurances to Buyer as a material inducement for Buyer to enter into this transaction.

THEREFORE, in consideration of the respective representations, warranties, covenants and agreements set forth herein, the sufficiency of which is hereby acknowledged, the parties agree as follow:

ARTICLE 1
THE ACQUISITION

Section 1.1 COVENANTS OF SALE AND PURCHASE. At the Closing (as defined in SECTION 2.1), and upon and subject to the terms and conditions of this Agreement, the parties mutually covenant and agree as follows:

(a) Seller will sell, convey and assign to Buyer all right, title and interest of Seller in and to the Acquired Assets (as defined in SECTION 1.2) free and clear of all liens, pledges, security interests, charges, restrictions or encumbrances of any nature whatsoever except as set forth in Schedule 1.1(a); and

(b) Buyer will purchase the Acquired Assets from Seller in exchange for the consideration described in SECTION 1.4.

Section 1.2 THE ACQUIRED ASSETS. In this Agreement, the phrase "Acquired Assets" means all of the assets of Seller described below:

(a) Purchased Book of Business. All of Seller's insurance agency business, including but not limited to the life, health, bond, and property and casualty insurance business (both personal and commercial lines) and renewals and expirations thereof, together with all written or otherwise recorded documentation, data or information relating to Seller's insurance agency business, whether compiled by Seller or by other agents or employees of Seller, including but not limited to: (i) lists of insurance companies and records pertaining thereto; and

(ii) customer lists, prospect lists, policy forms, and/or rating information, expiration dates, information on risk characteristics, information concerning insurance markets for large or unusual risks, and all other types of written or otherwise recorded information customarily used by Seller or available to Seller, including all other records of and pertaining to the accounts and customers of Seller, past and present, including, but not limited to, the active insurance customers of Seller, all of whom are listed on Schedule 1.2(a) (collectively, the "Purchased Book of Business").

(b) General Intangibles. All of the following intangible personal property used in connection with Seller's insurance agency business or pertaining to the Acquired Assets:

(i) all of Seller's business records necessary to enable Buyer to renew the Purchased Book of Business;

(ii) the goodwill of Seller's insurance agency business, including the name "Henry S. Lehr, Inc." and all derivatives thereof (but not including the names "Lehr Management Corporation" or "The Lehr Institute"), and any other fictitious names and trade names that are currently in use by Seller, and all telephone listings, post office boxes, mailing addresses, and advertising signs and materials; and

(iii) any assignable non-solicitation agreements and covenants not to compete made by employees of Seller and all other assignable covenants not to compete in favor of Seller; provided, however, that Buyer and Seller agree that due to Shareholders' continuing involvement and interest in the business after the Closing Date, Seller shall retain such continuing interest in the enforcement of the assigned non-solicitation agreements and covenants not to compete as shall be necessary to the joint enforcement of such provisions referenced in SECTION 4.9.

(c) Miscellaneous Items. All other assets of Seller relating or pertaining to the Purchased Book of Business, including computer disks, server, software, databases (whether in the form of computer tapes or otherwise), related object and source codes, and associated manuals, and any other records or media of storage or programs for retrieval of information pertaining to the Purchased Book of Business, and all supplies and materials, including promotional and advertising materials, brochures, plans, supplier lists, manuals, handbooks, and related written data and information, including any customer deposits held for future due dates.

(d) Tangible Property. All items of furniture, fixtures, computers, office equipment and other tangible property used in Seller's business. To the extent that any of such items are subject to a lease as set forth in Schedule 1.2(d), Buyer will assume the lease and acquire all of Seller's right to acquire such property upon termination of the lease.

(e) Assigned Agreements. All of Seller's rights under the leases and agreements identified in Schedule 1.2(e) hereof (the "Assigned Agreements").

Section 1.3 EXCLUSIONS AND EXCEPTIONS. Seller does not agree to sell or assign, and Buyer does not agree to purchase or assume, any assets not described in SECTION 1.2 hereof. Without limiting the foregoing, Buyer shall not purchase or assume any of the following:

(a) cash in hand or in banks, certificates of deposits or any interest accrued thereon, accounts receivable, life insurance policies relating to Shareholders or proceeds thereof, money market certificates, stocks, bonds, real estate and automobiles;

(b) any contract, lease or other obligation not specifically assigned to Buyer under this Agreement;

(c) as set forth in more detail in SECTION 4.9, any duty or liability of any type whatsoever with respect to any employee or to any pension or profit sharing plan or other employee benefit;

(d) corporate minutes books and stock books;

(e) all non-transferable permits;

(f) claims for refunds of taxes and other governmental charges to the extent such refunds relate to periods ending prior to the Effective Date; or

(g) any bonus, incentive, or advance payments received by Seller in connection with the Assigned Agreements (except with respect to any contingent commissions as set forth in SECTION 1.5).

Section 1.4 PURCHASE PRICE. (a) The purchase price for the Acquired Assets (the "Purchase Price") shall be Eleven Million Six Hundred Thousand and No/100 Dollars ($11,600,000.00).

(b) Subject to SECTION 1.4(C), the Purchase Price will be paid to Seller as follows: (i) $10,440,000.00, which equals ninety percent (90%) of the Purchase Price, shall be paid to Seller on the Closing Date; and (ii) 1,160,000.00, which represents the remaining portion of the Purchase Price (the "Holdback Amount"), will be paid to Seller on or before October 31, 2002.

(c) In accordance with ARTICLE 7 hereof, the Holdback Amount shall be delivered by Buyer at Closing to Fitzpatrick Lentz & Bubba, P.C., which, along with Buyer's Assistant General Counsel, shall act as joint escrow agents, and subject to reduction by Buyer to offset any obligations of Seller and the Shareholders under the indemnification provisions contained in ARTICLE 6 hereof. Satisfaction of any indemnity obligations from the deferred portion of the Purchase Price shall not operate to waive the indemnification obligations of Seller and the Shareholders contained in ARTICLE 6 for damages incurred by Buyer in excess of such amounts; provided, however, that the Holdback Amount shall be credited against the total aggregate liability of Seller and the Shareholders referred to in SECTION 6.6 hereof.

(d) For federal and state income tax purposes, the parties agree to allocate the Purchase Price as follows: (i) $500,000.00 of the Purchase Price shall be allocated to the tangible property described in SECTION 1.2(D); (ii) $100,000.00 shall be allocated to the covenants of Seller, $300,000.00 shall be allocated to the covenants of Shareholder William H. Lehr, and $100,000.00 shall be allocated to the covenants of Shareholder Patsy A. Lehr, contained in SECTION 4.2 hereof, and (iii) the remainder of the Purchase Price shall be allocated to the Purchased Book of Business and related goodwill. The parties shall execute corresponding IRS Form 8594s at Closing to confirm the allocation of the Purchase Price.

Section 1.5 COMMISSIONS COLLECTED. All commissions on installments of agency bill policies with an effective date prior to October 1, 2001 (the "Effective Date") and actually billed prior to such date shall be the property of Seller and those billed or effective on or after the Effective Date shall be the property of Buyer, regardless of when actually received. All commissions on direct bill policies actually received by Seller from insurance carriers before the Effective Date shall be the property of Seller and those actually received from insurance carriers on or after the Effective Date shall be the property of Buyer, regardless of when billed by the insurance carrier. Buyer shall be entitled to all contingent commissions and/or override commissions received on or after the Effective Date, regardless of when earned. All additional or return commissions as a result of audits actually received before the Closing shall be the property or the responsibility of Seller, whether credit or debit, and regardless of effective date, and those actually received on or after the Closing shall be the property or responsibility of Buyer, whether credit or debit, and regardless of effective date.

Section 1.6 NO ASSUMED LIABILITIES. Except for the ongoing obligation to service the Purchased Book of Business or any obligation otherwise expressly assumed hereunder, Buyer shall not assume or be deemed to have assumed any liability or obligation of Seller whatsoever.

ARTICLE 2
CLOSING, ITEMS TO BE DELIVERED, FURTHER ASSURANCES, AND EFFECTIVE DATE

Section 2.1 CLOSING. The consummation of the purchase and sale of assets under this Agreement (the "Closing") will take place at 9 a.m., local time, on October 3, 2001 (the "Closing Date"), at the offices of Fitzpatrick Lentz & Bubba, P.C., located at 4001 Schoolhouse Lane, Center Valley, Pennsylvania, unless another date or place is agreed to in writing by the parties hereto.

Section 2.2 CONVEYANCE AND DELIVERY BY SELLER. On the Closing Date, Seller will surrender and deliver possession of the Acquired Assets to Buyer and take such steps as may be required to put Buyer in actual possession and operating control of the Acquired Assets, and in addition shall deliver to Buyer such bills of sale and assignments and other good and sufficient instruments and documents of conveyance, in form reasonably satisfactory to Buyer, as shall be necessary and effective to transfer and assign to, and vest in, Buyer all of Seller's right, title, and interest in and to the Acquired Assets free and clear of any lien, charge, pledge, security interest, restriction or encumbrance of any kind (except as set forth in Schedule 1.1(a). Without limiting the generality of the foregoing, at the Closing, Seller shall deliver to Buyer:

(a) a Bill of Sale and Assignment, substantially in the form of Exhibit 2.2(a), executed by Seller (the "Bill of Sale");

(b) an employment agreement, substantially in the form of Exhibit 2.2(b), executed by the Shareholders (the "Shareholder Employment Agreements");

(c) an Assignment and Assumption Agreement, substantially in the form of Exhibit 2.2(d), with respect to the Assigned Agreements, executed by Seller (the "Assignment and Assumption Agreement");

(d) duly adopted resolutions of Seller's Board of Directors satisfactory to Buyer in its reasonable discretion: (i) approving a plan of asset transfer (the "Plan of Asset Transfer") and proposing same to the Shareholders for their consideration and adoption, in accordance with Section 1932(b) of the Pennsylvania Business Corporation Law (the "PBCL"); (ii) terminating Seller's Employee Benefit Plans; and (iii) directing the Seller's 401(k) Plan's Trustee to apply for a determination letter from the Internal Revenue Service with respect to the termination of the 401(k) Plan and to submit a Notice of Intent to Terminate to all participants and beneficiaries under 401(k) Plan (the "Seller's Board Resolutions"); and

(e) duly adopted resolutions of the Shareholders, adopting the Plan of Asset Transfer in accordance with Section 1932(b) of the PBCL (the "Shareholder Resolutions").

Section 2.3 DELIVERY BY BUYER. On the Closing Date, Buyer will deliver to Seller:

(a) a wire transfer of immediately available funds to one or more accounts designated in writing by Seller for the amount required to be delivered at Closing pursuant to SECTION 1.4(B) hereof;

(b) the Shareholder Employment Agreements, executed by Buyer;

(c) the Assignment and Assumption Agreement, executed by Buyer;

(d) a Promissory Note, substantially in the form of Exhibit 2.3(d), with respect to the Holdback Amount, executed by Buyer (the "Promissory Note"); and

(e) duly adopted resolutions of Buyer's Board of Directors, satisfactory to Seller in its reasonable discretion, approving the transactions contemplated herein and Buyer's obligations under this Agreement.

Section 2.4 MUTUAL PERFORMANCE. At the Closing, the parties shall also deliver to each other the agreements and other documents referred to in ARTICLE 4 hereof.

Section 2.5 FURTHER ASSURANCES. From time to time after the Closing, at Buyer's request, Seller will execute, acknowledge and deliver to Buyer such other instruments of conveyance and transfer and will take such other actions and execute and deliver such other

documents, certifications and further assurances as Buyer may reasonably request in order to vest more effectively in Buyer, or to put Buyer more fully in possession of, any of the Acquired Assets. Each of the parties hereto will cooperate with the others and execute and deliver to the other parties such other instruments and documents and take such other actions as may be reasonably requested from time to time by any other party hereto as necessary to carry out, evidence and confirm the intended purposes of this Agreement.

Section 2.6 EFFECTIVE DATE. The Effective Date of this Agreement and all related instruments executed at the Closing shall be October 1, 2001 unless otherwise specified. Notwithstanding the foregoing, Seller shall retain the risk of loss for errors and omissions committed up until the Closing Date.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

I. Seller and the Shareholders, jointly and severally when and where applicable, represent and warrant to Buyer as follows:

Section 3.1 ORGANIZATION. Seller is a corporation organized and in good standing under the laws of the Commonwealth of Pennsylvania and its status is active. Seller has all requisite corporate power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted. Seller is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the conduct of its insurance agency business requires it to be so qualified.

Section 3.2 CAPITALIZATION. The Shareholders own and hold all of the outstanding shares of capital stock of Seller and there are no outstanding options or rights to acquire additional shares of capital stock of Seller.

Section 3.3 AUTHORITY. Seller has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of Seller. This Agreement has been, and the other agreements, documents and instruments required to be delivered by Seller in accordance with the provisions hereof (collectively, the "Seller's Documents") will be, duly executed and delivered by duly authorized officers of Seller on behalf of Seller, and this Agreement constitutes, and the Seller's Documents when executed and delivered will constitute, the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization or similar laws from time to time in effect relating to or affecting the enforcement of creditors' rights generally and general equitable principles.

Section 3.4 CONSENTS AND APPROVALS; NO VIOLATIONS. Neither the execution, delivery or performance of this Agreement by Seller nor the consummation by it of the transactions contemplated hereby nor compliance by it with any of the provisions hereof will (a) conflict with or result in any breach of any provision of its Articles of Incorporation or Bylaws, (b) require any filing with, or permit, authorization, consent or approval of, any court, arbitral tribunal,

administrative agency or commission, or other governmental or other regulatory authority or agency (each a "Governmental Entity"), or (c) except with respect to any consents which may be required pursuant to the Assigned Agreements (other than the current lease for Seller's offices located at 3893 Adler Place, Bethlehem, Pennsylvania, for which such consent has been obtained prior to Closing) result in a violation or breach of, or constitute a default under, any of the terms, conditions or provisions of any agreement or other instrument or obligation to which Seller is a party or by which Seller or any of its properties or assets may be bound.

Section 3.5 NO THIRD PARTY OPTIONS. There are no existing agreements, options, commitments, or rights with, of or to any person to acquire any of Seller's securities, assets, properties or rights included in the Acquired Assets or any interest therein.

Section 3.6 FINANCIAL STATEMENTS. Seller has delivered to Buyer true and complete copies of (a) its balance sheet at September 30, 2000 and the related statement of income for the fiscal year then ended (the "2000 Financial Statements"), and (b) its balance sheet at August 31, 2001 (the "Balance Sheet Date") and the related statement of income for the eleven (11) months then ended (the "Interim Financial Statements"). The 2000 Financial Statements were prepared in accordance with generally accepted accounting principles and the Interim Financial Statements were prepared in accordance with Seller's standard internal accounting methodology, in each case consistently applied throughout the periods involved (subject, in the case of the Interim Financial Statements, to normal recurring audit adjustments). Such balance sheets fairly present the consolidated financial position, assets, and liabilities (whether accrued, absolute, contingent or otherwise) of Seller at the dates indicated and such statements of income fairly present the results of operations for the periods then ended. Seller's financial books and records are accurate and complete in all material respects. Except as set forth in Schedule 3.6, Seller has not guaranteed any premium financing on behalf of its customers.

Section 3.7 ORDINARY COURSE OF BUSINESS. Since the Balance Sheet Date, Seller has carried on business in the usual, regular and ordinary course in substantially the manner heretofore conducted and has taken no unusual actions in contemplation of this transaction, except with the consent of Buyer. Since the Balance Sheet Date, there have been no events or changes having an adverse effect on Seller or the Acquired Assets. All of Seller's accounts payable, including accounts payable to insurance carriers, are current and reflected properly on its books and records, and will be paid in accordance with their terms at their recorded amounts.

Section 3.8 ASSETS. (a) Except as set forth in Schedule 1.1(a), Seller owns and holds, free and clear of any lien, charge, pledge, security interest, restriction, encumbrance or third-party interest of any kind whatsoever (including insurance company payables), sole and exclusive right, title and interest in and to the Acquired Assets, including but not limited to the customer expiration records for those customers listed in Schedule 1.2(a), together with the exclusive right to use such records and all customer accounts, copies of insurance policies and contracts in force and all files, invoices and records pertaining to the customers, their contracts and insurance policies, and all other information comprising the Purchased Book of Business. Seller has not received notice that any of the accounts listed in Schedule 1.2(a) has canceled or non-renewed or intends to cancel or non-renew. Schedule 1.2(a) also shows the revenue received by Seller from each of its appointed

carriers in the twelve-month period ended September 30, 2001. None of the accounts shown in Schedule 1.2(a) represents business that has been brokered through a third party.

(b) The names "Henry S. Lehr, Inc.", "HSL, Inc.", "The Lehr Companies", "Lehr Management", and "The Lehr Institute" are the only trade names used by Seller or Shareholders within the past three (3) years. No party has filed a claim during the past three (3) years against Seller alleging that it has violated, infringed on or otherwise improperly used the intellectual property rights of such party, or, if so, the claim has been settled with no existing liability to Seller and, to the Knowledge of Seller and the Shareholders (as defined in SECTION 7.2 hereof), Seller has not violated or infringed any trademark, trade name, service mark, service name, patent, copyright or trade secret held by others.

(c) Schedule 3.8 lists all material contracts, agreements and other written or verbal arrangements to which Seller is a party, including, but not limited to, (i) any employment, non-compete, confidentiality or non-solicitation agreement to which Seller or either of the Shareholders is a party, (ii) any agreement relating to the purchase or sale of assets by Seller within the past five (5) years, (iii) any agreement between Seller and either of the Shareholders or between Seller and any officer, director or affiliate of Seller, and (iv) any other contract or agreement not entered into in the ordinary course of business. Seller has delivered true and complete copies of each such agreement to Buyer and, in the case of unwritten agreements, a true and complete summary of such arrangements. The parties to all such agreements are in compliance with the terms thereof.

(d) To the Knowledge of Seller and the Shareholders, Seller's computer software included in the Acquired Assets performs in accordance with the documentation and other written material used in connection therewith, and is free of defects in programming and operation. Seller has delivered to Buyer copies of all user and technical documentation related to such software available to Seller.

Section 3.9 LITIGATION AND CLAIMS. Except as disclosed in Schedule 3.9, there is no suit, claim, action, proceeding or investigation pending or, to the Knowledge of Seller and the Shareholders, threatened against Seller and, to the Knowledge of Seller and the Shareholders, no circumstances exist that could reasonably form a basis for such a suit, claim, action, proceeding or investigation to be initiated or threatened. Seller is not subject to any outstanding order, writ, injunction or decree which, insofar as can be reasonably foreseen, individually or in the aggregate, in the future would have an adverse effect on Seller or the Acquired Assets or would prevent Seller from consummating the transactions contemplated hereby. No voluntary or involuntary petition in bankruptcy, receivership, insolvency or reorganization with respect to Seller, or petition to appoint a receiver or trustee of Seller's property, has been filed by or against Seller, nor will Seller file such a petition prior to the Closing Date or for one hundred (100) days thereafter, and if such petition is filed by others, the same will be promptly discharged. Seller has not made any assignment for the benefit of creditors or admitted in writing insolvency or that its property at fair valuation will not be sufficient to pay its debts, nor will Seller permit any judgment, execution, attachment or levy against it or its properties to remain outstanding or unsatisfied for more than ten (10) days. Seller shall not become insolvent as a result of consummating the transactions contemplated by this Agreement.

Section 3.10 COMPLIANCE WITH APPLICABLE LAW. To the Knowledge of Seller and the Shareholders, Seller holds all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for the lawful conduct of the insurance agency business (collectively, the "Permits"), and Seller is in compliance with the terms of the Permits. To the Knowledge of Seller and the Shareholders, the business of Seller is not being conducted in violation of any law, ordinance or regulation of any Governmental Entity (including, without limitation, the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 and any applicable federal or state regulations promulgated pursuant thereto), except for possible violations that individually or in the aggregate do not, and, insofar as reasonably can be foreseen, in the future will not, have an adverse effect on its business. As of the date of this Agreement, no investigation or review by any Governmental Entity with respect to Seller is pending or, to the Knowledge of Seller and the Shareholders, threatened.

Section 3.11 TAX RETURNS AND AUDITS. Seller has timely filed all federal, state, local and foreign tax returns, including all amended returns, in each jurisdiction where Seller is required to do so or has paid or made provision for the payment of any penalty or interests arising from the late filing of any such return, has correctly reflected all taxes required to be shown thereon, and has fully paid or made adequate provision for the payment of all taxes that have been incurred or are due and payable pursuant to such returns or pursuant to any assessment with respect to taxes in such jurisdictions, whether or not in connection with such returns. Seller has not received any notice that it is or may become subject to any audits with respect to any federal, state, local or foreign tax returns required to be filed, and there are no unresolved audit issues with respect to prior years' tax returns. To the Knowledge of Seller and the Shareholders, there are no circumstances or pending questions relating to potential tax liabilities nor claims asserted for taxes or assessments of Seller that, if adversely determined, could result in a tax liability that would have a material adverse effect on Seller or the Acquired Assets for any period. Seller has not executed an extension or waiver of any statute of limitations on the assessment or collection of any tax due that is currently in effect. Seller is not holding any unclaimed property that it is required to surrender to any state taxing authority including, without limitation, any uncashed checks or unclaimed wages, and Seller has timely filed all unclaimed property reports required to be filed with such state taxing authorities. Seller does not purge its records of uncashed checks periodically.

Section 3.12 NON-SOLICITATION COVENANTS. Except as set forth in Schedule 3.12, Neither Seller nor either of the Shareholders is a party to any agreement that restricts Seller's or the Shareholder's ability to compete in the insurance agency industry or solicit specific insurance accounts.

Section 3.13 ERRORS AND OMISSIONS; EMPLOYMENT PRACTICES LIABILITY. Except as set forth in Schedule 3.13, Seller has not incurred any liability or taken or failed to take any action that may reasonably be expected to result in (a) a liability for errors or omissions in the conduct of its insurance business or (b) employment practices liability (EPL), except such liabilities as are fully covered by insurance. All errors and omissions (E&O) and EPL lawsuits and claims currently pending or threatened against Seller are set forth in Schedule 3.13. Seller has E&O insurance coverage in force, with minimum liability limits of $5 million per claim and $6 million aggregate, with a deductible of $10,000.00 per claim and $30,000.00 aggregate, and the Shareholders will provide to Buyer a certificate of insurance evidencing such coverage prior to or on the Closing Date.

Seller has EPL insurance coverage in force, with minimum liability limits of $1 million per claim and $1 million aggregate, with a deductible of $2,500.00 per claim, and the Shareholders will provide to Buyer a certificate of insurance evidencing such coverage prior to or on the Closing Date. Seller has had the same or higher levels of E&O and EPL coverage continuously in effect for at least the past five (5) years.

Section 3.14 EMPLOYEE DISHONESTY COVERAGE. Schedule 3.14 sets forth a complete and correct list of all employee dishonesty bonds or policies, including the respective limits thereof, held by Seller in the three (3) year period prior to the Closing Date, and true and complete copies of such bonds or policies have been delivered to Buyer. Seller has complied with all the provisions of such bonds or policies and Seller has an employee dishonesty bond or policy in full force and effect as of the Closing Date.

Section 3.15 NO MISREPRESENTATIONS. None of the representations and warranties of Seller and the Shareholders set forth in this Agreement or in the attached Schedules, notwithstanding any investigation thereof by Buyer, contains any untrue statement of a material fact, or omits the statement of any material fact necessary to render the statements made not misleading.

II. Buyer represents and warrants to Seller and the Shareholders as follows:

Section 3.16 ORGANIZATION. Buyer is a corporation organized and in good standing under the laws of the Commonwealth of Pennsylvania and its status is active. Buyer has all requisite corporate power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted. Buyer is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the conduct of its insurance agency business requires it to be so qualified.

Section 3.17 AUTHORITY. Buyer has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of Buyer. This Agreement has been, and the other agreements, documents and instruments required to be delivered by Buyer in accordance with the provisions hereof (collectively, the "Buyer's Documents") will be, duly executed and delivered by duly authorized officers of Buyer on behalf of Buyer, and this Agreement constitutes, and the Buyer's Documents when executed and delivered will constitute, the legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization or similar laws from time to time in effect relating to or affecting the enforcement of creditors' rights generally and general equitable principles.

Section 3.18 CONSENTS AND APPROVALS; NO VIOLATIONS. Neither the execution, delivery or performance of this Agreement by Buyer nor the consummation by it of the transactions contemplated hereby nor compliance by it with any of the provisions hereof will (a) conflict with or result in any breach of any provision of its Articles of Incorporation or Bylaws, (b) require any filing with, or permit, authorization, consent or approval of, any court, arbitral tribunal, administrative agency or commission, or other governmental or other regulatory authority or agency

(each a "Governmental Entity"), or (c) result in a violation or breach of, or constitute a default under, any of the terms, conditions or provisions of any agreement or other instrument or obligation to which Buyer is a party or by which Buyer or any of its properties or assets may be bound.

Section 3.19 NO MISREPRESENTATIONS. None of the representations and warranties of Buyer set forth in this Agreement, notwithstanding any investigation thereof by Seller or the Shareholders, contains any untrue statement of a material fact, or omits the statement of any material fact necessary to render the statements made not misleading.

ARTICLE 4
ADDITIONAL AGREEMENTS

Section 4.1 BROKERS OR FINDERS. Each of the parties represents, as to itself, its subsidiaries and its affiliates, that no agent, broker, investment banker, financial advisor, or other firm or person is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement except Berwind Financial, L.P. (any commissions or fees payable to which shall be the sole responsibility of Seller), and each of the parties agrees to indemnify and hold the others harmless from and against any and all claims, liabilities, or obligations with respect to any fees, commissions, or expenses asserted by any person on the basis of any act or statement alleged to have been made by such party or its affiliate.

Section 4.2 NON-COMPETITION COVENANTS. (a) Subject to SECTION 5.1(C), Seller and the Shareholders each agree that it, he or she, as the case may be shall not, for a period of five (5) years beginning on the Closing Date, engage in, or be or become the owner of an equity interest in, or otherwise consult with, be employed by, or participate in the business of, any entity (other than Buyer) engaged in the insurance agency business within a fifty (50)-mile radius of Bethlehem, Pennsylvania. Without limiting the foregoing, Seller and the Shareholders shall not, during such five-year period, (i) solicit, divert, accept business from, nor service, directly or indirectly, as insurance solicitor, insurance agent, insurance broker or otherwise, for his or her account or the account of any other agent, broker, or insurer, either as owner, shareholder, promoter, employee, consultant, manager or otherwise, any account that is part of the Purchased Book of Business or any insurance account then serviced by Buyer, or (ii) hire or directly or indirectly solicit any employees of Buyer or its affiliates to work for Seller, the Shareholders or any of their affiliates, or any company that competes with Buyer or its affiliates. The Shareholders acknowledge that the non-solicitation covenants contained in any employment agreement he or she may enter into with Buyer will be in addition to, and will not supersede or be subordinate to, the non-competition and non-solicitation covenants contained in this SECTION 4.2.

(b) Notwithstanding anything in this Agreement to the contrary, the covenants set forth in this SECTION 4.2 shall not be held invalid or unenforceable because of the scope of the territory or actions subject hereto or restricted hereby, or the period of time within which such covenants are imperative; but the maximum territory, the actions subject to such covenants, and the period of time in which such covenants are enforceable, respectively, are subject to

determination by a final judgment of any court which had jurisdiction over the parties and subject matter.

Section 4.3 REMEDY FOR BREACH OF COVENANTS. In the event of a breach of the provisions of SECTION 4.2, Buyer shall be entitled to injunctive relief as well as any other applicable remedies at law or in equity. Should a court of competent jurisdiction declare any of the covenants set forth in SECTION 4.2 unenforceable due to a unreasonable restriction, duration, geographical area or otherwise, the parties agree that such court shall be empowered and shall grant Buyer or its affiliates injunctive relief to the extent reasonably necessary to protect their respective interests. Seller and the Shareholders acknowledge that the covenants set forth in SECTION 4.2 represent an important element of the value of the Acquired Assets and were a material inducement for Buyer to enter into this Agreement.

Section 4.4 SUCCESSOR RIGHTS. The covenants contained in SECTION 4.2 shall inure to the benefit of any successor in interest of Buyer by way of merger, consolidation, sale or other succession.

Section 4.5 ERRORS AND OMISSIONS, EMPLOYMENT PRACTICES LIABILITY, AND EMPLOYEE DISHONESTY EXTENDING REPORTING ("TAIL") COVERAGE. On or prior to the Closing Date, the Shareholders shall cause Seller to purchase, at Seller's expense, a tail coverage extension on each of Seller's errors and omissions (E&O), employment practices liability (EPL), and employee dishonesty insurance policy (or employee dishonesty bond, as the case may be). Such coverages shall extend for a period of at least five (5) years from the Closing Date, shall have the same coverages and deductibles currently in effect, and shall otherwise be in form reasonably acceptable to Buyer. A certificate of insurance evidencing each such coverage shall be delivered to Buyer at or prior to Closing.

Section 4.6 EXPENSES. Whether or not the transaction contemplated by this Agreement is consummated, all costs and expenses incurred in connection with this Agreement and the transaction contemplated hereby shall be paid by the party incurring such expenses.

Section 4.7 CONFIDENTIALITY. The parties each agree to maintain the terms of this Agreement, including the consideration payable by Buyer, in strict confidence and shall not disclose such terms to any third party without the prior written consent of Buyer, unless required to do so by law (including, without limitation, applicable securities laws). Notwithstanding the foregoing, Seller and the Shareholders acknowledge and agree that promptly after the Closing, Buyer shall issue a press release, a copy of which shall have been provided by Buyer to Seller and the Shareholders within a reasonable amount of time in advance for their review and reasonable comment, which press release shall, among other things, set forth Seller's estimated commission revenue for the twelve-month period prior to Closing.

Section 4.8 TERMINATION OF EMPLOYEES; REIMBURSEMENT OF BUSINESS EXPENSES AND SEGREGATION OF REVENUES AFTER EFFECTIVE DATE. (a) Except as otherwise provided in SECTION 4.8(B) below, Seller shall terminate the employment of all of Seller's employees, effective as of the Effective Date. Seller shall be responsible for all payments, unless such payments are the responsibility of a third party (i.e., insurer), to all of Seller's employees (whether or not

terminated as of the Effective Date) for, and liabilities associated with, all employee benefits and Employee Benefit Plans including, but not limited to, vacation, bonuses, and sick leave benefits, accruing prior to the Effective Date.

(b) With respect to those employees who are employed by Seller pursuant to a written employment agreement ("Contract Employees"), all of which agreements are attached hereto collectively as Schedule 4.8(b), Seller shall not terminate their employment as of the Effective Date. With respect to such Contract Employees:

(i) Seller and Buyer shall, at least two (2) days prior to the scheduled Closing Date, jointly meet with each of the Contract Employees and shall advise him/her that the employment agreements between Seller and its Contract Employees will be assigned to Buyer as of the Closing Date. The Notice attached hereto as Schedule 4.8(b)(i) shall be presented to the Contract Employees by Buyer and Seller at such meetings, and the Contract Employees shall be requested to sign the standard Brown & Brown employment agreement which shall be attached to the Notice and is attached hereto as Schedule 4.8(b)(i). The standard Brown & Brown employment agreement shall replace and supersede the Contract Employees' current employment agreement with Seller but will provide that the Contract Employees' commission schedule in effect as of the Closing Date shall remain in effect through December 31, 2001.

(ii) In the event any of the Contract Employees refuses to enter into the standard Brown & Brown employment agreement on or before the close of business on October 19, 2001, such employees shall be considered to have immediately voluntarily resigned from their employment with Seller without cause ("Resigning Employees"). Seller shall indemnify and hold Buyer harmless from and against any Adverse Consequences, as defined in SECTION 6.2(B), that Buyer may suffer or incur arising out of or relating to claims by the Resigning Employees, or any of them, for severance payments and/or payments in lieu of notice under their respective employment agreements with Seller.

(c) Buyer shall reimburse Seller for all wage and employee benefit payments and other normal and customary business expenses made or incurred by Seller after the Effective Date; provided, however, that on and after the Closing Date, Seller shall segregate, hold in trust in a separate account, and promptly pay over to Buyer all commissions and fees that are the property of Buyer pursuant to SECTION 1.5 hereof. Buyer shall be responsible, as of the Effective Date, for any wages and employee benefits under Buyer's existing plans and policies for any employee of Seller, whether or not a Contract Employee, who accepts an offer of employment with Buyer by entering into Buyer's standard employment agreement.

Section 4.9 ENFORCEMENT OF ASSIGNED EMPLOYMENT AGREEMENTS. In the event that a Resigning Employee whose employment agreement with Seller was assigned to Buyer under SECTION 1.2 hereof, (i) materially breaches any of the post-termination covenants under his or her employment agreement with Seller, Seller and the Shareholders shall cooperate with Buyer in enforcing the terms of such agreement assigned to Buyer and shall join in any legal or equitable proceedings (to the extent permitted under applicable law) instituted by Buyer for such purpose, the legal fees and costs of any such proceedings to be borne by Seller.

Section 4.10 CORPORATE NAME. Promptly after the Closing, Seller agrees to cease all use of the name "Henry S. Lehr, Inc." or any derivative thereof and will, no later than five (5) business days after the Closing Date, file an amendment to its Articles of Incorporation, changing its corporate name to a new name that bear no resemblance to its current name.

ARTICLE 5
CONDITIONS

Section 5.1 CONDITIONS TO EACH PARTY'S OBLIGATION. The respective obligations of each party to effect the transactions contemplated by this Agreement shall be subject to the satisfaction prior to or on the Closing Date of the following conditions:

(a) All authorizations, consents, orders, or approvals of, or declarations or filings with, or expirations of waiting periods imposed by, any Governmental Entity, the failure to obtain which would have a material adverse effect on the Business or the Acquired Assets after the Closing, shall have been filed, occurred, or been obtained;

(b) No temporary restraining order, preliminary or permanent injunction, or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the transaction shall be in effect; and

(c) The obligations of the parties to effect the transactions contemplated by this Agreement are subject to the simultaneous sale of the assets of Apollo Financial Corporation to Buyer or its affiliates.

Section 5.2 CONDITIONS TO OBLIGATIONS OF BUYER. The obligation of Buyer to effect the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions, unless waived by Buyer:

(a) The representations and warranties of Seller and the Shareholders set forth in this Agreement shall be true and correct in all material respects as of the Closing Date;

(b) Seller and the Shareholders shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing Date;

(c) Buyer shall be satisfied, in its sole discretion, with the results of its due diligence investigation of Seller's business and records;

(d) Seller shall have delivered the Bill of Sale to Buyer;

(e) Seller shall have delivered the Assignment and Assumption Agreement to Buyer;

(f) Seller shall have delivered the Shareholder Employment Agreement to Buyer;

(g) Subject to SECTION 4.9, Seller shall have delivered the Staff Employment Agreements to Buyer;

(h) Seller shall have delivered to Buyer a copy of Seller's Board Resolutions;

(i) Seller shall have delivered to Buyer a copy of the Shareholder Resolutions, along with a copy of the Plan of Asset Transfer adopted by the Shareholders;

(j) Seller shall have delivered evidence to Buyer, satisfactory to Buyer in its sole discretion, of a Certificate of Insurance regarding the errors and omissions tail coverage required under SECTION 4.5 hereof;

(k) Except as set forth in Schedule 1.1(a), all liens, judgments, and other encumbrances on the Acquired Assets shall have been satisfied and released prior to Closing;

(l) The Acquisition Committee and the Board of Directors of Buyer's parent company, Brown & Brown, Inc., shall have approved this Agreement and the transactions contemplated herein; and

(m) There shall have been no material adverse change to the Business, Acquired Assets, or financial condition of Seller since the Balance Sheet Date.

Section 5.3 CONDITIONS TO OBLIGATION OF SELLER AND THE SHAREHOLDERS. The obligation of Seller and the Shareholders to effect the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions, unless waived by Seller and the Shareholders:

(a) The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects as of the Closing Date;

(b) Buyer shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date;

(c) Buyer shall have executed and delivered the Shareholder Employment Agreements to the Shareholders;

(d) Buyer shall have executed and delivered the Assignment and Assumption Agreement to Seller;

(e) Buyer shall have executed and delivered the Promissory Note to Seller; and

(f) Buyer shall have delivered to Seller and the Shareholders certified Resolutions of Buyer's Board of Directors.

ARTICLE 6
INDEMNIFICATION

Section 6.1 SURVIVAL OF REPRESENTATIONS, WARRANTIES, INDEMNITIES AND COVENANTS. (a) Subject to SECTION 6.1(B) and unless otherwise set forth in this Agreement, the representations, warranties and indemnities set forth in this Agreement shall survive for a period of two (2) years from the Closing Date. All post-closing covenants shall survive the Closing for the period(s) specified in this Agreement or, if not specified, for a period of two (2) years following the Closing Date. If a party has received notice of a potential breach of a representation, covenant or warranty, or the occurrence of an otherwise potentially-indemnifiable event under this Agreement within such two-year period, such party may preserve its right to assert a later claim for damages arising from such breach or event by delivering notice of same to the other party within the two-year period.

(b) Notwithstanding anything set forth in SECTION 6.1(A), all representations, warranties, covenants and indemnities in connection with SECTION 4.7 or any tax liabilities shall survive in perpetuity, subject to applicable statutes of limitations.

Section 6.2 INDEMNIFICATION PROVISIONS FOR THE BENEFIT OF BUYER. Subject to SECTION 6.4:

(a) To the extent that any Resigning Employee (as defined in SECTION 4.8(B)(I)) diverts in direct contravention of such Resigning Employee's employment agreement with Seller being assigned to Buyer hereunder, on or before the one-year anniversary of the Closing Date, any line of coverage which is part of any account comprising the Purchased Book of Business, Buyer shall be paid by Seller and the Shareholders (which obligations shall be joint and several) an amount equal to (i) 1.5 times (ii) the aggregate annualized policy commissions on such diverted lines of coverage.

(b) Seller and the Shareholders agree, jointly and severally, to indemnify and hold Buyer and its officers, directors, and affiliates harmless from and against any Adverse Consequences (as defined below) that any of such parties may suffer or incur resulting from, arising out of, relating to, or caused by (i) the breach of any of Seller's or the Shareholders' representations, warranties, obligations or covenants contained herein, or (ii) the operation of the Business or ownership of the Acquired Assets by Seller on or prior to the Closing, including, without limitation, any claims or lawsuits based on conduct of Seller or the Shareholders occurring before the Closing. For purposes of this ARTICLE 6, the phrase "Adverse Consequences" means all charges, complaints, actions, suits, proceedings, hearings, investigations, claims, demands, judgments, orders, decrees, stipulations, injunctions, damages, dues, penalties, fines, costs, amounts paid in settlement, liabilities (whether known or unknown, whether absolute or contingent, whether liquidated or unliquidated, and whether due or to become due), obligations, taxes, liens, losses, expenses, and fees, including all attorneys' fees and court costs.

(c) In addition to and without limiting SECTION 6.2(A) or (B), Seller and the Shareholders agree, from and after the Closing, to jointly and severally indemnify Buyer from and against the entirety of any Adverse Consequences Buyer may suffer resulting from, arising out of, relating to, in the nature of, or caused by:

(i) any liability or obligation of Seller that is not assumed hereunder (including any liability of Seller that becomes a liability of Buyer under any bulk transfer law of any jurisdiction, under any common law doctrine of de facto merger or successor liability, or otherwise by operation of law); or

(ii) any liability of Seller for the unpaid taxes of any person or entity (including Seller) under United States Treasury Regulation ss. 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

Section 6.3 INDEMNIFICATION PROVISIONS FOR THE BENEFIT OF SELLER AND THE SHAREHOLDERS. Subject to SECTION 6.4, Buyer agrees to indemnify and hold Seller, the Shareholders and their respective officers, directors, shareholders and affiliates harmless from and against any Adverse Consequences that any of such parties may suffer or incur resulting from, arising out of, relating to, or caused by (a) the breach of any of Buyer's representations, warranties, obligations or covenants contained herein, or (b) the operation of the Business or ownership of the Acquired Assets by Buyer after the Closing, including, without limitation, any claims or lawsuits based on conduct of Buyer occurring after the Closing.

Section 6.4 LIMITATION OF LIABILITY. (a) No indemnification by either party under SECTION 6.2 or 6.3 shall be required to be made:

(i) with respect to any claim for indemnification by a party ("Indemnitee") as to which the party from whom indemnification is sought ("Indemnitor") has not received written notice from Indemnitee in accordance with SECTION 6.1(A);

(ii) with respect to any claim for indemnification for breaches of representations or warranties under SECTION 6.2(B)(I) or SECTION 6.3(A) if and to the extent the facts underlying such claim were known to the actual knowledge of Indemnitee prior to the Closing; or

(iii) with respect to (A) any claims under SECTION 6.2(A), the first Seventy-Five Thousand Dollars ($75,000.00) of aggregate Adverse Consequences incurred by Buyer, and (B) with respect to any indemnification claims pursuant to a provision other than under SECTION 6.2(A), the first Twenty-Five Thousand Dollars ($25,000.00) (the "Basket Amount") of aggregate Adverse Consequences incurred by a party (Seller and the Shareholders being treated as one party for purposes of this SECTION 6.4), it being the intent of the parties that each party shall have a "basket" in such amount with respect to aggregate claims for indemnification.

(b) All amounts payable by Indemnitor shall be computed net of any recovery actually paid to Indemnitee (less any deductible incurred by Indemnitee) under any third-party insurance coverage with respect thereto which offsets the Adverse Consequences that would otherwise be sustained by Indemnitee.

(c) The total aggregate liability of any party with respect to its indemnification obligations under this Agreement shall not exceed Five Million Dollars ($5,000,000.00) (the "Maximum Liability Amount"); provided, however, that the Holdback Amount shall be credited against the total aggregate liability of Seller and the Shareholders set forth in this SECTION 6.4(B).

(d) Notwithstanding any of the foregoing provisions, any Adverse Consequences for which Buyer is entitled to indemnification as a result of the breach by Seller or the Shareholders of their covenants set forth in SECTION 4.2 shall not be subject to the Basket Amount or the Maximum Liability Amount.

ARTICLE 7
ESCROW

Section 7.1 ESCROW AGREEMENT. Pursuant to SECTION 1.4(C) hereof, at Closing Purchaser shall by wire transfer deliver to Fitzpatrick Lentz & Bubba, P.C. (the "Escrow Agent") the Holdback Amount (for purposes of this ARTICLE 7, the "Escrowed Funds"), to be held and ultimately disbursed by the Escrow Agent in accordance with this ARTICLE 7.

Section 7.2 INTEREST. The Escrowed Funds shall be deposited in a high performance money fund with a current yield of approximately three (3%) percent per annum. Subject to the remaining terms of this Article, all interest earned on the Escrowed Funds shall accrue to the benefit of Seller and Shareholders.

Section 7.3 INDEMNIFICATION CLAIMS.

(a) If Buyer shall make a claim for indemnification hereunder. Buyer shall promptly give written notice of such claim to (i) the Escrow Agent, (ii) Seller, and (iii) Shareholders. Such notice shall describe the nature of the claim, the amount thereof, the provisions in this Agreement and related documents on which the claim is based and shall include a brief summary of the factual basis on which the claim is based. The thirty (30) day period immediately following the date which Buyer gives notice to the Escrow Agent, Seller and Shareholders is referred to herein as the "Response Period."

(b) If the Escrow Agent has not received a written objection to a claim delivered pursuant to SECTION 7.3(A) from the Seller and/or Shareholders during the Response Period, the claim shall be conclusively presumed to have been approved by the Seller and/or Shareholders, and the Escrow Agent shall promptly thereafter make a cash payment to Buyer equal to the amount of the claim out of the Escrowed Funds

(c) If during the Response Period the Escrow Agent shall have received from the Seller and/or Shareholders a written objection to the claim made by Buyer pursuant to SECTION 7.3(A) above, then for a period of thirty (30) days after receipt by the Escrow Agent of such objection, Buyer and the Seller and/or Shareholders shall endeavor to resolve the difference and to issue a joint written direction to the Escrow Agent in respect to the claim in issue (a "Written Direction"). The Escrow Agent shall act in accordance with the Written Direction, if an when issued. If a Written Direction is not issued prior to the end of such thirty (30) day period, Buyer or the Seller or Shareholders may institute litigation in any court of competent jurisdiction to adjudicate its rights under this Agreement. The Escrow Agent shall transfer to Buyer funds from the Escrowed Funds in an amount equal to the full amount of any final and

nonappealable order entered in connection with such litigation or the balance of the applicable Escrowed Funds, whichever is less, not later than five (5) days after receipt of such order.

(d) The obligations of Escrow Agent shall be limited to receiving and holding the Escrowed Funds, and to disburse the same in accordance with this ARTICLE 7. Should there arise any factual question or dispute concerning the Escrowed Funds and whether the Escrow Agent turn over the same, or to whom the same shall be paid or disbursed, or in any event, if the Escrow Agent so decides, the Escrow Agent may, at its discretion, pay over and deliver the same to the Court of Common Pleas of Northampton County to be held by said court pending a resolution of the matter. Following such payment and delivery to the court, the Escrow Agent shall there upon be discharged from all responsibility and liability involving the said escrow paid to the court and may represent Seller, Shareholders or Buyer hereunder in any such dispute. The parties acknowledge that Escrow Agent is attorney for Seller and Shareholders and that nothing herein shall preclude Escrow Agent from continuing to represent Seller and the Shareholders in any adversary proceeding upon the payment of the Escrowed Funds into court.

Section 7.4 DISTRIBUTIONS AND TERMINATION OF ESCROW. On or before October, 31, 2002 (the "Release Date"), Escrow Agent shall wire transfer the balance of the Escrowed Funds plus all interest earned thereon to Seller and/or Shareholders as directed in writing by the Seller and Shareholders. On the Release Date, the applicable amount shall be promptly distributed to the Seller and/or Shareholders, assuming the remaining amount in the Escrow Account is in excess of the maximum amount which would be payable to Buyer if all then pending claims applicable to the Escrowed Funds were determined in favor of Buyer (the "Maximum Claim Amount"). A claim shall be deemed to be "pending" for purposes of this Section if written notice of a claim for indemnification has been given in good faith by Buyer and received by the Escrow Agent pursuant to SECTION 7.3(A) hereof prior to the Release Date. If the remaining amount of the Escrowed Funds would not be in excess of the Maximum Claim Amount, then Escrow Agent shall only distribute to Seller and/or Shareholders the Release Date the amount of the Escrowed Funds in excess of the Maximum Claim Amount. Any monies scheduled to be released, but instead retained by the Escrow Agent due to pending claims, shall be promptly distributed either to Buyer or to the Seller and/or Shareholders by the Escrow Agent upon, and in accordance with, either a Written Direction or court order as described in SECTION 7.3(C) hereof. Following the Release Date, as pending claims are satisfied or otherwise disposed of, any part of the Escrowed Funds held by the Escrow Agent which is in excess of the Maximum Claim Amount shall be promptly distributed to the Seller and/or Shareholders.

ARTICLE 8
MISCELLANEOUS

Section 8.1 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (if confirmed), or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses or at such other address for a party as shall be specified by like notice:

(a) If to Buyer, to

Brown & Brown of Lehigh Valley, Inc.
90 South Commerce Way, Suite 100
Bethlehem, Pennsylvania 18017-2267
Telecopy No.: (610) 867-1162
Attn: Robert Iocco

with a copy to

Brown & Brown, Inc.
401 E. Jackson St., Suite 1700
Tampa, Florida 33601
Telecopy No.: (813) 222-4464
Attn: Laurel Grammig

(b) if to Seller or to the Shareholders, to

William H. Lehr
Patsy A. Lehr
734 Paxinosa Avenue
Easton, PA 18042

with a copy to

Joseph A. Bubba, Esquire
Fitzpatrick Lentz & Bubba, P.C.
4001 Schoolhouse Lane
P.O. Box 219
Center Valley, Pennsylvania 18034-0219
Telecopy No.: (610) 797-6663

Section 8.2 USE OF TERM "KNOWLEDGE". With respect to the term "Knowledge" as used herein: (a) an individual will be deemed to have "Knowledge" of a particular fact or other matter if (i) such individual is actually aware of such fact or other matter, or (ii) a prudent individual could be expected to discover or otherwise become of such fact or other matter in the course of conducting a reasonably comprehensive investigation concerning the existence of such fact or matter; and (b) a corporation or other business entity will be deemed to have "Knowledge" of a particular fact or other matter if any individual who is serving, who has at any time in the twelve (12) months prior to the Closing Date served, as a director, officer, executor, or trustee (or in any similar capacity) of such corporation or business entity has, or at any time had, Knowledge of such fact or other matter.

Section 8.3 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 8.4 ENTIRE AGREEMENT. This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

Section 8.5 ASSIGNMENT. Except as contemplated in SECTION 4.4 hereof, neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. This Agreement will be binding upon, inure to the benefit of, and be enforceable by the parties and their respective successors and assigns.

Section 8.6 SEVERABILITY. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be illegal, invalid or unenforceable, either in whole or in part, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of the remaining provisions or covenants, or any part thereof, all of which shall remain in full force and effect.

Section 8.7 ATTORNEYS' FEES AND COSTS. The prevailing party in any proceeding brought to enforce the terms of this Agreement shall be entitled to an award of reasonable attorneys' fees and costs incurred in investigating and pursuing such action, both at the trial and appellate levels.

Section 8.8 GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with internal Pennsylvania law without regard to any applicable conflicts of law.

Section 8.9 WAIVER OF JURY TRIAL. The parties hereby knowingly, voluntarily and intentionally waive any right either may have to a trial by jury with respect to any litigation related to or arising out of, under or in conjunction with this Agreement.

Section 8.10 AMENDMENT; WAIVER. This Agreement may not be amended, or any provision waived, except by an instrument in writing signed on behalf of each of the parties.

* * * * * * * * * *

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK - SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have signed or caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

BUYER:

BROWN & BROWN OF LEHIGH VALLEY, INC.

By: /s/ Thomas E. Riley

Name: Thomas E. Riley
Title: President

SELLER:

HENRY S. LEHR, INC.

By: /s/ William H. Lehr

Name: William H. Lehr
Title: President

SHAREHOLDERS:

/s/ William H. Lehr

William H. Lehr, individually

/s/ Patsy A. Lehr

Patsy A. Lehr, individually

ESCROW AGENT:

FITZPATRICK LENTZ & BUBBA, P.C.

By: /s/ Joseph A. Bubba

Joseph A. Bubba, Esquire, A Director

SCHEDULES AND EXHIBITS

Schedule 1.1(a):	Permitted Liens and Encumbrances
Schedule 1.2(a):	Purchased Book of Business
Schedule 1.2(d):	Tangible Property
Schedule 1.2(e):	Assigned Agreements
Schedule 3.6:	Guaranteed Premium Financing
Schedule 3.8:	Material Contracts
Schedule 3.9:	List of Claims and Litigation
Schedule 3.12:	Non-Solicitation Covenants
Schedule 3.13:	E&O and EPL Claims and Litigation
Schedule 3.14:	Employee Dishonesty Coverage
Schedule 4.8(b):	Contract Employees
Schedule 4.8(b)(i):	Notice
Exhibit 2.2(a):	Bill of Sale
Exhibit 2.2(b):	Shareholder Employment Agreement
Exhibit 2.2(d):	Assignment and Assumption Agreement
Exhibit 2.3(d):	Promissory Note

ISDA(R)

International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of December 5, 2001

SUNTRUST BANK AND BROWN & BROWN, INC.
Party A Party B

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:--

1. INTERPRETATION

(a) DEFINITIONS. The terms defined in Section 14 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) INCONSISTENCY. In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.

(c) SINGLE AGREEMENT. All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. OBLIGATIONS

(a) GENERAL CONDITIONS.

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) CHANGE OF ACCOUNT. Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) NETTING. If on any date amounts would otherwise be payable:--

(i) in the same currency; and

(ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of Offices through which the parties make and receive payments or deliveries.

(d) DEDUCTION OR WITHHOLDING FOR TAX.

(i) GROSS-UP. All payments under this Agreement will be made without any deduction or withholding for or on account of any Tax unless such deduction or withholding is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, then in effect. If a party is so required to deduct or withhold, then that party ("X") will:--

(1) promptly notify the other party ("Y") of such requirement;

(2) pay to the relevant authorities the full amount required to be deducted or withheld (including the full amount required to be deducted or withheld from any additional amount paid by X to Y under this Section 2(d)) promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against Y;

(3) promptly forward to Y an official receipt (or a certified copy), or other documentation reasonably acceptable to Y, evidencing such payment to such authorities; and

(4) if such Tax is an Indemnifiable Tax, pay to Y, in addition to the payment to which Y is otherwise entitled under this Agreement, such additional amount as is necessary to ensure that the net amount actually received by Y (free and clear of Indemnifiable Taxes, whether assessed against X or Y) will equal the full amount Y would have received had no such deduction or withholding been required. However, X will not be required to pay any additional amount to Y to the extent that it would not be required to be paid but for:--

(A) the failure by Y to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d); or

(B) the failure of a representation made by Y pursuant to Section 3(f) to be accurate and true unless such failure would not have occurred but for (I) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (II) a Change in Tax Law.

(ii) LIABILITY. If:--

(1) X is required by any applicable law, as modified by the practice of any relevant governmental revenue authority, to make any deduction or withholding in respect of which X would not be required to pay an additional amount to Y under Section 2(d)(i)(4);

(2) X does not so deduct or withhold; and

(3) a liability resulting from such Tax is assessed directly against X,

then, except to the extent Y has satisfied or then satisfies the liability resulting from such Tax, Y will promptly pay to X the amount of such liability (including any related liability for interest, but including any related liability for penalties only if Y has failed to comply with or perform any agreement contained in Section 4(a)(i), 4(a)(iii) or 4(d)).

(e) DEFAULT INTEREST; OTHER AMOUNTS. Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. REPRESENTATIONS

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(f), at all times until the termination of this Agreement) that:--

(a) BASIC REPRESENTATIONS.

(i) STATUS. It is duly organized and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;

(ii) POWERS. It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;

(iii) NO VIOLATION OR CONFLICT. Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) CONSENTS. All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) OBLIGATIONS BINDING. Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) ABSENCE OF CERTAIN EVENTS. No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) ABSENCE OF LITIGATION. There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) ACCURACY OF SPECIFIED INFORMATION. All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

(e) PAYER TAX REPRESENTATION. Each representation specified in the Schedule as being made by it for the purpose of this Section 3(e) is accurate and true.

(f) PAYEE TAX REPRESENTATIONS. Each representation specified in the Schedule as being made by it for the purpose of this Section 3(f) is accurate and true.

4. AGREEMENTS

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:--

(a) FURNISH SPECIFIED INFORMATION. It will deliver to the other party or, in certain cases under subparagraph (iii) below, to such government or taxing authority as the other party reasonably directs:--

(i) any forms, documents or certificates relating to taxation specified in the Schedule or any Confirmation;

(ii) any other documents specified in the Schedule or any Confirmation; and

(iii) upon reasonable demand by such other party, any form or document that may be required or reasonably requested in writing in order to allow such other party or its Credit Support Provider to make a payment under this Agreement or any applicable Credit Support Document without any deduction or withholding for or on account of any Tax or with such deduction or withholding at a reduced rate (so long as the completion, execution or submission of such form or document would not materially prejudice the legal or commercial position of the party in receipt of such demand), with any such form or document to be accurate and completed in a manner reasonably satisfactory to such other party and to be executed and to be delivered with any reasonably required certification,

in each case by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) MAINTAIN AUTHORISATIONS. It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) COMPLY WITH LAWS. It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

(d) TAX AGREEMENT. It will give notice of any failure of a representation made by it under Section 3(f) to be accurate and true promptly upon learning of such failure.

(e) PAYMENT OF STAMP TAX. Subject to Section 11, it will pay any Stamp Tax levied or imposed upon it or in respect of its execution or performance of this Agreement by a jurisdiction in which it is incorporated, organized, managed and controlled, or considered to have its seat, or in which a branch or office through which it is acting for the purpose of this Agreement is located ("Stamp Tax Jurisdiction") and will indemnify the other party against any Stamp Tax levied or imposed upon the other party or in respect of the other party's execution or performance of this Agreement by any such Stamp Tax Jurisdiction which is not also a Stamp Tax Jurisdiction with respect to the other party.

5. EVENTS OF DEFAULT AND TERMINATION EVENTS

(a) EVENTS OF DEFAULT. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:--

(i) FAILURE TO PAY OR DELIVER. Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) BREACH OF AGREEMENT. Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(e) or to give notice of a Termination Event or any agreement or obligation under Section 4(a)(i), 4(a)(iii) or 4(d)) to be complied with or performed by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) CREDIT SUPPORT DEFAULT.

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) MISREPRESENTATION. A representation (other than a representation under Section 3(e) or (f)) made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) DEFAULT UNDER SPECIFIED TRANSACTION. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) CROSS DEFAULT. If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however

described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) BANKRUPTCY. The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:--

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter: (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) MERGER WITHOUT ASSUMPTION. The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:--

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) TERMINATION EVENTS. The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, a Tax Event if the event is specified in (ii) below or a Tax Event Upon Merger if the event is specified in (iii) below, and, if specified to be applicable, a Credit Event Upon Merger

if the event is specified pursuant to (iv) below or an Additional Termination Event if the event is specified pursuant to (v) below:--

(i) ILLEGALITY. Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):--

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) TAX EVENT. Due to (x) any action taken by a taxing authority, or brought in a court of competent jurisdiction, on or after the date on which a Transaction is entered into (regardless of whether such action is taken or brought with respect to a party to this Agreement) or (y) a Change in Tax Law, the party (which will be the Affected Party) will, or there is a substantial likelihood that it will, on the next succeeding Scheduled Payment Date (1) be required to pay to the other party an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount is required to be deducted or withheld for or on account of a Tax (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) and no additional amount is required to be paid in respect of such Tax under Section 2(d)(i)(4) (other than by reason of Section 2(d)(i)(4)(A) or (B));

(iii) TAX EVENT UPON MERGER. The party (the "Burdened Party") on the next succeeding Scheduled Payment Date will either (1) be required to pay an additional amount in respect of an Indemnifiable Tax under Section 2(d)(i)(4) (except in respect of interest under Section 2(e), 6(d)(ii) or 6(e)) or (2) receive a payment from which an amount has been deducted or withheld for or on account of any Indemnifiable Tax in respect of which the other party is not required to pay an additional amount (other than by reason of Section 2(d)(i)(4)(A) or (B)), in either case as a result of a party consolidating or amalgamating with, or merging with or into, or transferring all or substantially all its assets to, another entity (which will be the Affected Party) where such action does not constitute an event described in Section 5(a)(viii);

(iv) CREDIT EVENT UPON MERGER. If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(v) ADDITIONAL TERMINATION EVENT. If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) EVENT OF DEFAULT AND ILLEGALITY. If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. EARLY TERMINATION

(a) RIGHT TO TERMINATE FOLLOWING EVENT OF DEFAULT. If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(l), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) RIGHT TO TERMINATE FOLLOWING TERMINATION EVENT.

(i) NOTICE. If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) TRANSFER TO AVOID TERMINATION EVENT. If either an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there is only one Affected Party, or if a Tax Event Upon Merger occurs and the Burdened Party is the Affected Party, the Affected Party will, as a condition to its right to designate an Early Termination Date under Section 6(b)(iv), use all reasonable efforts (which will not require such party to incur a loss, excluding immaterial, incidental expenses) to transfer within 20 days after it gives notice under Section 6(b)(i) all its rights and obligations under this Agreement in respect of the Affected Transactions to another of its Offices or Affiliates so that such Termination Event ceases to exist.

If the Affected Party is not able to make such a transfer it will give notice to the other party to that effect within such 20 day period, whereupon the other party may effect such a transfer within 30 days after the notice is given under Section 6(b)(i).

Any such transfer by a party under this Section 6(b)(ii) will be subject to and conditional upon the prior written consent of the other party, which consent will not be withheld if such other party's policies in effect at such time would permit it to enter into transactions with the transferee on the terms proposed.

(iii) TWO AFFECTED PARTIES. If an Illegality under Section 5(b)(i)(1) or a Tax Event occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iv) RIGHT TO TERMINATE. If:--

(1) a transfer under Section 6(b)(ii) or an agreement under Section 6(b)(iii), as the case may be, has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality under Section 5(b)(i)(2), a Credit Event Upon Merger or an Additional Termination Event occurs, or a Tax Event Upon Merger occurs and the Burdened Party is not the Affected Party,

either party in the case of an Illegality, the Burdened Party in the case of a Tax Event Upon Merger, any Affected Party in the case of a Tax Event or an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or

an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) EFFECT OF DESIGNATION.

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(e) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) CALCULATIONS.

(i) STATEMENT. On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) PAYMENT DATE. An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment) in the Termination Currency, from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) PAYMENTS ON EARLY TERMINATION. If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) EVENTS OF DEFAULT. If the Early Termination Date results from an Event of Default:--

(1) First Method and Market Quotation. If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party over (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party.

(2) First Method and Loss. If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) Second Method and Market Quotation. If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Termination Currency Equivalent of the Unpaid Amounts owing to the Non-defaulting Party less (B) the Termination Currency Equivalent of the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) Second Method and Loss. If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) TERMINATION EVENTS. If the Early Termination Date results from a Termination Event:--

(1) One Affected Party. If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) Two Affected Parties. If there are two Affected Parties:--

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Termination Currency Equivalent of the Unpaid Amounts owing to X less (II) the Termination Currency Equivalent of the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) ADJUSTMENT FOR BANKRUPTCY. In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) PRE-ESTIMATE. The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. TRANSFER

Subject to Section 6(b)(ii), neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:--

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

8. CONTRACTUAL CURRENCY

(a) PAYMENT IN THE CONTRACTUAL CURRENCY. Each payment under this Agreement will be made in the relevant currency specified in this Agreement for that payment (the "Contractual Currency"). To the extent permitted by applicable law, any obligation to make payments under this Agreement in the Contractual Currency will not be discharged or satisfied by any tender in any currency other than the Contractual Currency, except to the extent such tender results in the actual receipt by the party to which payment is owed, acting in a reasonable manner and in good faith in converting the currency so tendered into the Contractual Currency, of the full amount in the Contractual Currency of all amounts payable in respect of this Agreement. If for any reason the amount in the Contractual Currency so received falls short of the amount in the Contractual Currency payable in respect of this Agreement, the party required to make the payment will, to the extent permitted by applicable law, immediately pay such additional amount in the Contractual Currency as may be necessary to compensate for the shortfall. If for any reason the amount in the Contractual Currency so received exceeds the amount in the Contractual Currency payable in respect of this Agreement, the party receiving the payment will refund promptly the amount of such excess.

(b) JUDGMENTS. To the extent permitted by applicable law, if any judgment or order expressed in a currency other than the Contractual Currency is rendered (i) for the payment of any amount owing in respect of this Agreement, (ii) for the payment of any amount relating to any early termination in respect of this Agreement or (iii) in respect of a judgment or order of another court for the payment of any amount described in (i) or (ii) above, the party seeking recovery, after recovery in full of the aggregate amount to which such party is entitled pursuant to the judgment or order, will be entitled to receive immediately from the other party the amount of any shortfall of the Contractual Currency received by such party as a consequence of sums paid in such other currency and will refund promptly to the other party any excess of the Contractual Currency received by such party as a consequence of sums paid in such other currency if such shortfall or such excess arises or results from any variation between the rate of exchange at which the Contractual Currency is converted into the currency of the judgment or order for the purposes of such judgment or order and the rate of exchange at which such party is able, acting in a reasonable manner and in good faith in converting the currency received into the Contractual Currency, to purchase the Contractual Currency with the amount of the currency of the judgment or order actually received by such party. The term "rate of exchange" includes, without limitation, any premiums and costs of exchange payable in connection with the purchase of or conversion into the Contractual Currency.

(c) SEPARATE INDEMNITIES. To the extent permitted by applicable law, these indemnities constitute separate and independent obligations from the other obligations in this Agreement, will be enforceable as separate and independent causes of action, will apply notwithstanding any indulgence granted by the party to which any payment is owed and will not be affected by judgment being obtained or claim or proof being made for any other sums payable in respect of this Agreement.

(d) EVIDENCE OF LOSS. For the purpose of this Section 8, it will be sufficient for a party to demonstrate that it would have suffered a loss had an actual exchange or purchase been made.

9. MISCELLANEOUS

(a) ENTIRE AGREEMENT. This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) AMENDMENTS. No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

(c) SURVIVAL OF OBLIGATIONS. Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) REMEDIES CUMULATIVE. Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) COUNTERPARTS AND CONFIRMATIONS.

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) NO WAIVER OF RIGHTS. A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) HEADINGS. The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

10. OFFICES; MULTIBRANCH PARTIES

(a) If Section 10(a) is specified in the Schedule as applying, each party that enters into a Transaction through an Office other than its head or home office represents to the other party that, notwithstanding the place of booking office or jurisdiction of incorporation or organisation of such party, the obligations of such party are the same as if it had entered into the Transaction through its head or home office. This representation will be deemed to be repeated by such party on each date on which a Transaction is entered into.

(b) Neither party may change the Office through which it makes and receives payments or deliveries for the purpose of a Transaction without the prior written consent of the other party.

(c) If a party is specified as a Multibranch Party in the Schedule, such Multibranch Party may make and receive payments or deliveries under any Transaction through any Office listed in the Schedule, and the Office through which it makes and receives payments or deliveries with respect to a Transaction will be specified in the relevant Confirmation.

11. EXPENSES

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees and Stamp Tax, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

12. NOTICES

(a) EFFECTIVENESS. Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:-- (i) if in writing and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) CHANGE OF ADDRESSES. Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

13. GOVERNING LAW AND JURISDICTION

(a) GOVERNING LAW. This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) JURISDICTION. With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:--

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the nonexclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) SERVICE OF PROCESS. Each party irrevocably appoints the Process Agent (if any) specified opposite its name in the Schedule to receive, for it and on its behalf, service of process in any Proceedings. If for any reason any party's Process Agent is unable to act as such, such party will promptly notify the other party and within 30 days appoint a substitute process agent acceptable to the other party. The parties irrevocably consent to service of process given in the manner provided for notices in Section 12. Nothing in this Agreement will affect the right of either party to serve process in any other manner permitted by law.

(d) WAIVER OF IMMUNITIES. Each party irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any Proceedings in the courts of any jurisdiction and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

14. DEFINITIONS

As used in this Agreement:--

"ADDITIONAL TERMINATION EVENT" has the meaning specified in Section 5(b).

"AFFECTED PARTY" has the meaning specified in Section 5(b).

"AFFECTED TRANSACTIONS" means (a) with respect to any Termination Event consisting of an Illegality, Tax Event or Tax Event Upon Merger, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"AFFILIATE" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"APPLICABLE RATE" means:--

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

"BURDENED PARTY" has the meaning specified in Section 5(b).

"CHANGE IN TAX LAW" means the enactment, promulgation, execution or ratification of, or any change in or amendment to, any law (or in the application or official interpretation of any law) that occurs on or after the date on which the relevant Transaction is entered into.

"CONSENT" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"CREDIT EVENT UPON MERGER" has the meaning specified in Section 5(b).

"CREDIT SUPPORT DOCUMENT" means any agreement or instrument that is specified as such in this Agreement.

"CREDIT SUPPORT PROVIDER" has the meaning specified in the Schedule.

"DEFAULT RATE" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"DEFAULTING PARTY" has the meaning specified in Section 6(a).

"EARLY TERMINATION DATE" means the date determined in accordance with Section 6(a) or 6(b)(iv).

"EVENT OF DEFAULT" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"ILLEGALITY" has the meaning specified in Section 5(b).

"INDEMNIFIABLE TAX" means any Tax other than a Tax that would not be imposed in respect of a payment under this Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organized, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, this Agreement or a Credit Support Document).

"LAW" includes any treaty, law, rule or regulation (as modified, in the case of tax matters, by the practice of any relevant governmental revenue authority) and "lawful" and "UNLAWFUL" will be construed accordingly.

"LOCAL BUSINESS DAY" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located and, if different, in the principal financial centre, if any, of the currency of such payment, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

"LOSS" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, the Termination Currency Equivalent of an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 11. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

"MARKET QUOTATION" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

"NON-DEFAULT RATE" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

"NON-DEFAULTING PARTY" has the meaning specified in Section 6(a).

"OFFICE" means a branch or office of a party, which may be such party's head or home office.

"POTENTIAL EVENT OF DEFAULT" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"REFERENCE MARKET-MAKERS" means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

"RELEVANT JURISDICTION" means, with respect to a party, the jurisdictions (a) in which the party is incorporated, organized, managed and controlled or considered to have its seat, (b) where an Office through which the party is acting for purposes of this Agreement is located, (c) in which the party executes this Agreement and (d) in relation to any payment, from or through which such payment is made.

"SCHEDULED PAYMENT DATE" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"SET-OFF" means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

"SETTLEMENT AMOUNT" means, with respect to a party and any Early Termination Date, the sum of:--

(a) the Termination Currency Equivalent of the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

"SPECIFIED ENTITY" has the meaning specified in the Schedule.

"SPECIFIED INDEBTEDNESS" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"SPECIFIED TRANSACTION" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"STAMP TAX" means any stamp, registration, documentation or similar tax.

"TAX" means any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under this Agreement other than a stamp, registration, documentation or similar tax.

"TAX EVENT" has the meaning specified in Section 5(b).

"TAX EVENT UPON MERGER" has the meaning specified in Section 5(b).

"TERMINATED TRANSACTIONS" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

"TERMINATION CURRENCY" has the meaning specified in the Schedule.

"TERMINATION CURRENCY EQUIVALENT" means, in respect of any amount denominated in the Termination Currency, such Termination Currency amount and, in respect of any amount denominated in a currency other than the Termination Currency (the "Other Currency"), the amount in the Termination Currency determined by the party making the relevant determination as being required to purchase such amount of such Other Currency as at the relevant Early Termination Date, or, if the relevant Market Quotation or Loss (as the case may be), is determined as of a later date, that later date, with the Termination Currency at the rate equal to the spot exchange rate of the foreign exchange agent (selected as provided below) for the purchase of such Other Currency with the Terminated Currency at or about 11:00 a.m. (in the city in which such foreign exchange agent is located) on such date as would be customary for the determination of such a rate for the purchase of such Other Currency for value on the relevant Early Termination Date or that later date. The foreign exchange agent will, if only one party is obliged to make a determination under Section 6(e), be selected in good faith by that party and otherwise will be agreed by the parties.

"TERMINATION EVENT" means an Illegality, a Tax Event or a Tax Event Upon Merger or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"TERMINATION RATE" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"UNPAID AMOUNTS" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the Termination Currency Equivalents of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

SUNTRUST BANK	BROWN & BROWN, INC.
By:	By:
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Fred D. Woolf	Name:
Vice President	Title:
Date:	Date:
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SCHEDULE TO THE
ISDA MASTER AGREEMENT
DATED AS OF DECEMBER 5, 2001, BETWEEN

SUNTRUST BANK
("PARTY A")

AND

BROWN & BROWN, INC.
("PARTY B")

Part 1
Definitions

1. "Affiliate" shall have the meaning assigned to such term in Section 14 of this Agreement.

2. "Calculation Agent" shall mean Party A.

3. "Shareholders' Equity" means with respect to any entity, at any time, the sum (as shown in the most recent annual audited financial statements of such entity) of (i) its capital stock (including preferred stock) outstanding, taken at par value, (ii) its capital surplus and (iii) its retained earnings, minus (iv) treasury stock, each to be determined in accordance with generally accepted accounting principles.

4. "Specified Entity" shall mean for the purposes of Sections 5(a)(v), (vi), and (vii), and Section 5(b)(iv) of this Agreement, in the case of Party A, not applicable, and in the case of Party B, any Affiliate of Party B.

5. "Specified Indebtedness" shall have the meaning assigned to such term in Section 14 of this Agreement, but shall not include indebtedness in respect of deposits received.

6. "Specified Transaction" shall have the meaning assigned to such term in Section 14 of this Agreement.

7. "Termination Currency" shall mean United States Dollars.

8. "Threshold Amount" shall mean, for purposes of Section 5(a)(vi) of this Agreement, (a) with respect to Party A, an amount equal to three percent (3%) of its Shareholders' Equity, determined in accordance with generally accepted accounting principles in such party's jurisdiction of incorporation or organization, consistently applied, as at the end of such party's most recently completed fiscal year, and (b) with respect to Party B, an amount equal to $1,000,000 (or the equivalent thereof in any other currencies), except that with respect to indebtedness under the Loan Agreement, the Threshold Amount shall be $0.00.

Part 2
Representations

1. Tax Representations. None.

2. The following paragraph is added as Section 3(g) of this Agreement:

"(g) Eligible Contract Participant. It is an Eligible Contract Participant as defined in Section 101(12) of the Commodity Futures Modernization Act of 2000."

Part 3
Agreements

1. Documents to be delivered. For purposes of Section 4(a) of this Agreement, each party agrees to deliver the following documents as applicable:

(a) Certified copies of all documents evidencing necessary corporate authorizations, as well as other authorizations and approvals with respect to the execution, delivery and performance by the party of this Agreement and any Credit Support Document.

Party required to deliver:	Party B
Date by which to be delivered:	Upon execution of this Agreement
Covered by Section 3(d) Representation:	Yes

(b) An incumbency certificate of an authorized officer of the party certifying the names, true signatures and authority of the officers of the party signing this Agreement and any Credit Support Document.

Party required to deliver:	Party B
Date by which to be delivered:	Upon execution of this Agreement
Covered by Section 3(d) Representation:	Yes

(c) Such other document as the other party may reasonably request in connection with each Transaction.

Party required to deliver:	Party B
Date by which to be delivered:	Promptly upon request
Covered by Section 3(d) Representation:	Yes

(d) Such other written information respecting the condition or operations, financial or otherwise, of Party B as Party A may reasonably request from time to time.

Party required to deliver:	Party B
Date by which to be delivered:	Promptly upon request
Covered by Section 3(d) Representation:	Yes

Part 4
Termination Provisions

1. Cross Default. The "Cross Default" provisions of Section 5(a)(vi) of this Agreement shall apply to each of Party A and Party B.

2. Credit Event Upon Merger. The "Credit Event Upon Merger" provisions of Section 5(b)(iv) of this Agreement shall apply to each of Party A and Party B.

3. Automatic Early Termination. The "Automatic Early Termination" provision of Section 6(a) of this Agreement shall not apply to either Party A or Party B.

4. Payments on Early Termination. For purposes of Section 6(e) of this Agreement, Second Method and Loss shall apply.

5. Additional Termination Event will not apply. Notwithstanding the foregoing, Party A will have the right (but not the obligation) to terminate all or a pro rata portion of any Transaction related to the Loan Agreement and will be entitled to receive from, or will be required to pay to, Party B the fair market value for such termination, as determined by Party A in good faith and in accordance with market practice and its own customary procedures, upon the occurrence of one or more of the following events:

   (a) If the indebtedness under the Loan Agreement is (for whatever reason, in whatever manner) partially or fully paid or discharged (except with respect to any scheduled amortization);

   (b) If Party A ceases to be a party to the Loan Agreement;

   (c) If the lenders party to the Loan Agreement become secured or, if already secured, the lenders obtain additional security thereunder and Party A, in its capacity as a party to this Agreement and any Transaction hereunder, is not entitled to the same rights, privileges, and interest in the collateral and/or guaranty agreements as the lenders are entitled to under the Loan Agreement;

   (d) If there is a default, an event of default, or other similar condition or event (however described) in relation to Party B under the Loan Agreement (without regard to the existence of any waiver or forbearance agreement with respect thereto); and

   (e) If the Loan Agreement is amended, restated, supplemented, or otherwise modified and Party A does not consent, in its sole discretion, to such amendment, restatement, supplement, or other modification.

   Party A may exercise such right to terminate, at any time in its sole discretion, following the occurrence of any one of such events through the Termination Date. A failure or delay in exercising the foregoing right to terminate will not be presumed to operate as a waiver, and a single or partial exercise of such right will not be presumed to preclude any subsequent or further exercise of that right.

Part 5
Miscellaneous

1. Notices. For purposes of Section 12 of this Agreement:

(a) The address for notice or communication to Party A is:

SunTrust Capital Markets, Inc.
Financial Risk Management, Operations
303 Peachtree Street, N.E.
23rd Floor, Center Code 3913
Atlanta, GA 30308
404-575-2696 (phone)
404-532-0514 (fax)

(b) The address for notice or communication to Party B is:

Mr. Cory T. Walker
Chief Financial Officer
Brown & Brown, Inc.
220 S. Ridgewood Ave.
Daytona Beach, FL 32114
386-239-7250 (phone)
386-239-7252 (fax)

2. Governing Law. Section 13(a) of this Agreement is hereby restated as follows:

"(a) Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York without reference to choice of law doctrine."

3. Jurisdiction. Section 13(b)(i) of this Agreement is hereby restated as follows:

"(i) submits to the nonexclusive jurisdiction of the courts of the State of Georgia and the United States District Court located in Atlanta, Georgia; and"

4. Process Agent. Process Agent shall not apply to this Agreement.

5. Offices. The provisions of Section 10(a) of this Agreement shall not apply to either party.

6. Multibranch Party. For purposes of Section 10(c) of this Agreement, neither Party A nor Party B is a Multibranch Party.

7. Credit Support Provider.

Credit Support Provider means in relation to Party A: Not applicable.
Credit Support Provider means in relation to Party B: The party, as of any particular time and as may be acceptable to Party A, whose undertakings or assets under the Credit Support Document secure the timely performance of Party B's obligations under this Agreement.

8. Credit Support Document.

Credit Support Document means in relation to Party A: Not applicable.
Credit Support Document means in relation to Party B: Any guaranty, letter of credit, credit agreement, security agreement, mortgage, deed of trust, pledge agreement, assignment agreement, investment agreement, surety bond, or other credit enhancement device, or any combination thereof issued as security for the timely performance of Party B's obligations under this Agreement, as may be acceptable to Party A, including, without limitation, any amendments, supplements, restatements, or other modifications, or any substitutions or replacements thereto in form and substance satisfactory to Party A.

Part 6
Additional Agreements

1. Recording of Conversations. Each party (i) consents to the monitoring or recording, at any time and from time to time, by the other party of any and all communications between officers or employees of the parties, (ii) waives any further notice of such monitoring or recording, and (iii) agrees to notify (and, if required by law, obtain the consent of) its officers and employees with respect to such monitoring or recording.

2. Mediation and Arbitration. Notwithstanding anything to the contrary contained herein, the parties agree to submit to mediation and, should settlement through mediation not occur, to arbitration any and all claims, disputes, and controversies between them (and their respective employees, officers, directors, affiliates, attorneys, and other agents) resulting from or arising out of this Agreement. Such mediation and arbitration shall proceed in the jurisdiction where Party A is located, shall be governed by the law specified in this Agreement, and shall be conducted (a) in accordance with such rules as may be agreed upon by the parties or (b) in the event the parties do not reach an agreement as to such rules within thirty (30) days after a notice of dispute, in accordance with the Commercial Mediation Rules and Commercial Arbitration Rules of the American Arbitration Association. If, within thirty (30) days after service of a written demand for mediation, the mediation does not result in settlement of the dispute, then any party may demand arbitration, and the decision of the arbitrator(s) shall be binding on the parties. Judgment upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction. It is agreed that the arbitrators shall have no authority to award treble, exemplary, or punitive damages of any type under any circumstances, whether or not such damages may be available under state or federal law, or under the Federal Arbitration Act, or under the Commercial Arbitration Rules of the American Arbitration Association, the parties hereby waiving their right, if any, to recover any such damages.

3. Set Off. Section 6 of the Agreement is amended by adding the following new subsection 6(f):

> "(f) RIGHT OF SET-OFF. Upon the occurrence of an Event of Default with respect to Party B, or an Illegality or Credit Event Upon Merger where Party B is the Affected Party, Party A will have the right (but not the obligation), without prior notice to Party B or any other person, to set-off any obligation of Party A or any of Party A's present or future Affiliates, branches, or offices owing to Party B, against any obligation of Party B owing to Party A or any of Party A's present or future Affiliates, branches, or offices (whether or not such obligations arise under this Agreement, whether or not matured, whether or not contingent, and regardless of the place of payment or booking office of the obligations). In order to enable Party A to exercise its rights of set-off, if an obligation is unascertained, Party A may in good faith estimate that obligation and set-off in respect of the estimate, subject to Party A accounting to Party B when the obligation is ascertained.
>
> Nothing in this Section 6(f) shall be effective to create a charge or other security interest. This Section 6(f) shall be without prejudice and in addition to any right of set-off, combination of accounts, lien, or other right to which any party is at any time otherwise entitled (whether by operation of law, contract, or otherwise)."

4. By signing this Schedule, Party B acknowledges that it has received and understands the SunTrust Bank "Terms of Dealing for OTC Risk Management Transactions" and the "Risk Disclosure Statement for OTC Risk Management Transactions" (each attached hereto and incorporated by reference into this Agreement).

Please confirm your agreement to the terms of the foregoing Schedule by signing below.

SUNTRUST BANK	BROWN & BROWN, INC.
By: ----------	By: ----------
Name:	Name:
Title:	Title:

SUNTRUST BANK ("SUNTRUST")
TERMS OF DEALING FOR OTC RISK MANAGEMENT TRANSACTIONS

In connection with the negotiation, entry into, and performance from time to time of over-the-counter ("OTC") risk management transactions, please be advised that:

SunTrust acts as principal only and does not act as advisor, agent, broker, or fiduciary for or with respect to any counterparty (unless otherwise expressly agreed in a written engagement letter).

SunTrust expects that its counterparties have the authority and capacity to enter into and perform their obligations under their OTC risk management transactions with SunTrust, and SunTrust relies on the express and implied representations of its counterparties with respect thereto.

SunTrust expects that its counterparties possess adequate knowledge and experience to assess independently, or with the assistance of their own advisors, the merits and risks of each OTC risk management transaction that the counterparty may from time to time enter into, amend, or terminate.

SunTrust endeavors to maintain the confidentiality of all confidential counterparty information and expects its counterparties to do the same. Unless a counterparty gives SunTrust written notice to the contrary, each counterparty authorizes SunTrust and all SunTrust affiliates, including SunTrust Capital Markets, Inc. (STCM), to share with each other confidential information concerning a counterparty and/or its accounts for marketing or other purposes from time to time. Any trade ideas, term sheets, and other similar documents sent to counterparties by SunTrust are not to be shared with others.

SunTrust may pay fees, commissions, and other amounts to agents, brokers, and/or other third parties in connection with OTC risk management transactions entered into with counterparties. SunTrust considers the amount of such fees, commissions, and other amounts to be confidential and does not disclose the same to its counterparties.

SunTrust may from time to time receive orders for similar or identical transactions, and SunTrust makes no representation with respect to execution priorities.

STCM's Authorized Officers have the authority to bind SunTrust in connection with OTC risk management transactions. A current list of Authorized Officers may be obtained from STCM upon request.

OTC risk management obligations of SunTrust are not FDIC insured.

SUNTRUST BANK ("SUNTRUST")
RISK DISCLOSURE STATEMENT FOR OTC RISK MANAGEMENT TRANSACTIONS

Over-the-counter ("OTC") risk management transactions, like other financial transactions, involve a variety of significant potential risks. OTC risk management transactions generally include options, forwards, swaps, swaptions, caps, floors, collars, combination and variations of such instruments, and other executory contractual arrangements, and may involve interest rates, currencies, securities, commodities, equities, credit, indices, and other underlying interests.

Before entering into any OTC risk management transaction, you should carefully consider whether the transaction is appropriate for you in light of your experience, objectives, financial and operational resources, and other relevant circumstances. You should also ensure that you fully understand the nature of the transaction and contractual relationship into which you are entering and the nature and extent of your exposure to risk of loss, which may significantly exceed the amount of any initial payment or investment by you.

The specific risks presented by a particular OTC risk management transaction necessarily depend upon the character of the specific transaction and your circumstances. In general, however, all OTC risk management transactions involve the risk of adverse or unanticipated market developments, risk of illiquidity and credit risk, and may involve other material risks. Equity risk management transactions may increase or decrease in value with a change in, among other things, stock prices and interest rates which could result in unlimited loss. In addition, you may be subject to internal operational risks in the event that appropriate internal systems and controls are not in place to monitor the various risks and funding requirements to which you are subject by virtue of your activities in the OTC risk management and related markets. OTC risk management transactions frequently are tailored to permit parties to customize transactions to accomplish complex financial and risk management objectives. Such customization can also introduce significant risk factors of a complex character.

As in any financial transaction, you must understand the requirements (including investment restrictions), if any, applicable to you that are established by your regulators or by your Board of Directors or other governing body. You should also consider the tax and accounting implications of entering into any risk management or other transaction. To the extent appropriate in light of the specific transaction and your circumstances, you should consider consulting such advisers as may be appropriate to assist you in understanding the risks involved. If you are acting in the capacity of financial adviser or agent, you must evaluate the foregoing matters in light of the circumstances applicable to your principal.

In entering into any OTC risk management transaction, you should also take into consideration that, unless you and SunTrust have established in writing an express financial advisory or other fiduciary relationship or you and SunTrust have expressly agreed in writing that you will be relying on SunTrust's recommendations as the primary basis for making your trading or investment decisions, SunTrust is acting solely in the capacity of an arm's-length contractual counterparty and not in the capacity of your financial advisor or fiduciary. In addition, SunTrust or its affiliates may from time to time have substantial long or short positions in and may make a market in or otherwise buy or sell instruments identical or economically related to the OTC risk management transaction entered into with you or may have an investment banking or other commercial relationship with the issuer of any security or financial instrument underlying an OTC risk management transaction entered into with you.

THIS BRIEF STATEMENT DOES NOT DISCLOSE ALL OF THE RISKS AND OTHER SIGNIFICANT ASPECTS OF ENTERING INTO OTC RISK MANAGEMENT TRANSACTIONS. YOU SHOULD REFRAIN FROM ENTERING INTO ANY SUCH TRANSACTION UNLESS YOU FULLY UNDERSTAND ALL SUCH RISK AND HAVE INDEPENDENTLY DETERMINED THAT THE TRANSACTION IS APPROPRIATE FOR YOU.

- ----------

[SUNTRUST ROBINSON HUMPHREY LETTERHEAD]

303 Peachtree Street, N.E.
23rd Floor, Center Code 3913
Atlanta, Georgia 30308
Member NASD and SIPC

December 6, 2001

CONFIRMATION OF INTEREST RATE TRANSACTION

THIS LETTER AGREEMENT SHOULD BE REVIEWED, EXECUTED BY AN AUTHORIZED PERSON(S), AND RETURNED IMMEDIATELY VIA FAX TO 404-532-0514.
(PLEASE DIRECT ANY QUESTIONS TO KEN KUYKENDALL AT 404-532-0303.)

Cory T. Walker
Chief Financial Officer
Brown & Brown, Inc.
220 S. Ridgewood Ave.
Daytona Beach, Florida 32114
Ph#: 386-239-7250
Fax#: 386-239-7252

REF: 13932

Dear Mr. Walker:

The purpose of this letter agreement is to set forth the terms and conditions of the Rate Transaction entered into between Brown & Brown, Inc. ("Counterparty" or "you") and SunTrust Bank ("SunTrust" or "us") on the Trade Date specified below (the "Transaction"). SunTrust Capital Markets, Inc. acts as agent on behalf of SunTrust with respect to this Transaction. This letter agreement constitutes a "Confirmation" as referred to in the ISDA Master Agreement to be entered into by the parties hereto (see Section 2(a) below).

The definitions and provisions contained in the 1991 ISDA Definitions published by the International Swap and Derivatives Association, Inc. ("ISDA"), as amended and supplemented by the 1998 Supplement to the 1991 ISDA Definitions (the "Definitions"), are incorporated by reference into this Confirmation. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation shall govern.

This Confirmation supplements, forms a part of, and is subject to the ISDA Master Agreement, as amended and supplemented from time to time (the "Swap Agreement"), between you and us. All provisions contained or incorporated by reference in the Swap Agreement shall govern this Confirmation except as expressly modified below. Prior to the execution and delivery of such Swap Agreement, this Confirmation alone shall constitute a complete and binding agreement with respect to the Transaction.

Each party is hereby advised, and each such party acknowledges, that the other party has engaged in (or refrained from engaging in) substantial financial transactions and has taken other material actions in reliance upon the parties' entry in the Transaction to which this Confirmation relates on the terms and conditions set forth below.

This Confirmation shall be governed by and construed in accordance with the laws of the State of New York without reference to choice of law doctrine.

1. The terms of the particular Transaction to which this Confirmation relates are as follows:

Type of Transaction:	Swap Transaction
Notional Amount:	$77,142,857.16 amortizing (see attached Schedule A)
Trade Date:	December 5, 2001
Effective Date:	January 2, 2002
Termination Date:	December 31, 2007, with adjustment in accordance with the Modified Following Business Day Convention
FIXED AMOUNTS:	
Fixed Rate Payer:	Counterparty
Fixed Rate Payer Payment Dates:	The last day of each March, June, September, and December, beginning March 31, 2002, through and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention
Fixed Rate:	4.53% per annum
Fixed Rate Day Count Fraction:	Actual/360
Adjustment to Period End Dates:	Applicable
FLOATING AMOUNTS:	
Floating Rate Payer:	SunTrust
Floating Rate Payer Payment Dates:	The last day of each March, June, September, and December, beginning March 31, 2002, through and including the Termination Date, subject to adjustment in accordance with the Modified Following Business Day Convention
Floating Rate for initial Calculation Period:	To be determined
Floating Rate Day Count Fraction:	Actual/360
Designated Maturity:	3 month

Floating Rate Option:	USD-LIBOR-BBA
Spread:	Inapplicable
Adjustment to Period End Dates:	Applicable
Reset Dates:	The first day of each Floating Rate Payer Calculation Period
Calculation Agent:	SunTrust
Business Days:	New York

2. Other Provisions

(a) Subject to the terms, conditions and limitations of any other agreement between the parties, SunTrust shall have the right, but not the obligation, to terminate this Transaction if seventy-five (75) days have elapsed since the Trade Date and the Swap Agreement has not been executed by you and received by SunTrust. If this right to terminate is exercised, SunTrust will be entitled to receive from you or will be required to pay to you the fair market value for such termination as determined by SunTrust in good faith and in accordance with market practice and its own customary procedures.

(b) You agree to provide us (i) corporate resolutions, and (ii) a certificate of incumbency with respect to the individual(s) executing this Confirmation, both documents evidencing your authority to enter into this Transaction. This provision shall constitute an additional Agreement for the purpose of Section 4 of the Swap Agreement.

(c) By signing this Confirmation, you acknowledge that you have received and understand the SunTrust Bank "Terms of Dealing for OTC Risk Management Transactions" and the "Risk Disclosure Statement for OTC Risk Management Transactions" (each attached hereto and incorporated by reference into this Confirmation).

(d) "Loan Agreement" shall mean each agreement, related by its terms to this Transaction, to which you (as borrower) and SunTrust (or one of its Affiliates) are or hereafter become parties (and to which other lenders may be parties) involving the making of loans, extensions of credit or financial accommodations thereunder or commitments therefor, as the same exists on the Trade Date and without regard to (i) any termination or cancellation thereof, whether by reason of payment of all indebtedness incurred thereunder or otherwise, or (ii) unless consented to in writing by SunTrust, any amendment, modification, addition, waiver or consent thereto or thereof.

3. Account Details

Payment to Counterparty:

Depository: [PLEASE ADVISE]
ABA #
Favor of:
Account #

Payments to SunTrust:

SunTrust Bank
ABA # 061000104
FBO: Bond Wire Clearing
Account # 9088-0000-95
Attn: Financial Risk Management, Operations

4. Offices

(a) The Office of Counterparty for the Transaction is its Daytona Beach office; and

(b) The Office of SunTrust for the Transaction is its Atlanta office.

By signing below, you also acknowledge and agree that we have explained to you the risks involved in this Transaction, which risks include but are not limited to the following:

- - Market Risk: The risk that the Transaction may increase or decrease in value with a change in, among other things, interest rates or the yield curve; and

- - Liquidity Risk: The risk that the Transaction cannot be closed out or disposed of quickly at or near its value.

You further acknowledge and agree that you understand these risks and the Transaction as a whole, that you are capable of managing the risks associated with this Transaction, that the risks involved in this Transaction are consistent with your financial goals, policies and procedures, and risk tolerance, and that you have determined that this Transaction is appropriate for you.

Please confirm that the foregoing correctly sets forth the terms of our agreement by signing this copy of this Confirmation and immediately returning it to SunTrust Capital Markets, Inc. via fax at the number indicated on Page 1.

Very truly yours,

SUNTRUST BANK

By: _____
Fred D. Woolf
Vice President

Accepted and Confirmed as of the date first written:

BROWN & BROWN, INC.

By: _____
Name:
Title:

AMORTIZATION SCHEDULE A*

PERIOD BEGIN	PERIOD END	NOTIONAL AMOUNT
2-Jan-02	29-Mar-02	77,142,857.16
29-Mar-02	28-Jun-02	73,928,571.45
28-Jun-02	30-Sep-02	70,714,285.74
30-Sep-02	31-Dec-02	67,500,000.03
31-Dec-02	31-Mar-03	64,285,714.32
31-Mar-03	30-Jun-03	61,071,428.61
30-Jun-03	30-Sep-03	57,857,142.90
30-Sep-03	31-Dec-03	54,642,857.19
31-Dec-03	31-Mar-04	51,428,571.48
31-Mar-04	30-Jun-04	48,214,285.77
30-Jun-04	30-Sep-04	45,000,000.06
30-Sep-04	31-Dec-04	41,785,714.35
31-Dec-04	31-Mar-05	38,571,428.64
31-Mar-05	30-Jun-05	35,357,142.93
30-Jun-05	30-Sep-05	32,142,857.22
30-Sep-05	30-Dec-05	28,928,571.51
30-Dec-05	31-Mar-06	25,714,285.80
31-Mar-06	30-Jun-06	22,500,000.09
30-Jun-06	29-Sep-06	19,285,714.38
29-Sep-06	29-Dec-06	16,071,428.67
29-Dec-06	30-Mar-07	12,857,142.96
30-Mar-07	29-Jun-07	9,642,857.25
29-Jun-07	28-Sep-07	6,428,571.54
28-Sep-07	31-Dec-07	3,214,285.83

*AMORTIZATION SCHEDULE A, subject to adjustment for the Period End Dates in accordance with the Modified Following Business Day Convention.

SUNTRUST BANK ("SUNTRUST")
TERMS OF DEALING FOR OTC RISK MANAGEMENT TRANSACTIONS

In connection with the negotiation, entry into, and performance from time to time of over-the-counter ("OTC") risk management transactions, please be advised that:

SunTrust acts as principal only and does not act as advisor, agent, broker, or fiduciary for or with respect to any counterparty (unless otherwise expressly agreed in a written engagement letter).

SunTrust expects that its counterparties have the authority and capacity to enter into and perform their obligations under their OTC risk management transactions with SunTrust, and SunTrust relies on the express and implied representations of its counterparties with respect thereto.

SunTrust expects that its counterparties possess adequate knowledge and experience to assess independently, or with the assistance of their own advisors, the merits and risks of each OTC risk management transaction that the counterparty may from time to time enter into, amend, or terminate.

SunTrust endeavors to maintain the confidentiality of all confidential counterparty information and expects its counterparties to do the same. Unless a counterparty gives SunTrust written notice to the contrary, each counterparty authorizes SunTrust and all SunTrust affiliates, including SunTrust Capital Markets, Inc. (STCM), to share with each other confidential information concerning a counterparty and/or its accounts for marketing or other purposes from time to time. Any trade ideas, term sheets, and other similar documents sent to counterparties by SunTrust are not to be shared with others.

SunTrust may pay fees, commissions, and other amounts to agents, brokers, and/or other third parties in connection with OTC risk management transactions entered into with counterparties. SunTrust considers the amount of such fees, commissions, and other amounts to be confidential and does not disclose the same to its counterparties.

SunTrust may from time to time receive orders for similar or identical transactions, and SunTrust makes no representation with respect to execution priorities.

STCM's Authorized Officers have the authority to bind SunTrust in connection with OTC risk management transactions. A current list of Authorized Officers may be obtained from STCM upon request.

OTC risk management obligations of SunTrust are not FDIC insured.

SUNTRUST BANK ("SUNTRUST")
RISK DISCLOSURE STATEMENT FOR OTC RISK MANAGEMENT TRANSACTIONS

Over-the-counter ("OTC") risk management transactions, like other financial transactions, involve a variety of significant potential risks. OTC risk management transactions generally include options, forwards, swaps, swaptions, caps, floors, collars, combination and variations of such instruments, and other executory contractual arrangements, and may involve interest rates, currencies, securities, commodities, equities, credit, indices, and other underlying interests.

Before entering into any OTC risk management transaction, you should carefully consider whether the transaction is appropriate for you in light of your experience, objectives, financial and operational resources, and other relevant circumstances. You should also ensure that you fully understand the nature of the transaction and contractual relationship into which you are entering and the nature and extent of your exposure to risk of loss, which may significantly exceed the amount of any initial payment or investment by you.

The specific risks presented by a particular OTC risk management transaction necessarily depend upon the character of the specific transaction and your circumstances. In general, however, all OTC risk management transactions involve the risk of adverse or unanticipated market developments, risk of illiquidity and credit risk, and may involve other material risks. Equity risk management transactions may increase or decrease in value with a change in, among other things, stock prices and interest rates which could result in unlimited loss. In addition, you may be subject to internal operational risks in the event that appropriate internal systems and controls are not in place to monitor the various risks and funding requirements to which you are subject by virtue of your activities in the OTC risk management and related markets. OTC risk management transactions frequently are tailored to permit parties to customize transactions to accomplish complex financial and risk management objectives. Such customization can also introduce significant risk factors of a complex character.

As in any financial transaction, you must understand the requirements (including investment restrictions), if any, applicable to you that are established by your regulators or by your Board of Directors or other governing body. You should also consider the tax and accounting implications of entering into any risk management or other transaction. To the extent appropriate in light of the specific transaction and your circumstances, you should consider consulting such advisers as may be appropriate to assist you in understanding the risks involved. If you are acting in the capacity of financial adviser or agent, you must evaluate the foregoing matters in light of the circumstances applicable to your principal.

In entering into any OTC risk management transaction, you should also take into consideration that, unless you and SunTrust have established in writing an express financial advisory or other fiduciary relationship or you and SunTrust have expressly agreed in writing that you will be relying on SunTrust's recommendations as the primary basis for making your trading or investment decisions, SunTrust is acting solely in the capacity of an arm's-length contractual counterparty and not in the capacity of your financial advisor or fiduciary. In addition, SunTrust or its affiliates may from time to time have substantial long or short positions in and may make a market in or otherwise buy or sell instruments identical or economically related to the OTC risk management transaction entered into with you or may have an investment banking or other commercial relationship with the issuer of any security or financial instrument underlying an OTC risk management transaction entered into with you.

THIS BRIEF STATEMENT DOES NOT DISCLOSE ALL OF THE RISKS AND OTHER SIGNIFICANT ASPECTS OF ENTERING INTO OTC RISK MANAGEMENT TRANSACTIONS. YOU SHOULD REFRAIN FROM ENTERING INTO ANY SUCH TRANSACTION UNLESS YOU FULLY UNDERSTAND ALL SUCH RISK AND HAVE INDEPENDENTLY DETERMINED THAT THE TRANSACTION IS APPROPRIATE FOR YOU.

EXHIBIT 10q

ASSET PURCHASE AGREEMENT

This ASSET PURCHASE AGREEMENT (this "Agreement"), dated as of October 3, 2001, is made and entered into by and among BROWN & BROWN OF LEHIGH VALLEY, INC., a Pennsylvania corporation ("Buyer"); APOLLO FINANCIAL CORPORATION, a Pennsylvania corporation d/b/a AFC Insurance ("Seller"); and WILLIAM H. LEHR, a resident of the Commonwealth of Pennsylvania, and PATSY A. LEHR, a resident of the Commonwealth of Pennsylvania (each a "Shareholder" and collectively, the "Shareholders").

BACKGROUND

Seller is engaged in the insurance agency business in Bethlehem, Pennsylvania (the "Business"), and wishes to sell certain of its assets relating to such Business to Buyer. Buyer desires to acquire such assets upon the terms and conditions expressed in this Agreement. The Shareholders own all of the outstanding capital stock of Seller and is entering into this Agreement to provide certain non-competition, indemnification and other assurances to Buyer as a material inducement for Buyer to enter into this transaction.

THEREFORE, in consideration of the respective representations, warranties, covenants and agreements set forth herein, the sufficiency of which is hereby acknowledged, the parties agree as follow:

ARTICLE 1
THE ACQUISITION

Section 1.1 COVENANTS OF SALE AND PURCHASE. At the Closing (as defined in SECTION 2.1), and upon and subject to the terms and conditions of this Agreement, the parties mutually covenant and agree as follows:

(a) Seller will sell, convey and assign to Buyer all right, title and interest of Seller in and to the Acquired Assets (as defined in SECTION 1.2) free and clear of all liens, pledges, security interests, charges, restrictions or encumbrances of any nature whatsoever except as set forth in Schedule 1.1(a); and

(b) Buyer will purchase the Acquired Assets from Seller in exchange for the consideration described in SECTION 1.4.

Section 1.2 THE ACQUIRED ASSETS. In this Agreement, the phrase "Acquired Assets" means all of the assets of Seller described below:

(a) Purchased Book of Business. All of Seller's insurance agency business, including but not limited to the life, health, bond, and property and casualty insurance business (both personal and commercial lines) and renewals and expirations thereof, together with all written or otherwise recorded documentation, data or information relating to Seller's insurance agency business, whether compiled by Seller or by other agents or employees of Seller, including but not limited to: (i) lists of insurance companies and records pertaining thereto; and

(ii) customer lists, prospect lists, policy forms, and/or rating information, expiration dates, information on risk characteristics, information concerning insurance markets for large or unusual risks, and all other types of written or otherwise recorded information customarily used by Seller or available to Seller, including all other records of and pertaining to the accounts and customers of Seller, past and present, including, but not limited to, the active insurance customers of Seller, all of whom are listed on Schedule 1.2(a) (collectively, the "Purchased Book of Business").

(b) General Intangibles. All of the following intangible personal property used in connection with Seller's insurance agency business or pertaining to the Acquired Assets:

(i) all of Seller's business records necessary to enable Buyer to renew the Purchased Book of Business;

(ii) the goodwill of Seller's insurance agency business, including the name "AFC Insurance" and all derivatives thereof, and any other fictitious names and trade names that are currently in use by Seller, and all telephone listings, post office boxes, mailing addresses, and advertising signs and materials; and

(iii) any assignable non-solicitation agreements and covenants not to compete made by employees of Seller and all other assignable covenants not to compete in favor of Seller; provided, however, that Buyer and Seller agree that due to Shareholders' continuing involvement and interest in the business after the Closing Date, Seller shall retain such continuing interest in the enforcement of the assigned non-solicitation agreements and covenants not to compete as shall be necessary to the joint enforcement of such provisions referenced in SECTION 4.9.

(c) Miscellaneous Items. All other assets of Seller relating or pertaining to the Purchased Book of Business, including computer disks, server, software, databases (whether in the form of computer tapes or otherwise), related object and source codes, and associated manuals, and any other records or media of storage or programs for retrieval of information pertaining to the Purchased Book of Business, and all supplies and materials, including promotional and advertising materials, brochures, plans, supplier lists, manuals, handbooks, and related written data and information, including any customer deposits held for future due dates.

(d) Tangible Property. All items of furniture, fixtures, computers, office equipment and other tangible property used in Seller's business. To the extent that any of such items are subject to a lease as set forth in Schedule 1.2(d), Buyer will assume the lease and acquire all of Seller's right to acquire such property upon termination of the lease.

(e) Assigned Agreements. All of Seller's rights under the leases and agreements identified in Schedule 1.2(e) hereof (the "Assigned Agreements").

Section 1.3 EXCLUSIONS AND EXCEPTIONS. Seller does not agree to sell or assign, and Buyer does not agree to purchase or assume, any assets not described in SECTION 1.2 hereof. Without limiting the foregoing, Buyer shall not purchase or assume any of the following:

(a) cash in hand or in banks, certificates of deposits or any interest accrued thereon, accounts receivable, life insurance policies relating to Shareholders or proceeds thereof, money market certificates, stocks, bonds, real estate and automobiles;

(b) any contract, lease or other obligation not specifically assigned to Buyer under this Agreement;

(c) as set forth in more detail in SECTION 4.9, any duty or liability of any type whatsoever with respect to any employee or to any pension or profit sharing plan or other employee benefit;

(d) corporate minutes books and stock books;

(e) all non-transferable permits;

(f) claims for refunds of taxes and other governmental charges to the extent such refunds relate to periods ending prior to the Effective Date; or

(g) any bonus, incentive, or advance payments received by Seller in connection with the Assigned Agreements (except with respect to any contingent commissions as set forth in SECTION 1.5).

Section 1.4 PURCHASE PRICE. (a) The purchase price for the Acquired Assets (the "Purchase Price") shall be equal to the sum of (i) $1,405,542.00, which equals (A) one and one-half (1.5) times (B) the Core Revenue (as defined herein) received by Seller from the Purchased Book of Business in the twelve-month period ended September 30, 2001 ("2001 Core Revenue"), plus (ii) an amount equal to seventy-five one-hundredths (0.75) times the excess of Operating Profit (as defined herein), if any, received by Buyer from the Purchased Book of Business in the twelve-month period ending December 31, 2002, over a base amount equal to $234,257.00 (the "Base Amount"), which Base Amount the parties agree equals twenty-five percent (25%) of 2001 Core Revenue.

(b) As used herein, the term:

(i) "Core Revenue" means commission revenue net of any commissions paid to any third party producing agent or agency, or to any third party broker (plus as interest income equal to one percent (1%) of such actual commission revenue), but shall not include contingent commissions, override commissions, first year life insurance commissions or any income item (such as countersignature fees) other than earned commissions and fees earned in lieu of commissions. Revenues generated from any one account shall not be included more than once in any twelve-month period in determining Core Revenue for such period. Core Revenue will be determined in accordance with generally accepted accounting principles. Specifically, direct bill revenue is recognized when received (cash basis) and agency bill revenue is recognized on the later of the effective date of the policy installment or the date the installment is billed to the customer; and

(ii) "Operating Profit" shall mean the excess of revenues over expenses, determined in accordance with generally accepted accounting principles and the usual methods and conventions of accounting used by Buyer. Among other things, direct bill commission revenue shall be deemed to be earned on the cash method and agency bill commission income shall be deemed to be earned on the later of the effective date of the policy or policy billing date. Expenses shall include all standard corporate charges of Buyer, including an overhead charge based on net retained revenues (which shall be set at four percent (4.0%) for purposes of determining the Purchase Price), charges for insurance coverages, the profit center bonus for the applicable period, and charges for accounts receivable aged over fifty-nine (59) days pursuant to Buyer's bad debt policy, but shall not include income taxes or amortization.

(c) Subject to SECTION 1.4(D), the Purchase Price will be paid to Seller as follows: (i) $1,124,000.00, which equals ninety percent (90%) of the portion of the Purchase Price set forth in SECTION 1.4(A)(I), shall be paid to Seller on the Closing Date; and (ii) $140,554.00, representing the remaining portion of the Purchase Price under SECTION 1.4(A)(I) (the "Holdback Amount") plus the remaining portion of the Purchase Price under SECTION 1.4(A)(II), will be paid to Seller on or before January 31, 2003. At Seller's request, Buyer shall provide Seller with complete financial records in order to permit Seller to confirm the amount of the Purchase Price amount payable under clause (II) above.

(d) In accordance with ARTICLE 7 hereof, the Holdback Amount shall be delivered by Buyer at Closing to Fitzpatrick Lentz & Bubba, P.C., which shall act as escrow agent. The Holdback Amount and the remaining portion of the Purchase Price under SECTION 1.4(A)(II) shall each be subject to reduction by Buyer to offset any obligations of Seller and the Shareholders under the indemnification provisions contained in ARTICLE 6 hereof. Satisfaction of any indemnity obligations from the deferred portion of the Purchase Price shall not operate to waive the indemnification obligations of Seller and the Shareholders contained in ARTICLE 6 for damages incurred by Buyer in excess of such amounts; provided, however, that the Holdback Amount shall be credited against the total aggregate liability of Seller and the Shareholders referred to in SECTION 6.6 hereof.

(e) For federal and state income tax purposes, the parties agree to allocate the Purchase Price as follows: (i) $75,000.00 of the Purchase Price shall be allocated to the tangible property described in SECTION 1.2(D); (ii) $10,000.00 shall be allocated to the covenants of Seller, $10,000.00 shall be allocated to the covenants of Shareholder William H. Lehr, and $30,000.00 shall be allocated to the covenants of Shareholder Patsy A. Lehr, contained in SECTION 4.2 hereof, and (iii) the remainder of the Purchase Price shall be allocated to the Purchased Book of Business and related goodwill. The parties shall execute corresponding IRS Form 8594s at Closing to confirm the allocation of the Purchase Price.

Section 1.5 COMMISSIONS COLLECTED. All commissions on installments of agency bill policies with an effective date prior to October 1, 2001 (the "Effective Date") and actually billed prior to such date shall be the property of Seller and those billed or effective on or after the Effective Date shall be the property of Buyer, regardless of when actually received. All commissions on direct bill policies actually received by Seller from insurance carriers before the

Effective Date shall be the property of Seller and those actually received from insurance carriers on or after the Effective Date shall be the property of Buyer, regardless of when billed by the insurance carrier. Buyer shall be entitled to all contingent commissions and/or override commissions received on or after the Effective Date, regardless of when earned. All additional or return commissions as a result of audits actually received before the Closing shall be the property or the responsibility of Seller, whether credit or debit, and regardless of effective date, and those actually received on or after the Closing shall be the property or responsibility of Buyer, whether credit or debit, and regardless of effective date.

Section 1.6 NO ASSUMED LIABILITIES. Except for the ongoing obligation to service the Purchased Book of Business or any obligation otherwise expressly assumed hereunder, Buyer shall not assume or be deemed to have assumed any liability or obligation of Seller whatsoever.

ARTICLE 2
CLOSING, ITEMS TO BE DELIVERED, FURTHER ASSURANCES, AND EFFECTIVE DATE

Section 2.1 CLOSING. The consummation of the purchase and sale of assets under this Agreement (the "Closing") will take place at 9 a.m., local time, on October 3, 2001 (the "Closing Date"), at the offices of Fitzpatrick Lentz & Bubba, P.C., located at 4001 Schoolhouse Lane, Center Valley, Pennsylvania, unless another date or place is agreed to in writing by the parties hereto.

Section 2.2 CONVEYANCE AND DELIVERY BY SELLER. On the Closing Date, Seller will surrender and deliver possession of the Acquired Assets to Buyer and take such steps as may be required to put Buyer in actual possession and operating control of the Acquired Assets, and in addition shall deliver to Buyer such bills of sale and assignments and other good and sufficient instruments and documents of conveyance, in form reasonably satisfactory to Buyer, as shall be necessary and effective to transfer and assign to, and vest in, Buyer all of Seller's right, title, and interest in and to the Acquired Assets free and clear of any lien, charge, pledge, security interest, restriction or encumbrance of any kind (except as set forth in Schedule 1.1(a). Without limiting the generality of the foregoing, at the Closing, Seller shall deliver to Buyer:

(a) a Bill of Sale and Assignment, substantially in the form of Exhibit 2.2(a), executed by Seller (the "Bill of Sale");

(b) an Assignment and Assumption Agreement, substantially in the form of Exhibit 2.2(b), with respect to the Assigned Agreements, executed by Seller (the "Assignment and Assumption Agreement");

(c) duly adopted resolutions of Seller's Board of Directors satisfactory to Buyer in its reasonable discretion: (i) approving a plan of asset transfer (the "Plan of Asset Transfer") and proposing same to the Shareholders for their consideration and adoption, in accordance with Section 1932(b) of the Pennsylvania Business Corporation Law (the "PBCL"); (ii) terminating Seller's Employee Benefit Plans; and (iii) directing the Seller's 401(k) Plan's Trustee to apply for a determination letter from the Internal Revenue Service with respect to the termination of the

401(k) Plan and to submit a Notice of Intent to Terminate to all participants and beneficiaries under 401(k) Plan (the "Seller's Board Resolutions"); and

(d) duly adopted resolutions of the Shareholders, adopting the Plan of Asset Transfer in accordance with Section 1932(b) of the PBCL (the "Shareholder Resolutions").

Section 2.3 DELIVERY BY BUYER. On the Closing Date, Buyer will deliver to Seller:

(a) a wire transfer of immediately available funds to one or more accounts designated in writing by Seller for the amount required to be delivered at Closing pursuant to SECTION 1.4(B) hereof;

(b) the Assignment and Assumption Agreement, executed by Buyer;

(c) a Promissory Note, substantially in the form of Exhibit 2.3(c), with respect to the Holdback Amount, executed by Buyer (the "Promissory Note"); and

(d) duly adopted resolutions of Buyer's Board of Directors, satisfactory to Seller in its reasonable discretion, approving the transactions contemplated herein and Buyer's obligations under this Agreement.

Section 2.4 MUTUAL PERFORMANCE. At the Closing, the parties shall also deliver to each other the agreements and other documents referred to in ARTICLE 4 hereof.

Section 2.5 FURTHER ASSURANCES. From time to time after the Closing, at Buyer's request, Seller will execute, acknowledge and deliver to Buyer such other instruments of conveyance and transfer and will take such other actions and execute and deliver such other documents, certifications and further assurances as Buyer may reasonably request in order to vest more effectively in Buyer, or to put Buyer more fully in possession of, any of the Acquired Assets. Each of the parties hereto will cooperate with the others and execute and deliver to the other parties such other instruments and documents and take such other actions as may be reasonably requested from time to time by any other party hereto as necessary to carry out, evidence and confirm the intended purposes of this Agreement.

Section 2.6 EFFECTIVE DATE. The Effective Date of this Agreement and all related instruments executed at the Closing shall be October 1, 2001 unless otherwise specified. Notwithstanding the foregoing, Seller shall retain the risk of loss for errors and omissions committed up until the Closing Date.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES

I. Seller and the Shareholders, jointly and severally when and where applicable, represent and warrant to Buyer as follows:

Section 3.1 ORGANIZATION. Seller is a corporation organized and in good standing under the laws of the Commonwealth of Pennsylvania and its status is active. Seller has all requisite corporate power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted. Seller is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the conduct of its insurance agency business requires it to be so qualified.

Section 3.2 CAPITALIZATION. The Shareholders own and hold all of the outstanding shares of capital stock of Seller and there are no outstanding options or rights to acquire additional shares of capital stock of Seller.

Section 3.3 AUTHORITY. Seller has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of Seller. This Agreement has been, and the other agreements, documents and instruments required to be delivered by Seller in accordance with the provisions hereof (collectively, the "Seller's Documents") will be, duly executed and delivered by duly authorized officers of Seller on behalf of Seller, and this Agreement constitutes, and the Seller's Documents when executed and delivered will constitute, the legal, valid and binding obligations of Seller, enforceable against Seller in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization or similar laws from time to time in effect relating to or affecting the enforcement of creditors' rights generally and general equitable principles.

Section 3.4 CONSENTS AND APPROVALS; NO VIOLATIONS. Neither the execution, delivery or performance of this Agreement by Seller nor the consummation by it of the transactions contemplated hereby nor compliance by it with any of the provisions hereof will (a) conflict with or result in any breach of any provision of its Articles of Incorporation or Bylaws, (b) require any filing with, or permit, authorization, consent or approval of, any court, arbitral tribunal, administrative agency or commission, or other governmental or other regulatory authority or agency (each a "Governmental Entity"), or (c) except with respect to any consents which may be required pursuant to the Assigned Agreements (other than Seller's agreement with Kempes or the addendum regarding Seller to the agreement between the St. Paul Company and Henry S. Lehr, Inc., each for which such consent has been obtained prior to Closing) result in a violation or breach of, or constitute a default under, any of the terms, conditions or provisions of any agreement or other instrument or obligation to which Seller is a party or by which Seller or any of its properties or assets may be bound.

Section 3.5 NO THIRD PARTY OPTIONS. There are no existing agreements, options, commitments, or rights with, of or to any person to acquire any of Seller's securities, assets, properties or rights included in the Acquired Assets or any interest therein.

Section 3.6 FINANCIAL STATEMENTS. Seller has delivered to Buyer true and complete copies of (a) its balance sheet at September 30, 2000 and the related statement of income for the fiscal year then ended (the "2000 Financial Statements"), and (b) its balance sheet at August 31, 2001 (the "Balance Sheet Date") and the related statement of income for the eleven (11) months then ended (the "Interim Financial Statements"). The 2000 Financial Statements were prepared

in accordance with generally accepted accounting principles and the Interim Financial Statements were prepared in accordance with Seller's standard internal accounting methodology, in each case consistently applied throughout the periods involved (subject, in the case of the Interim Financial Statements, to normal recurring audit adjustments). Such balance sheets fairly present the consolidated financial position, assets, and liabilities (whether accrued, absolute, contingent or otherwise) of Seller at the dates indicated and such statements of income fairly present the results of operations for the periods then ended. Seller's financial books and records are accurate and complete in all material respects. Except as set forth in Schedule 3.6, Seller has not guaranteed any premium financing on behalf of its customers.

Section 3.7 ORDINARY COURSE OF BUSINESS. Since the Balance Sheet Date, Seller has carried on business in the usual, regular and ordinary course in substantially the manner heretofore conducted and has taken no unusual actions in contemplation of this transaction, except with the consent of Buyer. Since the Balance Sheet Date, there have been no events or changes having an adverse effect on Seller or the Acquired Assets. All of Seller's accounts payable, including accounts payable to insurance carriers, are current and reflected properly on its books and records, and will be paid in accordance with their terms at their recorded amounts.

Section 3.8 ASSETS. (a) Except as set forth in Schedule 1.1(a), Seller owns and holds, free and clear of any lien, charge, pledge, security interest, restriction, encumbrance or third-party interest of any kind whatsoever (including insurance company payables), sole and exclusive right, title and interest in and to the Acquired Assets, including but not limited to the customer expiration records for those customers listed in Schedule 1.2(a), together with the exclusive right to use such records and all customer accounts, copies of insurance policies and contracts in force and all files, invoices and records pertaining to the customers, their contracts and insurance policies, and all other information comprising the Purchased Book of Business. Seller has not received notice that any of the accounts listed in Schedule 1.2(a) has canceled or non-renewed or intends to cancel or non-renew. Schedule 1.2(a) also shows the revenue received by Seller from each of its appointed carriers in the twelve-month period ended September 30, 2001. None of the accounts shown in Schedule 1.2(a) represents business that has been brokered through a third party.

(b) The name "AFC Insurance" is the only trade name used by Seller within the past three (3) years. No party has filed a claim during the past three (3) years against Seller alleging that it has violated, infringed on or otherwise improperly used the intellectual property rights of such party, or, if so, the claim has been settled with no existing liability to Seller and, to the Knowledge of Seller and the Shareholders (as defined in SECTION 7.3 hereof), Seller has not violated or infringed any trademark, trade name, service mark, service name, patent, copyright or trade secret held by others.

(c) Schedule 3.8 lists all material contracts, agreements and other written or verbal arrangements to which Seller is a party, including, but not limited to, (i) any employment, non-compete, confidentiality or non-solicitation agreement to which Seller or either of the Shareholders is a party, (ii) any agreement relating to the purchase or sale of assets by Seller within the past five (5) years, (iii) any agreement between Seller and either of the Shareholders or between Seller and any officer, director or affiliate of Seller, and (iv) any other contract or agreement not entered into in the ordinary course of business. Seller has delivered true and

complete copies of each such agreement to Buyer and, in the case of unwritten agreements, a true and complete summary of such arrangements. The parties to all such agreements are in compliance with the terms thereof.

(d) To the Knowledge of Seller and the Shareholders, Seller's computer software included in the Acquired Assets performs in accordance with the documentation and other written material used in connection therewith, and is free of defects in programming and operation. Seller has delivered to Buyer copies of all user and technical documentation related to such software available to Seller.

Section 3.9 LITIGATION AND CLAIMS. Except as disclosed in Schedule 3.9, there is no suit, claim, action, proceeding or investigation pending or, to the Knowledge of Seller and the Shareholders, threatened against Seller and, to the Knowledge of Seller and the Shareholders, no circumstances exist that could reasonably form a basis for such a suit, claim, action, proceeding or investigation to be initiated or threatened. Seller is not subject to any outstanding order, writ, injunction or decree which, insofar as can be reasonably foreseen, individually or in the aggregate, in the future would have an adverse effect on Seller or the Acquired Assets or would prevent Seller from consummating the transactions contemplated hereby. No voluntary or involuntary petition in bankruptcy, receivership, insolvency or reorganization with respect to Seller, or petition to appoint a receiver or trustee of Seller's property, has been filed by or against Seller, nor will Seller file such a petition prior to the Closing Date or for one hundred (100) days thereafter, and if such petition is filed by others, the same will be promptly discharged. Seller has not made any assignment for the benefit of creditors or admitted in writing insolvency or that its property at fair valuation will not be sufficient to pay its debts, nor will Seller permit any judgment, execution, attachment or levy against it or its properties to remain outstanding or unsatisfied for more than ten (10) days. Seller shall not become insolvent as a result of consummating the transactions contemplated by this Agreement.

Section 3.10 COMPLIANCE WITH APPLICABLE LAW. To the Knowledge of Seller and the Shareholders, Seller holds all permits, licenses, variances, exemptions, orders and approvals of all Governmental Entities necessary for the lawful conduct of the insurance agency business (collectively, the "Permits"), and Seller is in compliance with the terms of the Permits. To the Knowledge of Seller and the Shareholders, the business of Seller is not being conducted in violation of any law, ordinance or regulation of any Governmental Entity (including, without limitation, the Gramm-Leach-Bliley Financial Services Modernization Act of 1999 and any applicable federal or state regulations promulgated pursuant thereto), except for possible violations that individually or in the aggregate do not, and, insofar as reasonably can be foreseen, in the future will not, have an adverse effect on its business. As of the date of this Agreement, no investigation or review by any Governmental Entity with respect to Seller is pending or, to the Knowledge of Seller and the Shareholders, threatened.

Section 3.11 TAX RETURNS AND AUDITS. Seller has timely filed all federal, state, local and foreign tax returns, including all amended returns, in each jurisdiction where Seller is required to do so or has paid or made provision for the payment of any penalty or interests arising from the late filing of any such return, has correctly reflected all taxes required to be shown thereon, and has fully paid or made adequate provision for the payment of all taxes that have been incurred or are due and payable pursuant to such returns or pursuant to any assessment with respect to taxes in such jurisdictions, whether or not in connection with such returns. Seller has not received any notice that

it is or may become subject to any audits with respect to any federal, state, local or foreign tax returns required to be filed, and there are no unresolved audit issues with respect to prior years' tax returns. To the Knowledge of Seller and the Shareholders, there are no circumstances or pending questions relating to potential tax liabilities nor claims asserted for taxes or assessments of Seller that, if adversely determined, could result in a tax liability that would have a material adverse effect on Seller or the Acquired Assets for any period. Seller has not executed an extension or waiver of any statute of limitations on the assessment or collection of any tax due that is currently in effect. Seller is not holding any unclaimed property that it is required to surrender to any state taxing authority including, without limitation, any uncashed checks or unclaimed wages, and Seller has timely filed all unclaimed property reports required to be filed with such state taxing authorities. Seller does not purge its records of uncashed checks periodically.

Section 3.12 NON-SOLICITATION COVENANTS. Except as set forth in Schedule 3.12, Neither Seller nor either of the Shareholders is a party to any agreement that restricts Seller's or the Shareholder's ability to compete in the insurance agency industry or solicit specific insurance accounts.

Section 3.13 ERRORS AND OMISSIONS; EMPLOYMENT PRACTICES LIABILITY. Except as set forth in Schedule 3.13, Seller has not incurred any liability or taken or failed to take any action that may reasonably be expected to result in (a) a liability for errors or omissions in the conduct of its insurance business or (b) employment practices liability (EPL), except such liabilities as are fully covered by insurance. All errors and omissions (E&O) and EPL lawsuits and claims currently pending or threatened against Seller are set forth in Schedule 3.13. Seller has E&O insurance coverage in force, with minimum liability limits of $5 million per claim and $6 million aggregate, with a deductible of $10,000.00 per claim and $30,000.00 aggregate, and the Shareholders will provide to Buyer a certificate of insurance evidencing such coverage prior to or on the Closing Date. Seller has EPL insurance coverage in force, with minimum liability limits of $1 million per claim and $1 million aggregate, with a deductible of $2,500.00 per claim, and the Shareholders will provide to Buyer a certificate of insurance evidencing such coverage prior to or on the Closing Date. Seller has had the same or higher levels of E&O and EPL coverage continuously in effect for at least the past five (5) years.

Section 3.14 EMPLOYEE DISHONESTY COVERAGE. Schedule 3.14 sets forth a complete and correct list of all employee dishonesty bonds or policies, including the respective limits thereof, held by Seller in the three (3) year period prior to the Closing Date, and true and complete copies of such bonds or policies have been delivered to Buyer. Seller has complied with all the provisions of such bonds or policies and Seller has an employee dishonesty bond or policy in full force and effect as of the Closing Date.

Section 3.15 NO MISREPRESENTATIONS. None of the representations and warranties of Seller and the Shareholders set forth in this Agreement or in the attached Schedules, notwithstanding any investigation thereof by Buyer, contains any untrue statement of a material fact, or omits the statement of any material fact necessary to render the statements made not misleading.

II. Buyer represents and warrants to Seller and the Shareholders as follows:

Section 3.16 ORGANIZATION. Buyer is a corporation organized and in good standing under the laws of the Commonwealth of Pennsylvania and its status is active. Buyer has all requisite corporate power and authority and all necessary governmental approvals to own, lease and operate its properties and to carry on its business as now being conducted. Buyer is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction where the conduct of its insurance agency business requires it to be so qualified.

Section 3.17 AUTHORITY. Buyer has the requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on the part of Buyer. This Agreement has been, and the other agreements, documents and instruments required to be delivered by Buyer in accordance with the provisions hereof (collectively, the "Buyer's Documents") will be, duly executed and delivered by duly authorized officers of Buyer on behalf of Buyer, and this Agreement constitutes, and the Buyer's Documents when executed and delivered will constitute, the legal, valid and binding obligations of Buyer, enforceable against Buyer in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganization or similar laws from time to time in effect relating to or affecting the enforcement of creditors' rights generally and general equitable principles.

Section 3.18 CONSENTS AND APPROVALS; NO VIOLATIONS. Neither the execution, delivery or performance of this Agreement by Buyer nor the consummation by it of the transactions contemplated hereby nor compliance by it with any of the provisions hereof will (a) conflict with or result in any breach of any provision of its Articles of Incorporation or Bylaws, (b) require any filing with, or permit, authorization, consent or approval of, any court, arbitral tribunal, administrative agency or commission, or other governmental or other regulatory authority or agency (each a "Governmental Entity"), or (c) result in a violation or breach of, or constitute a default under, any of the terms, conditions or provisions of any agreement or other instrument or obligation to which Buyer is a party or by which Buyer or any of its properties or assets may be bound.

Section 3.19 NO MISREPRESENTATIONS. None of the representations and warranties of Buyer set forth in this Agreement, notwithstanding any investigation thereof by Seller or the Shareholders, contains any untrue statement of a material fact, or omits the statement of any material fact necessary to render the statements made not misleading.

ARTICLE 4
ADDITIONAL AGREEMENTS

Section 4.1 BROKERS OR FINDERS. Each of the parties represents, as to itself, its subsidiaries and its affiliates, that no agent, broker, investment banker, financial advisor, or other firm or person is or will be entitled to any broker's or finder's fee or any other commission or similar fee in connection with any of the transactions contemplated by this Agreement except Berwind Financial, L.P. (any commissions or fees payable to which shall be the sole responsibility of Seller), and each of the parties agrees to indemnify and hold the others harmless from and against any and all claims, liabilities, or obligations with respect to any fees, commissions, or expenses asserted by

any person on the basis of any act or statement alleged to have been made by such party or its affiliate.

Section 4.2 NON-COMPETITION COVENANTS. (a) Subject to SECTION 5.1(C), Seller and the Shareholders each agree that it, he or she, as the case may be shall not, for a period of five (5) years beginning on the Closing Date, engage in, or be or become the owner of an equity interest in, or otherwise consult with, be employed by, or participate in the business of, any entity (other than Buyer) engaged in the insurance agency business within a fifty (50)-mile radius of Bethlehem, Pennsylvania. Without limiting the foregoing, Seller and the Shareholders shall not, during such five-year period, (i) solicit, divert, accept business from, nor service, directly or indirectly, as insurance solicitor, insurance agent, insurance broker or otherwise, for his or her account or the account of any other agent, broker, or insurer, either as owner, shareholder, promoter, employee, consultant, manager or otherwise, any account that is part of the Purchased Book of Business or any insurance account then serviced by Buyer, or (ii) hire or directly or indirectly solicit any employees of Buyer or its affiliates to work for Seller, the Shareholders or any of their affiliates, or any company that competes with Buyer or its affiliates. The Shareholders acknowledge that the non-solicitation covenants contained in any employment agreement he or she may enter into with Buyer will be in addition to, and will not supersede or be subordinate to, the non-competition and non-solicitation covenants contained in this SECTION 4.2.

(b) Notwithstanding anything in this Agreement to the contrary, the covenants set forth in this SECTION 4.2 shall not be held invalid or unenforceable because of the scope of the territory or actions subject hereto or restricted hereby, or the period of time within which such covenants are imperative; but the maximum territory, the actions subject to such covenants, and the period of time in which such covenants are enforceable, respectively, are subject to determination by a final judgment of any court which had jurisdiction over the parties and subject matter.

Section 4.3 REMEDY FOR BREACH OF COVENANTS. In the event of a breach of the provisions of SECTION 4.2, Buyer shall be entitled to injunctive relief as well as any other applicable remedies at law or in equity. Should a court of competent jurisdiction declare any of the covenants set forth in SECTION 4.2 unenforceable due to a unreasonable restriction, duration, geographical area or otherwise, the parties agree that such court shall be empowered and shall grant Buyer or its affiliates injunctive relief to the extent reasonably necessary to protect their respective interests. Seller and the Shareholders acknowledge that the covenants set forth in SECTION 4.2 represent an important element of the value of the Acquired Assets and were a material inducement for Buyer to enter into this Agreement.

Section 4.4 SUCCESSOR RIGHTS. The covenants contained in SECTION 4.2 shall inure to the benefit of any successor in interest of Buyer by way of merger, consolidation, sale or other succession.

Section 4.5 ERRORS AND OMISSIONS, EMPLOYMENT PRACTICES LIABILITY, AND EMPLOYEE DISHONESTY EXTENDING REPORTING ("TAIL") COVERAGE. On or prior to the Closing Date, the Shareholders shall cause Seller to purchase, at Seller's expense, a tail coverage extension on each

of Seller's errors and omissions (E&O), employment practices liability (EPL), and employee dishonesty insurance policy (or employee dishonesty bond, as the case may be). Such coverages shall extend for a period of at least five (5) years from the Closing Date, shall have the same coverages and deductibles currently in effect, and shall otherwise be in form reasonably acceptable to Buyer. A certificate of insurance evidencing each such coverage shall be delivered to Buyer at or prior to Closing.

Section 4.6 EXPENSES. Whether or not the transaction contemplated by this Agreement is consummated, all costs and expenses incurred in connection with this Agreement and the transaction contemplated hereby shall be paid by the party incurring such expenses.

Section 4.7 CONFIDENTIALITY. The parties each agree to maintain the terms of this Agreement, including the consideration payable by Buyer, in strict confidence and shall not disclose such terms to any third party without the prior written consent of Buyer, unless required to do so by law (including, without limitation, applicable securities laws). Notwithstanding the foregoing, Seller and the Shareholders acknowledge and agree that promptly after the Closing, Buyer shall issue a press release, a copy of which shall have been provided by Buyer to Seller and the Shareholders within a reasonable amount of time in advance for their review and reasonable comment, which press release shall, among other things, set forth Seller's estimated commission revenue for the twelve-month period prior to Closing.

Section 4.8 TERMINATION OF EMPLOYEES; REIMBURSEMENT OF BUSINESS EXPENSES AND SEGREGATION OF REVENUES AFTER EFFECTIVE DATE. (a) Except as otherwise provided in SECTION 4.8(B) below, Seller shall terminate the employment of all of Seller's employees, effective as of the Effective Date. Seller shall be responsible for all payments, unless such payments are the responsibility of a third party (i.e., insurer), to all of Seller's employees (whether or not terminated as of the Effective Date) for, and liabilities associated with, all employee benefits and Employee Benefit Plans including, but not limited to, vacation, bonuses, and sick leave benefits, accruing prior to the Effective Date.

(b) With respect to those employees who are employed by Seller pursuant to a written employment agreement ("Contract Employees"), all of which agreements are attached hereto collectively as Schedule 4.8(b), Seller shall not terminate their employment as of the Effective Date. With respect to such Contract Employees:

(i) Seller and Buyer shall, at least two (2) days prior to the scheduled Closing Date, jointly meet with each of the Contract Employees and shall advise him/her that the employment agreements between Seller and its Contract Employees will be assigned to Buyer as of the Closing Date. The Notice attached hereto as Schedule 4.8(b)(i) shall be presented to the Contract Employees by Buyer and Seller at such meetings, and the Contract Employees shall be requested to sign the standard Brown & Brown employment agreement which shall be attached to the Notice and is attached hereto as Schedule 4.8(b)(i). The standard Brown & Brown employment agreement shall replace and supersede the Contract Employees' current employment agreement with Seller but will provide that the Contract Employees' commission schedule in effect as of the Closing Date shall remain in effect through December 31, 2001.

(ii) In the event any of the Contract Employees refuses to enter into the standard Brown & Brown employment agreement on or before the close of business on October 19, 2001, such employees shall be considered to have immediately voluntarily resigned from their employment with Seller without cause ("Resigning Employees"). Seller shall indemnify and hold Buyer harmless from and against any Adverse Consequences, as defined in SECTION 6.2(B), that Buyer may suffer or incur arising out of or relating to claims by the Resigning Employees, or any of them, for severance payments and/or payments in lieu of notice under their respective employment agreements with Seller.

(c) Buyer shall reimburse Seller for all wage and employee benefit payments and other normal and customary business expenses made or incurred by Seller after the Effective Date; provided, however, that on and after the Closing Date, Seller shall segregate, hold in trust in a separate account, and promptly pay over to Buyer all commissions and fees that are the property of Buyer pursuant to SECTION 1.5 hereof. Buyer shall be responsible, as of the Effective Date, for any wages and employee benefits under Buyer's existing plans and policies for any employee of Seller, whether or not a Contract Employee, who accepts an offer of employment with Buyer by entering into Buyer's standard employment agreement.

Section 4.9 ENFORCEMENT OF ASSIGNED EMPLOYMENT AGREEMENTS. In the event that a Resigning Employee whose employment agreement with Seller was assigned to Buyer under SECTION 1.2 hereof, (i) materially breaches any of the post-termination covenants under his or her employment agreement with Seller, Seller and the Shareholders shall cooperate with Buyer in enforcing the terms of such agreement assigned to Buyer and shall join in any legal or equitable proceedings (to the extent permitted under applicable law) instituted by Buyer for such purpose, the legal fees and costs of any such proceedings to be borne by Seller.

Section 4.10 CORPORATE NAME. Promptly after the Closing, Seller agrees to cease all use of the name "Apollo Financial Corporation" or any derivative thereof and will, no later than five (5) business days after the Closing Date, file an amendment to its Articles of Incorporation, changing its corporate name to a new name that bear no resemblance to its current name.

ARTICLE 5
CONDITIONS

Section 5.1 CONDITIONS TO EACH PARTY'S OBLIGATION. The respective obligations of each party to effect the transactions contemplated by this Agreement shall be subject to the satisfaction prior to or on the Closing Date of the following conditions:

(a) All authorizations, consents, orders, or approvals of, or declarations or filings with, or expirations of waiting periods imposed by, any Governmental Entity, the failure to obtain which would have a material adverse effect on the Business or the Acquired Assets after the Closing, shall have been filed, occurred, or been obtained;

(b) No temporary restraining order, preliminary or permanent injunction, or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the transaction shall be in effect; and

(c) The obligations of the parties to effect the transactions contemplated by this Agreement are subject to the simultaneous sale of the assets of Henry S. Lehr, Inc. to Buyer or its affiliates.

Section 5.2 CONDITIONS TO OBLIGATIONS OF BUYER. The obligation of Buyer to effect the transactions contemplated by this Agreement is subject to the satisfaction of the following conditions, unless waived by Buyer:

(a) The representations and warranties of Seller and the Shareholders set forth in this Agreement shall be true and correct in all material respects as of the Closing Date;

(b) Seller and the Shareholders shall have performed in all material respects all obligations required to be performed by them under this Agreement at or prior to the Closing Date;

(c) Buyer shall be satisfied, in its sole discretion, with the results of its due diligence investigation of Seller's business and records;

(d) Seller shall have delivered the Bill of Sale to Buyer;

(e) Seller shall have delivered the Assignment and Assumption Agreement to Buyer;

(f) Seller shall have delivered the Shareholder Employment Agreement to Buyer;

(g) Subject to SECTION 4.9, Seller shall have delivered the Staff Employment Agreements to Buyer;

(h) Seller shall have delivered to Buyer a copy of Seller's Board Resolutions;

(i) Seller shall have delivered to Buyer a copy of the Shareholder Resolutions, along with a copy of the Plan of Asset Transfer adopted by the Shareholders;

(j) Seller shall have delivered evidence to Buyer, satisfactory to Buyer in its sole discretion, of a Certificate of Insurance regarding the errors and omissions tail coverage required under SECTION 4.5 hereof;

(k) All liens, judgments, and other encumbrances on the Acquired Assets shall have been satisfied and released prior to Closing;

(l) Buyer shall be satisfied in its sole discretion that Kempes and The St. Paul Company are willing to appoint Buyer as their agent as of the Closing Date;

(m) The Acquisition Committee and the Board of Directors of Buyer's parent company, Brown & Brown, Inc., shall have approved this Agreement and the transactions contemplated herein; and

(n) There shall have been no material adverse change to the Business, Acquired Assets, or financial condition of Seller since the Balance Sheet Date.

Section 5.3 CONDITIONS TO OBLIGATION OF SELLER AND THE SHAREHOLDERS. The obligation of Seller and the Shareholders to effect the transactions contemplated by this Agreement are subject to the satisfaction of the following conditions, unless waived by Seller and the Shareholders:

(a) The representations and warranties of Buyer set forth in this Agreement shall be true and correct in all material respects as of the Closing Date;

(b) Buyer shall have performed in all material respects all obligations required to be performed by it under this Agreement at or prior to the Closing Date;

(c) Buyer shall have executed and delivered the Assignment and Assumption Agreement to Seller;

(d) Buyer shall have executed and delivered the Promissory Note to Seller; and

(e) Buyer shall have delivered to Seller and the Shareholders certified Resolutions of Buyer's Board of Directors.

ARTICLE 6
INDEMNIFICATION

Section 6.1 SURVIVAL OF REPRESENTATIONS, WARRANTIES, INDEMNITIES AND COVENANTS. (a) Subject to SECTION 6.1(B) and unless otherwise set forth in this Agreement, the representations, warranties and indemnities set forth in this Agreement shall survive for a period of two (2) years from the Closing Date. All post-closing covenants shall survive the Closing for the period(s) specified in this Agreement or, if not specified, for a period of two (2) years following the Closing Date. If a party has received notice of a potential breach of a representation, covenant or warranty, or the occurrence of an otherwise potentially-indemnifiable event under this Agreement within such two-year period, such party may preserve its right to assert a later claim for damages arising from such breach or event by delivering notice of same to the other party within the two-year period.

(b) Notwithstanding anything set forth in SECTION 6.1(A), all representations, warranties, covenants and indemnities in connection with SECTION 4.7 or any tax liabilities shall survive in perpetuity, subject to applicable statutes of limitations.

Section 6.2 Indemnification Provisions for the Benefit of Buyer. Subject to Section 6.4:

(a) To the extent that any Resigning Employee (as defined in SECTION 4.8(B)(I)) diverts in direct contravention of such Resigning Employee's employment agreement with Seller being assigned to Buyer hereunder, on or before the one-year anniversary of the Closing Date, any line of coverage which is part of any account comprising the Purchased Book of Business, Buyer shall be paid by Seller and the Shareholders (which obligations shall be joint and several) an amount equal to (i) 1.5 times (ii) the aggregate annualized policy commissions on such diverted lines of coverage.

(b) Seller and the Shareholders agree, jointly and severally, to indemnify and hold Buyer and its officers, directors, and affiliates harmless from and against any Adverse Consequences (as defined below) that any of such parties may suffer or incur resulting from, arising out of, relating to, or caused by (i) the breach of any of Seller's or the Shareholders' representations, warranties, obligations or covenants contained herein, or (ii) the operation of the Business or ownership of the Acquired Assets by Seller on or prior to the Closing, including, without limitation, any claims or lawsuits based on conduct of Seller or the Shareholders occurring before the Closing. For purposes of this ARTICLE 6, the phrase "Adverse Consequences" means all charges, complaints, actions, suits, proceedings, hearings, investigations, claims, demands, judgments, orders, decrees, stipulations, injunctions, damages, dues, penalties, fines, costs, amounts paid in settlement, liabilities (whether known or unknown, whether absolute or contingent, whether liquidated or unliquidated, and whether due or to become due), obligations, taxes, liens, losses, expenses, and fees, including all attorneys' fees and court costs.

(c) In addition to and without limiting SECTION 6.2(A) or (B), Seller and the Shareholders agree, from and after the Closing, to jointly and severally indemnify Buyer from and against the entirety of any Adverse Consequences Buyer may suffer resulting from, arising out of, relating to, in the nature of, or caused by:

(i) any liability or obligation of Seller that is not assumed hereunder (including any liability of Seller that becomes a liability of Buyer under any bulk transfer law of any jurisdiction, under any common law doctrine of de facto merger or successor liability, or otherwise by operation of law); or

(ii) any liability of Seller for the unpaid taxes of any person or entity (including Seller) under United States Treasury Regulation ss. 1.1502-6 (or any similar provision of state, local, or foreign law), as a transferee or successor, by contract, or otherwise.

Section 6.3 INDEMNIFICATION PROVISIONS FOR THE BENEFIT OF SELLER AND THE SHAREHOLDERS. Subject to SECTION 6.4, Buyer agrees to indemnify and hold Seller, the Shareholders and their respective officers, directors, shareholders and affiliates harmless from and against any Adverse Consequences that any of such parties may suffer or incur resulting from, arising out of, relating to, or caused by (a) the breach of any of Buyer's representations, warranties, obligations or covenants contained herein, or (b) the operation of the Business or ownership of the Acquired Assets by Buyer after the Closing, including, without limitation, any claims or lawsuits based on conduct of Buyer occurring after the Closing.

Section 6.4 LIMITATION OF LIABILITY. (a) No indemnification by either party under SECTION 6.2 or 6.3 shall be required to be made:

(i) with respect to any claim for indemnification by a party ("Indemnitee") as to which the party from whom indemnification is sought ("Indemnitor") has not received written notice from Indemnitee in accordance with SECTION 6.1(A);

(ii) with respect to any claim for indemnification for breaches of representations or warranties under SECTION 6.2(B)(I) or SECTION 6.3(A) if and to the extent the facts underlying such claim were known to the actual knowledge of Indemnitee prior to the Closing; or

(iii) with respect to (A) any claims under SECTION 6.2(A), the first Nine Thousand Dollars ($9,000.00) of aggregate Adverse Consequences incurred by Buyer, and (B) with respect to any indemnification claims pursuant to a provision other than under SECTION 6.2(A), the first Five Thousand Dollars ($5,000.00) (the "Basket Amount") of aggregate Adverse Consequences incurred by a party (Seller and the Shareholders being treated as one party for purposes of this SECTION 6.4), it being the intent of the parties that each party shall have a "basket" in such amount with respect to aggregate claims for indemnification.

(b) All amounts payable by Indemnitor shall be computed net of any recovery actually paid to Indemnitee (less any deductible incurred by Indemnitee) under any third-party insurance coverage with respect thereto which offsets the Adverse Consequences that would otherwise be sustained by Indemnitee.

(c) The total aggregate liability of any party with respect to its indemnification obligations under this Agreement shall not exceed Six Hundred Fifty Thousand Dollars ($650,000.00) (the "Maximum Liability Amount"); provided, however, that the Holdback Amount

shall be credited against the total aggregate liability of Seller and the Shareholders set forth in this SECTION 6.4(B).

(d) Notwithstanding any of the foregoing provisions, any Adverse Consequences for which Buyer is entitled to indemnification as a result of the breach by Seller or the Shareholders of their covenants set forth in SECTION 4.2 shall not be subject to the Basket Amount or the Maximum Liability Amount.

ARTICLE 7
ESCROW

Section 7.1 ESCROW AGREEMENT. Pursuant to SECTION 1.4(C) hereof, at Closing Purchaser shall by wire transfer deliver to Fitzpatrick Lentz & Bubba, P.C. (the "Escrow Agent") the Holdback Amount (for purposes of this ARTICLE 7, the "Escrowed Funds"), to be held and ultimately disbursed by the Escrow Agent in accordance with this ARTICLE 7.

Section 7.2 INTEREST. The Escrowed Funds shall be deposited in a high performance money fund with a current yield of approximately three (3%) percent per annum. Subject to the remaining terms of this Article, all interest earned on the Escrowed Funds shall accrue to the benefit of Seller and Shareholders.

Section 7.3 INDEMNIFICATION CLAIMS.

(a) If Buyer shall make a claim for indemnification hereunder. Buyer shall promptly give written notice of such claim to (i) the Escrow Agent, (ii) Seller, and (iii) Shareholders. Such notice shall describe the nature of the claim, the amount thereof, the provisions in this Agreement and related documents on which the claim is based and shall include a brief summary of the factual basis on which the claim is based. The thirty (30) day period immediately following the date which Buyer gives notice to the Escrow Agent, Seller and Shareholders is referred to herein as the "Response Period."

(b) If the Escrow Agent has not received a written objection to a claim delivered pursuant to SECTION 7.3(A) from the Seller and/or Shareholders during the Response Period, the claim shall be conclusively presumed to have been approved by the Seller and/or Shareholders, and the Escrow Agent shall promptly thereafter make a cash payment to Buyer equal to the amount of the claim out of the Escrowed Funds

(c) If during the Response Period the Escrow Agent shall have received from the Seller and/or Shareholders a written objection to the claim made by Buyer pursuant to SECTION 7.3(A) above, then for a period of thirty (30) days after receipt by the Escrow Agent of such objection, Buyer and the Seller and/or Shareholders shall endeavor to resolve the difference and to issue a joint written direction to the Escrow Agent in respect to the claim in issue (a "Written Direction"). The Escrow Agent shall act in accordance with the Written Direction, if an when issued. If a Written Direction is not issued prior to the end of such thirty (30) day period, Buyer or the Seller or Shareholders may institute litigation in any court of competent jurisdiction to adjudicate its rights under this Agreement. The Escrow Agent shall transfer to

Buyer funds from the Escrowed Funds in an amount equal to the full amount of any final and nonappealable order entered in connection with such litigation or the balance of the applicable Escrowed Funds, whichever is less, not later than five (5) days after receipt of such order.

(d) The obligations of Escrow Agent shall be limited to receiving and holding the Escrowed Funds, and to disburse the same in accordance with this ARTICLE 7. Should there arise any factual question or dispute concerning the Escrowed Funds and whether the Escrow Agent turn over the same, or to whom the same shall be paid or disbursed, or in any event, if the Escrow Agent so decides, the Escrow Agent may, at its discretion, pay over and deliver the same to the Court of Common Pleas of Northampton County to be held by said court pending a resolution of the matter. Following such payment and delivery to the court, the Escrow Agent shall there upon be discharged from all responsibility and liability involving the said escrow paid to the court and may represent Seller, Shareholders or Buyer hereunder in any such dispute. The parties acknowledge that Escrow Agent is attorney for Seller and Shareholders and that nothing herein shall preclude Escrow Agent from continuing to represent Seller and the Shareholders in any adversary proceeding upon the payment of the Escrowed Funds into court.

Section 7.4 DISTRIBUTIONS AND TERMINATION OF ESCROW. On or before October, 31, 2002 (the "Release Date"), Escrow Agent shall wire transfer the balance of the Escrowed Funds plus all interest earned thereon to Seller and/or Shareholders as directed in writing by the Seller and Shareholders. On the Release Date, the applicable amount shall be promptly distributed to the Seller and/or Shareholders, assuming the remaining amount in the Escrow Account is in excess of the maximum amount which would be payable to Buyer if all then pending claims applicable to the Escrowed Funds were determined in favor of Buyer (the "Maximum Claim Amount"). A claim shall be deemed to be "pending" for purposes of this Section if written notice of a claim for indemnification has been given in good faith by Buyer and received by the Escrow Agent pursuant to SECTION 7.3(A) hereof prior to the Release Date. If the remaining amount of the Escrowed Funds would not be in excess of the Maximum Claim Amount, then Escrow Agent shall only distribute to Seller and/or Shareholders the Release Date the amount of the Escrowed Funds in excess of the Maximum Claim Amount. Any monies scheduled to be released, but instead retained by the Escrow Agent due to pending claims, shall be promptly distributed either to Buyer or to the Seller and/or Shareholders by the Escrow Agent upon, and in accordance with, either a Written Direction or court order as described in SECTION 7.3(C) hereof. Following the Release Date, as pending claims are satisfied or otherwise disposed of, any part of the Escrowed Funds held by the Escrow Agent which is in excess of the Maximum Claim Amount shall be promptly distributed to the Seller and/or Shareholders.

ARTICLE 8
MISCELLANEOUS

Section 7.1 NOTICES. All notices and other communications hereunder shall be in writing and shall be deemed given if delivered personally, telecopied (if confirmed), or mailed by registered or certified mail (return receipt requested) to the parties at the following addresses or at such other address for a party as shall be specified by like notice:

(a) If to Buyer, to

Brown & Brown of Lehigh Valley, Inc.
90 South Commerce Way, Suite 100
Bethlehem, Pennsylvania 18017-2267
Telecopy No.: (610) 867-1162
Attn: Robert Iocco

with a copy to

Brown & Brown, Inc.
401 E. Jackson St., Suite 1700
Tampa, Florida 33601
Telecopy No.: (813) 222-4464
Attn: Laurel Grammig

(b) if to Seller or to the Shareholders, to

William H. Lehr
Patsy A. Lehr
734 Paxinosa Avenue
Easton, PA 18042

Joseph A. Bubba, Esquire
Fitzpatrick Lentz & Bubba, P.C.
4001 Schoolhouse Lane
P.O. Box 219
Center Valley, Pennsylvania 18034-0219
Telecopy No.: (610) 797-6663

Section 8.2 USE OF TERM "KNOWLEDGE". With respect to the term "Knowledge" as used herein: (a) an individual will be deemed to have "Knowledge" of a particular fact or other matter if (i) such individual is actually aware of such fact or other matter, or (ii) a prudent individual could be expected to discover or otherwise become of such fact or other matter in the course of conducting a reasonably comprehensive investigation concerning the existence of such fact or matter; and (b) a corporation or other business entity will be deemed to have "Knowledge" of a particular fact or other matter if any individual who is serving, who has at any time in the twelve (12) months prior to the Closing Date served, as a director, officer, executor, or trustee (or in any similar capacity) of such corporation or business entity has, or at any time had, Knowledge of such fact or other matter.

Section 8.3 COUNTERPARTS. This Agreement may be executed in two or more counterparts, each of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties, it being understood that all parties need not sign the same counterpart.

Section 8.4 ENTIRE AGREEMENT. This Agreement (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof.

Section 8.5 ASSIGNMENT. Except as contemplated in SECTION 4.4 hereof, neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by any of the parties hereto (whether by operation of law or otherwise) without the prior written consent of the other parties. This Agreement will be binding upon, inure to the benefit of, and be enforceable by the parties and their respective successors and assigns.

Section 8.6 SEVERABILITY. If any provision or covenant, or any part thereof, of this Agreement should be held by any court to be illegal, invalid or unenforceable, either in whole or in part, such illegality, invalidity or unenforceability shall not affect the legality, validity or enforceability of the remaining provisions or covenants, or any part thereof, all of which shall remain in full force and effect.

Section 8.7 ATTORNEYS' FEES AND COSTS. The prevailing party in any proceeding brought to enforce the terms of this Agreement shall be entitled to an award of reasonable attorneys' fees and costs incurred in investigating and pursuing such action, both at the trial and appellate levels.

Section 8.8 GOVERNING LAW. This Agreement shall be governed by and construed and enforced in accordance with internal Pennsylvania law without regard to any applicable conflicts of law.

Section 8.9 WAIVER OF JURY TRIAL. The parties hereby knowingly, voluntarily and intentionally waive any right either may have to a trial by jury with respect to any litigation related to or arising out of, under or in conjunction with this Agreement.

Section 8.10 AMENDMENT; WAIVER.This Agreement may not be amended, or any provision waived, except by an instrument in writing signed on behalf of each of the parties.

* * * * * * * * * *

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK - SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have signed or caused this Agreement to be signed by their respective officers thereunto duly authorized as of the date first written above.

BUYER:

BROWN & BROWN OF LEHIGH VALLEY, INC.

By:

Name: Thomas E. Riley
Title: President

SELLER:

APOLLO FINANCIAL CORPORATION

By:

Name:

Title:

SHAREHOLDERS:

William H. Lehr, individually

Patsy A. Lehr, individually

ESCROW AGENT:

FITZPATRICK LENTZ & BUBBA, P.C.

By:

Joseph A. Bubba, Esquire, A Director

SCHEDULES AND EXHIBITS

Schedule 1.1(a):	Permitted Liens and Encumbrances
Schedule 1.2(a):	Purchased Book of Business
Schedule 1.2(d):	Tangible Property
Schedule 1.2(e):	Assigned Agreements
Schedule 3.6:	Guaranteed Premium Financing
Schedule 3.8:	Material Contracts
Schedule 3.9:	List of Claims and Litigation
Schedule 3.12:	Non-Solicitation Covenants
Schedule 3.13:	E&O and EPL Claims and Litigation
Schedule 3.14:	Employee Dishonesty Coverage
Schedule 4.8(b):	Contract Employees
Schedule 4.8(b)(i):	Notice
Exhibit 2.2(a):	Bill of Sale
Exhibit 2.2(b):	Assignment and Assumption Agreement
Exhibit 2.3(c):	Promissory Note

EXHIBIT 21

BROWN & BROWN, INC.
ACTIVE SUBSIDIARIES

Florida Corporations:

1. B & B Insurance Services, Inc. f/k/a Brown & Brown, Inc.
2. The Benefit Group, Inc.
3. Champion Underwriters, Inc.
4. The Connelly Insurance Group, Inc.
5. Finwall & Associates, Inc.
6. Jerry F. Nichols & Associates, Inc.
7. Madoline Corporation
8. Mangus Insurance & Bonding, Inc.
9. Physician Protector Plan Risk Purchasing Group, Inc.
10. Rankin & Rankin, Inc.
11. Ross Insurance of Florida, Inc.
12. SAN of East Central Florida, Inc.
13. Signature Insurance Group, Inc.
14. Spencer & Associates, Inc.
15. Underwriters Services, Inc.
16. United Benefits, Inc.

Foreign Corporations:

17. AFC Insurance, Inc. f/k/a Brown & Brown Insurance of Pennsylvania, Inc. (PA)
18. A.G. General Agency, Inc. (TX)
19. American & British Excess, Inc. (VA)
20. Benesys, Inc. (LA)
21. Brown & Brown Aircraft Acquisition Co. (DE)
22. Brown & Brown Insurance of Arizona, Inc. (AZ)
23. Brown & Brown of California, Inc. (CA)
24. Brown & Brown of Colorado, Inc. (CO)
25. Brown & Brown of Connecticut, Inc. (CT)
26. Brown & Brown of GF/EGF, Inc. f/k/a Froelich-Paulson-Moore, Inc. (ND)
27. Brown & Brown Insurance of Georgia, Inc. (GA)
28. Brown & Brown of Iowa, Inc. (IA)
29. Brown & Brown Insurance Benefits, Inc. (TX)
30. Brown & Brown Metro, Inc. (NJ)
31. Brown & Brown of Michigan, Inc. (MI)
32. Brown & Brown of Minnesota, Inc. (MN)
33. Brown & Brown of Missouri, Inc. (MO)
34. Brown & Brown of New Jersey, Inc. (NJ)
35. Brown & Brown of New York, Inc. (NY)
36. Brown & Brown of North Dakota, Inc. (ND)
37. Brown & Brown of Ohio, Inc. (OH)
38. Brown & Brown Agency of Insurance Professionals, Inc. (OK)

39. Brown & Brown Realty Co. (DE)
40. Brown & Brown of South Carolina, Inc. (SC)
41. Brown & Brown of Tennessee, Inc. (TN)
42. Brown & Brown Insurance Services of Texas, Inc. (TX)
43. Brown & Brown Insurance Services of El Paso, Inc. (TX)
44. Brown & Brown Insurance Services of San Antonio, Inc.(TX)
45. Brown & Brown Insurance Agency of Virginia, Inc. (VA)
46. Brown & Brown Re, Inc. (CT)
47. Brown & Brown of Washington, Inc. (WA)
48. Brown & Brown of West Virginia, Inc. (WV)
49. Brown & Brown of Wisconsin, Inc. (WI)
50. Brown & Brown of Wyoming, Inc. (WY)
51. Cost Management Services, Inc. (LA)
52. The Flagship Group, Inc. (VA)
53. Huffman & Associates, Inc. (GA)
54. Huval Insurance Agency, Inc. (LA)
55. Huval Insurance Agency of Abbeville, Inc. (LA)
56. Huval Insurance Agency of Arnaudville, Inc. (LA)
57. Huval Insurance Agency of Church Point, Inc. (LA)
58. Huval Insurance Agency of Grand Coteau-Sunset, Inc. (LA)
59. Huval Insurance Agency of Lafayette, Inc. (LA)
60. Huval Insurance Agency of Loreauville, Inc. (LA)
61. Huval Insurance Agency of New Iberia, Inc. (LA)
62. Huval Insurance Agency of Opelousas, Inc. (LA)
63. Huval Insurance Agency of Scott, Inc. (LA)
64. Huval Management Company, Inc. (LA)
65. Huval Richard Insurance Agency, Inc. (LA)
66. Insurance Programs Incorporated (LA)
67. Layne & Associates, Ltd. (NV)
68. Logan Insurance Agency, Inc. (VA)
69. McKinnon & Mooney, Inc. (MI)
70. P & O of Texas, Inc. (TX)
71. Peachtree Special Risk Brokers, LLC (GA) (Brown owns 75%)
72. Peachtree Special Risk Brokers of New York, LLC (NY)
    (Brown owns (100-%)
73. Poe & Associates of Illinois, Inc. (IL)
74. Poe & Brown of North Carolina, Inc. (NC)
75. Roswell Insurance & Surety Agency, Inc. (NM)
76. Self Insurance Administrators, Inc. (LA)
77. Unified Seniors Association, Inc.
78. WMH, Inc. (GA)
79. The Young Agency, Inc. (NY)

Indirect Subsidiaries:

80. America Underwriting Management, Inc. (FL)
81. Automobile Insurance Agency of Virginia, Inc. (VA)
82. Azure IV Acquisition Corporation (AZ)
83. Azure VI Merger Co. (CA)
84. Bass Administrators, Inc. (LA)
85. Brown & Brown of Indiana, Inc. f/k/a Poe & Brown of Indiana, Inc. (IN)
86. Brown & Brown of Lehigh Valley, Inc. f/k/a Bowers, Schumann & Welch, Inc. (PA)
87. Brown & Brown of Nevada, Inc. f/k/a Poe & Brown of Nevada, Inc. (NV)
88. Brown & Brown of New Mexico, Inc. f/k/a Poe & Brown of New Mexico, Inc. (NM)
89. Brown & Brown of Northern California, Inc. (CA)
90. Ernest Smith Insurance Agency, Inc. (FL)
91. Flagship Group Insurance Agency, Ltd. (MA)
92. Flagship Management Co. (VA)
93. Flagship Maritime Adjusters, Inc. (VA)
94. Florida Intracoastal Underwriters, Limited Company (FL) (limited liability company)
95. Halcyon Underwriters, Inc. (FL)
96. Harris Holdings, Inc. (VA)
97. The Homeowner Association Risk Purchasing Group, Inc. (AZ)
98. Hotel-Motel Insurance Group, Inc. (FL)
99. MacDuff America, Inc. (FL)
100. MacDuff Pinellas Underwriters, Inc. (FL)
101. MacDuff Underwriters, Inc. (FL)
102. Richard-Flagship Services, Inc. (VA) (The Flagship Group, Ltd. owns 50%)
103. Yates Insurance Agency, Inc. (LA)

EXHIBIT 23

Consent of Independent Certified Public Accountants

As independent certified public accountants, we hereby consent to the incorporation by reference of our report dated January 18, 2002 on the consolidated financial statements of Brown & Brown, Inc. and subsidiaries (the Company) as of December 31, 2001 and 2000 and for each of the three years in the period ended December 31, 2001, included in the Company's Form 10-K dated on or around February 14, 2002, into the following registration statements previously filed by the Company and to all references to our Firm included in these registration statements: Form S-8 (File No. 33-41204) as amended by Amendment No. 1 to Form S-8 (File No. 333-04888); Form S-8 (File No. 333-14925); Form S-8 (File No. 333-43018); Form S-3 (File No. 333-58004); Form S-3 (File No. 333-58006); Form S-3 (File No. 333-58008); Form S-3 (File No. 333-70480); Form S-3 (File No. 333-75158).

/s/ ARTHUR ANDERSEN LLP

Orlando, Florida,
February 14, 2002

EXHIBIT 24

POWER OF ATTORNEY

The undersigned constitutes and appoints Laurel L. Grammig and Thomas M. Donegan, Jr., or either of them, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the 2001 Annual Report on Form 10-K for Brown & Brown, Inc., and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/S/ BRADLEY CURREY, JR.

Bradley Currey, Jr.

Dated: January 23, 2002

POWER OF ATTORNEY

The undersigned constitutes and appoints Laurel L. Grammig and Thomas M. Donegan, Jr., or either of them, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign the 2001 Annual Report on Form 10-K for Brown & Brown, Inc., and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he might or could in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

/S/ J. HYATT BROWN

J. Hyatt Brown

Dated: January 23, 2002

POWER OF ATTORNEY

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/S/ TONI JENNINGS

Toni Jennings

Dated: January 23, 2002

POWER OF ATTORNEY

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/S/ DAVID H. HUGHES

David H. Hughes

Dated: January 23, 2002

POWER OF ATTORNEY

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/S/ JAN E. SMITH

Jan E. Smith

Dated: January 23, 2002

POWER OF ATTORNEY

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/S/ THEODORE J. HOEPNER

Theodore J. Hoepner

Dated: January 23, 2002

POWER OF ATTORNEY

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/S/ SAMUEL P. BELL, III

Samuel P. Bell, III

Dated: January 23, 2002

POWER OF ATTORNEY

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/S/ JIM W. HENDERSON

Jim W. Henderson

Dated: January 23, 2002

POWER OF ATTORNEY

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/S/ JOHN R. RIEDMAN

John R. Riedman

Dated: January 23, 2002

POWER OF ATTORNEY

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/S/ CORY T. WALKER

Cory T. Walker

Dated: January 23, 2002