

Appendix 2: Proforma

BIG \$1,000,000,000 Pro Forma Assumptions

Premium growth: Increases by approximately 30% annually.

The commission rates: Personal Lines at 11.5%, Commercial Lines at 12.5%, Specialty Lines at 12%, Financial Services at 20%, Benefits at 6%. Consulting fees are 100%

Growth Service Budget: Assumes Nationwide discontinues the Growth Services. The current 2009 program is 3.25% on the growth of Nationwide P&C products.

Miscellaneous Income: Averages .12% of total premium based on 2006 - 2008. This figure is used through 2020.

Contingency bonus: 3% of Nationwide Personal Lines and Commercial Lines total premium. Nationwide business is projected at 65% of total Personal Lines and Commercial Lines. The bonus is projected to be paid every 3 years.

Commissions Expense Paid to Agents: 5.3% of Total Premium based on 2006-2008 averages.

Payroll expense: 4% to 6% of Total Premium

Service Expense: .85 % increase annually based on more additional financed agents being added each year.

Other Operating Expenses: 1% of total premium based on historical averages.

Rental Expense: 1% beginning in 2010 for the opening of new offices.

Interest Expense: Estimated completely. New facilities will need to be built or rented. This model assumes that Barhorst Insurance Group will own buildings and that outside financing will be obtained to construct or purchase buildings. Increased 20% annually for 2009-2012, 25% annually for 2013-2016, and 30% annually for 2017-2020 based on increased store locations and increased interest rates.

Advertising Expense: .325% of total premium based on averages for 2006-2008

Insurance Expense: .25% based on historical averages.

Travel Expense: Annual increase of 10% due to travel to locations located outside of the Houston area.

Training Expense: .15% of total premium.

BIG \$1,000,000,000 Proforma thru 2020

Direct Written Premium	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Personal Lines	\$50,000,000	\$59,500,000	\$69,615,000	\$80,753,400	\$93,673,944	\$108,661,775	\$126,047,659	\$146,215,284	\$168,147,577	\$193,369,714	\$222,375,171	\$255,731,446
Commercial Lines	\$3,000,000	\$5,100,000	\$8,670,000	\$13,438,500	\$19,485,825	\$28,254,446	\$40,968,947	\$59,404,973	\$83,166,963	\$108,117,051	\$145,958,019	\$201,422,067
Financial/Life Services	\$1,000,000	\$2,500,000	\$5,000,000	\$8,750,000	\$15,312,500	\$22,968,750	\$34,453,125	\$48,234,375	\$69,939,844	\$104,909,766	\$146,873,672	\$198,279,457
Benefits	\$500,000	\$1,500,000	\$3,750,000	\$7,500,000	\$13,125,000	\$18,375,000	\$25,725,000	\$36,015,000	\$54,022,500	\$75,631,500	\$105,884,100	\$148,237,740
Consulting, Business Services, Fees	\$150,000	\$450,000	\$900,000	\$1,800,000	\$3,150,000	\$5,512,500	\$8,268,750	\$12,403,125	\$17,364,375	\$24,310,125	\$34,034,175	\$51,051,263
Specialty Lines	\$1,350,000	\$2,700,000	\$5,400,000	\$10,800,000	\$16,200,000	\$24,300,000	\$34,020,000	\$47,628,000	\$64,297,800	\$86,802,030	\$117,182,741	\$152,337,563
Total Premium	\$56,000,000	\$71,750,000	\$93,335,000	\$123,041,900	\$160,947,269	\$208,072,471	\$269,483,481	\$349,900,758	\$456,939,058	\$593,140,186	\$772,307,877	\$1,000,000,000
Commission and Income												
Personal Lines	\$5,750,000	\$6,842,500	\$8,005,725	\$9,286,641	\$10,772,504	\$12,496,104	\$14,495,481	\$16,814,758	\$19,336,971	\$22,237,517	\$25,573,145	\$29,409,116
Commercial Lines	\$375,000	\$637,500	\$1,083,750	\$1,679,813	\$2,435,728	\$3,531,806	\$5,121,118	\$7,425,622	\$10,395,870	\$13,514,631	\$18,244,752	\$25,177,758
Financial/Life Services	\$200,000	\$500,000	\$1,000,000	\$1,750,000	\$3,062,500	\$4,593,750	\$6,890,625	\$9,646,875	\$13,987,969	\$20,981,953	\$29,374,734	\$39,655,891
Benefits	\$30,000	\$90,000	\$225,000	\$450,000	\$787,500	\$1,102,500	\$1,543,500	\$2,160,900	\$3,241,350	\$4,537,890	\$6,353,046	\$8,894,264
Consulting, Business Services, Fees	\$150,000	\$450,000	\$900,000	\$1,800,000	\$3,150,000	\$5,512,500	\$8,268,750	\$12,403,125	\$17,364,375	\$24,310,125	\$34,034,175	\$51,051,263
Specialty Lines	\$162,000	\$324,000	\$648,000	\$1,296,000	\$1,944,000	\$2,916,000	\$4,082,400	\$5,715,360	\$7,715,736	\$10,416,244	\$14,061,929	\$18,280,508
Total Commission	\$6,667,000	\$8,844,000	\$11,862,475	\$16,262,454	\$22,152,232	\$30,152,660	\$40,401,874	\$54,166,639	\$72,042,271	\$95,998,360	\$127,641,781	\$172,468,800
Average Commission rate	11.9%	12.3%	12.7%	13.2%	13.8%	14.5%	15.0%	15.5%	15.8%	16.2%	16.5%	17.2%
Misc. Operating Income	\$672,000	\$861,000	\$1,120,020	\$1,476,503	\$1,931,367	\$2,496,870	\$3,233,802	\$4,198,809	\$5,483,269	\$7,117,682	\$9,267,695	\$12,000,000
Contingency Commission	\$0	\$1,033,500	\$0	\$0	\$1,836,742	\$0	\$0	\$3,256,824	\$0	\$0	\$5,878,992	\$0
Loans Forgiven	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Bonus Income	\$0	\$1,033,500	\$0	\$0	\$1,836,742	\$0	\$0	\$3,256,824	\$0	\$0	\$5,878,992	\$0
Total Income	\$7,339,000	\$10,738,500	\$12,982,495	\$17,738,956	\$25,920,341	\$32,649,530	\$43,635,676	\$61,622,272	\$77,525,540	\$103,116,042	\$142,788,468	\$184,468,800
Profit as a % of DWP	13.1%	15.0%	13.9%	14.4%	16.1%	15.7%	16.2%	17.6%	17.0%	17.4%	18.5%	18.4%
Expenses												
Commissions	\$2,968,000	\$3,802,750	\$4,946,755	\$6,521,221	\$8,530,205	\$11,027,841	\$14,282,624	\$18,544,740	\$24,217,770	\$31,436,430	\$40,932,318	\$53,000,000
Payroll Expenses	\$2,240,000	\$2,870,000	\$3,733,400	\$4,921,676	\$8,047,363	\$10,403,624	\$13,474,174	\$17,495,038	\$27,416,344	\$35,588,411	\$46,338,473	\$60,000,000
Service Expense	\$476,000	\$609,875	\$793,348	\$1,045,856	\$1,368,052	\$1,768,616	\$2,290,610	\$2,974,156	\$3,883,982	\$5,041,692	\$6,564,617	\$8,500,000
Other Operating expenses	\$560,000	\$717,500	\$933,350	\$1,230,419	\$1,609,473	\$2,080,725	\$2,694,835	\$3,499,008	\$4,569,391	\$5,931,402	\$7,723,079	\$10,000,000
Rent (Rent)	\$392,000	\$717,500	\$933,350	\$1,230,419	\$1,609,473	\$2,080,725	\$2,694,835	\$3,499,008	\$4,569,391	\$5,931,402	\$7,723,079	\$10,000,000
Interest Expense	\$50,000	\$60,000	\$72,000	\$86,400	\$108,000	\$135,000	\$168,750	\$210,938	\$274,219	\$356,484	\$463,430	\$602,459
Advertisement	\$182,000	\$233,188	\$303,339	\$399,886	\$523,079	\$676,236	\$875,821	\$1,137,177	\$1,485,052	\$1,927,706	\$2,510,001	\$3,250,000
Insurance	\$140,000	\$179,375	\$233,338	\$307,605	\$402,368	\$520,181	\$673,709	\$874,752	\$1,142,348	\$1,482,850	\$1,930,770	\$2,500,000
Telephone	\$107,535	\$118,288	\$130,117	\$143,129	\$157,442	\$173,186	\$190,504	\$209,555	\$230,510	\$253,561	\$278,917	\$306,809
Travel & Entertainment	\$85,591	\$94,150	\$103,566	\$113,922	\$125,314	\$137,846	\$151,630	\$166,793	\$183,473	\$201,820	\$222,002	\$244,202
Training	\$84,000	\$107,625	\$140,003	\$184,563	\$241,421	\$312,109	\$404,225	\$524,851	\$685,409	\$889,710	\$1,158,462	\$1,500,000
Total Expenses	\$7,285,126	\$9,510,251	\$12,322,564	\$16,185,095	\$22,722,189	\$29,316,087	\$37,901,718	\$49,136,016	\$68,657,887	\$89,041,468	\$115,845,146	\$149,903,470
Total Profit	\$53,874	\$1,228,249	\$659,931	\$1,553,861	\$3,198,152	\$3,333,443	\$5,733,958	\$12,486,257	\$8,867,654	\$14,074,574	\$26,943,322	\$34,565,331
Profit as % in Income	0.7%	11.4%	5.1%	8.8%	12.3%	10.2%	13.1%	20.3%	11.4%	13.6%	18.9%	18.7%