

Invesco Mortgage Capital Inc.
Form 4
March 06, 2015

FORM 4

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

Check this box
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Form 4 or
Form 5
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may continue.
See Instruction
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB
Number: 3235-0287
Expires: January 31,
2005
Estimated average
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Kuster Robson

(Last) (First) (Middle)

1555 PEACHTREE STREET

(Street)

ATLANTA, GA 30309

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading
Symbol

Invesco Mortgage Capital Inc. [IVR]

3. Date of Earliest Transaction
(Month/Day/Year)

03/06/2015

4. If Amendment, Date Original
Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to
Issuer

(Check all applicable)

____ Director ____ 10% Owner
____X____ Officer (give title ____ Other (specify
below) below)

Chief Operating Officer

6. Individual or Joint/Group Filing(Check
Applicable Line)
____X____ Form filed by One Reporting Person
____ Form filed by More than One Reporting
Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
Common Stock, par value \$0.01 per share	03/06/2015		P	186	A \$ 15.67	7,462	D
Common Stock, par value \$0.01 per share	03/06/2015		P	513	A \$ 15.65 (1)	18,299.9036	I By Spouse

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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information contained in this form are not**

SEC 1474
(9-02)

**required to respond unless the form
displays a currently valid OMB control
number.**

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
				Code	V (A) (D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares

Reporting Owners

Reporting Owner Name / Address	Relationships
	Director 10% Owner Officer Other
Kuster Robson 1555 PEACHTREE STREET ATLANTA, GA 30309	Chief Operating Officer

Signatures

/s/ Robert H. Rigsby, as Attorney
in Fact 03/06/2015

__Signature of Reporting Person

Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

- (1) Reflects weighted-average sales price. Common shares were purchased in multiple same-way open market sale transactions on the same day through a trade order executed by a broker dealer at prices ranging from \$15.64 to \$15.65. The reporting person has reported on a single line all such transactions that occurred within a one dollar price range. The reporting person undertakes to provide upon request to the SEC staff, the issuer or its stockholders full information regarding the number of shares purchased at each separate price.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ISPLAY: block; MARGIN-LEFT: 0pt; TEXT-INDENT: 0pt; LINE-HEIGHT: 1.25; MARGIN-RIGHT: 0pt" align="center">**Pro Forma Combined**

Pro Forma Adjustments

Pro Forma Combined

Revenue

Net earned premiums

	—
\$	20,635

	—
\$	20,635

	—
\$	20,635

Policy assumption bonus

	—
	2,912
	—
	2,912
	—
	2,912

Other revenue

	—
	1,070
	—
	1,070
	—
	1,070

Total revenue

	—
--	---

	24,617
	—
	24,617
	—
	24,617
Operating expenses	
Losses and loss adjustment expenses	
	—
	7,131
	—
	7,131
	—
	7,131
Policy acquisition costs	
	—
	4,318
	—
	4,318
	—
	4,318
Operating and underwriting expenses	
	—
	1,542
	—
	1,542
	—
Explanation of Responses:	4

	1,542
Salaries and wages	—
	708
	—
	708
	—
	708
General and administrative expenses	
	357
	1,337
	—
	1,694
	—
	1,694
Total operating expenses	
	357
	15,036
	—
	15,393
	—
	15,393
Income (loss) from operations	
	(357
)	
	9,581
Explanation of Responses:	5

	—
	9,224
	—
	9,224
Interest income	
	166
	1,833
	(117
)	
	(f
)	
	1,945
	(49
)	
	(f
)	
	1,896
	—
	—
	63
	(f
)	
	—
	—
	—
Interest expense	
	—
Explanation of Responses:	6

	(865
)	
	(865
)	
	—
	(865
)	
	—
	—
	—
	—
	—
	—
Income (loss) before taxes	
	(191
)	
	10,549
	(54
)	
	10,304
	(49
)	
	10,255
Income tax provision	
	63
	2,016
	(20
)	
Explanation of Responses:	7

	(g)
)	4,413
	(18
)	(g
)	4,395
	—
	—
	2,354
	(h
)	—
	—
	—
Net income (loss)	
\$	(254
)	
\$	8,533
\$	(2,388
)	
\$	5,891
\$	(31
)	
\$	5,860

Weighted average shares outstanding :

Basic

5,917,031

8,750,000

14,667,031

13,247,417

Diluted

5,917,031

8,750,000

14,667,031

13,247,417

Income (loss) per share:

Basic

\$

(0.04

)

\$

0.98

\$

0.40

\$

0.44

Diluted

\$

(0.04

)

\$

0.98

\$

0.40

\$

Unaudited Pro Forma Condensed Combined Balance Sheet
December 31, 2007
(in thousands)

	FMG	United	Maximum Approval Pro Forma Adjustments	Pro Forma Combined	Minimum Approval Pro Forma Adjustments	Pro Forma Combined
Assets						
Fixed maturities	—\$	107,410	—	\$ 107,410	—	\$ 107,410
Equity securities	—	5,072	—	5,072	—	5,072
Other investments	—	1,300	—	1,300	—	1,300
Total investments	—	113,782	—	113,782	—	113,782
Cash and cash equivalents	71	56,852	37,721(a)	68,126	(11,232)(c)	56,815
	—	—	(1,515)(b)	—	—	—
	—	—	(25,000)(d)	—	—	—
	—	—	(189)(f)	—	(79)(f)	—
	—	—	186(f)	—	—	—
Cash held in Trust Account	37,721	—	(37,721)(a)	—	—	—
Premiums receivable, net	—	9,966	—	9,966	—	9,966
Reinsurance recoverable, net	—	16,816	—	16,816	—	16,816
Prepaid reinsurance premiums	—	26,345	—	26,345	—	26,345
Deferred policy acquisition costs	—	7,547	—	7,547	—	7,547
Property and equipment, net	—	108	—	108	—	108
Deferred income taxes asset, net	32	4,733	—	4,765	—	4,765
Prepaid expenses and other assets	54	6,277	—	6,331	—	6,331
Total assets	\$ 37,878	\$ 242,426	\$ (26,518)	\$ 253,786	\$ (11,311)	\$ 242,475
Liabilities and Stockholders' Equity (Deficit)						
Unpaid losses and loss adjustment expenses	—\$	36,005	—	\$ 36,005	—	\$ 36,005
Unearned premiums	—	73,051	—	73,051	—	73,051
Reinsurance payable	—	10,852	—	10,852	—	10,852
Accrued distribution payable	—	9,227	—	9,227	—	9,227
Advanced premium	—	2,396	—	2,396	—	2,396
Accounts payable and accrued expenses	174	13,858	—	4,681	—	4,681
	—	—	(9,351)(h)	—	—	—
Shares subject to mandatory redemption	—	2,564	(2,564)(e)	—	—	—
	—	2,303	(1)(g)	12,485	(30)(g)	12,455

Explanation of Responses:

Federal and state income tax payable	—	—	10,183(h)	—	—	—
Other liabilities	—	2,238	—	2,238	—	2,238
Long-term debt	—	43,833	—	43,833	—	43,833
Deferred underwriters' fee	1,515	—	(1,515)(b)	—	—	—
	1,689	196,327	(3,248)	194,768	(30)	194,738
Common stock, subject to possible redemption	11,232	—	(11,232)(c)	—	—	—
Stockholders' equity (deficit)						
Common stock	1	—	—	1	—	1
Member's certificate of interest	—	7,464	(7,464)(d)	—	—	—
Additional paid-in-capital	24,874	—	11,232(c)	18,652	(11,232)(c)	7,420
	—	—	(17,454)(d)	—	—	—
Accumulated other comprehensive income	—	744	—	744	—	744
Retained earnings (accumulated deficit)	82	37,891	(82)(d)	39,621	—	39,572
	—	—	2,564(e)	—	—	—
	—	—	9,351(h)	—	—	—
	—	—	10,185	—	(49)(i)	—
Total stockholders' equity (deficit)	24,957	46,099	(12,038)	59,018	(11,281)	47,737
Total liabilities and stockholders' equity (deficit)	\$ 37,878	\$ 242,426	\$ (26,518)	\$ 253,786	\$ (11,311)	\$ 242,475

See notes to the unaudited pro forma condensed combined financial statements.

Unaudited Pro Forma Condensed Combined Statement of Operations
Year Ended December 31, 2007

(in thousands, except share and per share data)

			Maximum Approval		Minimum Approval	
			Pro Forma	Pro Forma	Pro	Pro Forma
	FMG	United	Adjustments	Combined	Forma	Combined
Revenue						
Net earned premiums	—\$	85,358	—	\$ 85,358	—	\$ 85,358
Policy assumption bonus	—	13,556	—	13,556	—	13,556
Other revenue	—	6,099	—	6,099	—	6,099
Total revenue	—	105,013	—	105,013	—	105,013
Operating expenses						
Losses and loss adjustment expenses	—	25,662	—	25,662	—	25,662
Policy acquisition costs	—	17,316	—	17,316	—	17,316
Operating and underwriting expenses	—	9,110	—	9,110	—	9,110
Salaries and wages	—	2,792	—	2,792	—	2,792
General and administrative expenses	114	2,078	—	2,192	—	2,192
Total operating expenses	114	56,958	—	57,072	—	57,072
Income (loss) from operations						
	(114)	48,055	—	47,941	—	47,941
Interest income	268	7,588	(189)(f)	7,853	(79)(f)	7,774
	—	—	186(f)	—	—	—
Interest expense	—	(7,704)	—	(7,704)	—	(7,704)
Income (loss) before taxes						
	154	47,939	(3)	48,090	(79)	48,011
Income tax provision	72	8,297	(1)(g)	18,551	(30)(g)	18,521
	—	—	10,183(h)	—	—	—
Net income (loss)	\$ 82	\$ 39,642	\$ (10,185)	\$ 29,539	\$ (49)	\$ 29,490
Weighted average shares outstanding :						
Basic	2,879,226	8,750,000		11,629,226		11,310,299
Diluted	3,258,383	8,750,000		12,008,383		11,689,456
Income (loss) per share:						
Basic	\$ 0.03	\$ 4.53		\$ 2.54		\$ 2.61
Diluted	\$ 0.03	\$ 4.53		\$ 2.46		\$ 2.52

See notes to the unaudited pro forma condensed combined financial statements.

**NOTES TO UNAUDITED PRO FORMA CONDENSED
COMBINED FINANCIAL STATEMENTS**

1. Description of Transaction and Basis of Presentation

On April 2, 2008, the Company entered into an Agreement and Plan of Merger pursuant to which United Subsidiary (a wholly owned subsidiary of FMG) has agreed to merge with and into United, and United has agreed, subject to receipt of the Merger consideration from FMG, to become a wholly-owned subsidiary of FMG. If the stockholders of the Company approve the transactions contemplated by the Merger Agreement, FMG, through United Subsidiary, which was newly incorporated in order to facilitate the Merger contemplated thereby, will purchase all of the membership interests of United in a series of steps as outlined below.

FMG and United will merge pursuant to a merger transaction summarized as follows:

- (i) FMG will create a transitory merger subsidiary, United Subsidiary Corp., and will merge such subsidiary with and into United, with United surviving; and
- (ii) United will, as a result, become wholly-owned by FMG.

United's members will receive consideration of up to \$100.0 million consisting of:

- (i) \$25.0 million in cash;
- (ii) 8.75 million shares of FMG common stock, par value \$.0001 per share (assuming an \$8.00 per share value); and
- (iii) up to \$5.0 million of additional consideration will be paid to the members of United in the event certain net income targets are met by the continuing entity

The adoption of the merger agreement and the transactions contemplated by the merger agreement by the FMG stockholders will require the affirmative vote of (a) a majority of the shares of FMG common stock issued in FMG's initial public offering actually voting upon the merger and (b) a majority of the shares of FMG common stock issued and outstanding as of the Record Date. However, FMG will not be able to complete the merger if the holders of more than 29.99% of the shares of common stock issued in FMG's initial public offering vote against the merger and demand that FMG convert their shares into a pro rata portion of the trust account. The unaudited pro forma condensed combined financial statements assume that 100.0% of the outstanding shares of FMG's common stock on the record date vote affirmatively, and there are no conversions. A second presentation of the unaudited pro forma condensed combined financial statements assumes that 70.01% of the outstanding shares of FMG's common stock on the record date vote affirmatively, and there are 29.99% conversions.

2. Pro Forma Adjustments

Descriptions of the adjustments included in the unaudited pro forma balance sheet and statements of operations are as follows:

- (a) Reflects the release of FMG's cash held in trust (including the amount held in the trust account representing the deferred portion of the underwriters' fee), inclusive of any interest earned on such pro rata share (net of taxes payable) and the transfer of the balance to cash and cash equivalents at the completion of the business combination.

- (b) Gives effect to the payment to the underwriters of FMG's initial public offering of deferred underwriters' fees upon completion of the merger.
- (c) Reflects the adjustment of common stock subject to conversion as a result of this transaction. As shown in the balance sheet reflecting the maximum approval scenario, this adjustment reflects the reclassification of the conversion value of the FMG common stock subject to conversion to additional paid-in capital related to conversion shares. As shown in the balance sheet reflecting the minimum approval scenario, this adjustment reflects the cash payout of the conversion value to FMG's common stockholders who voted against the merger and properly exercised their conversion rights with respect to 29.99% of the FMG common stock sold in the initial public offering.

- (d) Reflects the payment of \$25 million and issuance of 8,750,000 shares of FMG common stock in exchange for the Membership interests of United, and the reclassification of FMG's net monetary assets to additional paid-in capital under the reverse acquisition application of the equity recapitalization method of accounting, where as United is treated as the accounting acquirer.
- (e) Reflects that the United membership interests subject to a Put Agreement dated September 20, 2006, which will be cancelled and shall cease to exist upon the consummation of the Merger.
- (f) Adjustment of interest income:
 - i. Maximum approval – reduction of interest income related to the payment of approximately \$26.5 million (including underwriting fees) to the prior shareholders of United Subsidiary Corp., plus an increase in interest income related to the assumption that the remaining \$11.2 million would have been invested in a CD earning approximately 4%.
 - ii. Minimum approval – reduction of interest income due to the additional redemption of 29.99% of the outstanding shares or approximately \$11.2 million.
- (g) Adjust income taxes due to pro forma income adjustments based on the statutory tax rate.
- (h) Recognize the additional tax expense related to income from the LLC subsidiaries and eliminate the accrual of tax distributions to members for the payment of taxes.
- (i) Reflects the income statement effect of the proforma adjustments.

3. Additional contingent consideration

The merger agreement contains a contingent payment of \$5.0 million if certain net income targets are met by the continuing entity. Had the contingency been met, the additional consideration would be reflected in the pro forma financial statements by a reduction of cash and a reduction of additional paid-in capital by the amount paid.

DIRECTORS AND MANAGEMENT OF FMG ACQUISITION CORP. FOLLOWING THE MERGER

Following the Merger, it is anticipated that the directors and executive officers of the Company will be the individuals indicated below.

Name	Age	Position
Gregory C. Branch	61	Chairman of the Board
Gordon G. Pratt	46	Vice Chairman
Donald J. Cronin	54	President and Chief Executive Officer
Nicholas W. Griffin	39	Chief Financial Officer
Melvin A. Russell, Jr.	53	Chief Underwriting Officer
Alec L. Poitevint, II	60	Director
Larry G. Swets, Jr.	33	Director
Kent G. Whittemore	60	Director
James R. Zuhlke	61	Director

Information about Directors and Officers

For the biographies of Messrs. Gregory C. Branch, Gordon G. Pratt, Donald J. Cronin, Nicholas W. Griffin, Melvin A. Russell, Jr., Alec L. Poitevint, II, Kent G. Whittemore, Larry G. Swets, Jr. and James R. Zuhlke, see the section entitled "Director Proposal."

Other than their respective relationships with the Company, none of these individuals has been a principal of or affiliated with a public company or blank check company that executed a business plan similar to our business plan, and none of these individuals is currently affiliated with such an entity.

Following the Merger, the officers and employee directors will devote their full time and attention to the ongoing operations of the Company and the non-employee directors will devote such time as is necessary and required to satisfy their duties as a director of a public company.

Board of Directors and Committees of the Board

Following the Merger, our Board of Directors will consist of six members, and it is anticipated three of them will be considered "independent" under the director independence standards of NASDAQ.

We do not currently have a Compensation Committee, Nominating Committee or Audit Committee, but we expect to establish such committees as soon as practicable after the consummation of the Merger. Compensation for all other officers, if any, will be determined, or recommended to the Board for determination by a majority of the independent directors on our Board of Directors. None of our officers currently receive compensation. We do not expect to pay any compensation to any of our officers until the consummation of the Merger.

Code of Conduct and Ethics

We have adopted a code of ethics that applies to our officers, directors and employees in accordance with applicable federal securities laws. We have filed copies of our code of conduct and ethics as an exhibit to the Registration Statement. These documents may be reviewed by accessing our public filings at the SEC's web site at www.sec.gov. In addition, a copy of the code of ethics will be provided without charge upon request to us. We intend to disclose any amendments to or waivers of certain provisions of our code of ethics in a Current Report on Form 8-K.

Director Compensation

It is anticipated that at or prior to the closing of the Merger, the compensation to be paid to members of the Board of Directors of the Company will be established and such compensation will be reasonable and customary for the industry.

Executive Compensation

None of FMG Acquisition Corp.'s executive officers or directors has received any cash compensation for services rendered to FMG.

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CURRENT DIRECTORS AND MANAGEMENT OF UNITED SUBSIDIARY CORP.

As of the date of this proxy statement/prospectus, United Subsidiary Corp. has two officers and directors, as identified below:

Name	Age	Position
Gordon G. Pratt	46	Chairman, President and Chief Executive Officer
Larry G. Swets, Jr.	33	Chief Financial Officer, Executive Vice President, Secretary, Treasurer and Director

None of its officers or directors have received any compensation from United Subsidiary Corp., which was recently incorporated for the purpose of acquiring United. United Subsidiary is affiliated with the Company in order to incorporate United Subsidiary, a single share of United Subsidiary common stock was issued to Gordon G. Pratt, the Company's Chairman, President and Chief Executive Officer. Upon consummation of the Merger, Mr. Pratt will surrender to United Subsidiary the initial share and such share shall be cancelled by United Subsidiary.

BENEFICIAL OWNERSHIP OF SECURITIES

The following table sets forth information as of July 7, 2008, based on information obtained from the persons named below, with respect to the beneficial ownership of shares of FMG Acquisition Corp.'s common stock by: (i) each person known by us to be the owner of more than 5% of our outstanding shares of FMG Acquisition Corp.'s common stock, (ii) each director, and (iii) all officers and directors as a group. Except as indicated in the footnotes to the table, the persons named in the table have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them.

Name and Address of Beneficial Owners(1)	Common Stock	
	Number of Shares (2)	Percentage of Common Stock
FMG Investors LLC(3)	1,099,266	18.57%
Gordon G. Pratt, Chairman, Chief Executive Officer and President	1,099,266(3)	18.57%
Larry G. Swets, Jr., Chief Financial Officer, Secretary, Treasurer, Executive Vice President	1,099,266(3)	18.57%
Thomas D. Sargent, Director	21,035	0.36%
David E. Sturgess, Director(4)	21,035	0.36%
James R. Zuhlke, Director	21,035	0.36%
HBK Investments L.P.(5)	547,250	9.2%
Brian Taylor (6)	437,500	7.4%
Bulldog Investors(7)	1,282,167	21.67%
Millenco LLC(8)	189,375	3.2%
D.B. Zwirn Special Opportunities Fund, L.P.(9)	178,500	3.02%
D.B. Zwirn Special Opportunities Fund, Ltd. (9)	246,500	4.17%
D.B. Zwirn & Co., L.P. (9)	425,000	7.18%
DBZ GP, LLC(9)	425,000	7.18%
Zwirn Holdings, LLC(9)	350,000	5.92%
Daniel B. Zwirn(9)	350,000	5.92%
Weiss Asset Management, LLC(10)	255,002	4.3%

Explanation of Responses:

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Weiss Capital, LLC(10)	130,435	2.2%
Andrew M. Weiss, Ph.D.(10)	385,437	6.5%
All Directors and Officers as a Group (5 persons)	1,162,371	19.64%

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- (1) Unless otherwise indicated, the business address of each of the stockholders is Four Forest Park, Second Floor, Farmington, Connecticut 06032.
- (2) Unless otherwise indicated, all ownership is direct beneficial ownership.
- (3) Each of Messrs. Pratt and Swets are the managing members of our sponsor, FMG Investors LLC, and may be deemed to each beneficially own the 1,099,266 shares owned by FMG Investors LLC.
- (4) The business address of David E. Sturgess is c/o Urdike, Kelly & Spellacy, P.C., One State Street, Hartford, Connecticut 06103.
- (5) Based on information contained in a Statement on Schedule 13G filed by HBK Investments L.P., HBK Services LLC, HBK Partners II L.P., HBK Management LLC and HBK Master Fund L.P. on February 12, 2008. The address of all such reporting parties is 300 Crescent Court, Suite 700, Dallas, Texas 75201. HBK Investments L.P. has delegated discretion to vote and dispose of the Securities to HBK Services LLC ("Services"). Services may, from time to time, delegate discretion to vote and dispose of certain of the Securities to HBK New York LLC, a Delaware limited liability company, HBK Virginia LLC, a Delaware limited liability company, HBK Europe Management LLP, a limited liability partnership organized under the laws of the United Kingdom, and/or HBK Hong Kong Ltd., a corporation organized under the laws of Hong Kong (collectively, the "Subadvisors"). Each of Services and the Subadvisors is under common control with HBK Investments L.P. The Subadvisors expressly declare that the filing of the statement on Schedule 13G shall not be construed as an admission that they are, for the purpose of Section 13(d) or 13(g), beneficial owners of the Securities. Jamiel A. Akhtar, Richard L. Booth, David C. Haley, Lawrence H. Lebowitz, and William E. Rose are each managing members (collectively, the "Members") of HBK Management LLC. The Members expressly declare that the filing of the statement on Schedule 13G shall not be construed as an admission that they are, for the purpose of Section 13(d) or 13(g), beneficial owners of the Securities.
- (6) Based on information contained in a Statement on Schedule 13D filed by Brian Taylor, Pine River Capital Management L.P. and Nisswa Master Fund Ltd. on October 12, 2007. All reporting parties have shared voting and dispositive power over such securities. The address of all such reporting parties is 800 Nicollet Mall, Suite 2850, Minneapolis, MN 55402.
- (7) Based on information contained in a Statement on Schedule 13D filed by Bulldog Investors, Phillip Goldstein and Andrew Dakos on February 13, 2008. All reporting parties have shared voting and dispositive power over such securities. The address of all such reporting parties is Park 80 West, Plaza Two, Saddle Brook, NJ 07663.
- (8) Based on information contained in a Statement on Schedule 13G filed by Millenco LLC, Millenium Management LLC and Israel A. Englander on December 11, 2007. All reporting parties have shared voting and dispositive power over such securities. The address of all such reporting parties is 666 Fifth Avenue, New York, NY 10103.
- (9) Based on information contained in a Statement on Schedule 13G/A filed by D.B. Zwirn & Co., L.P., DBZ GP, LLC, D.B. Zwirn Special Opportunities Fund, L.P. and D.B. Zwirn Special Opportunities Fund, Ltd. on January 25, 2008. D.B. Zwirn & Co., L.P., DBZ GP, LLC, Zwirn Holdings, LLC, and Daniel B. Zwirn may each be deemed the beneficial owner of (i) 178,500 shares of common stock owned by D.B. Zwirn Opportunities Fund, L.P. and (ii) 246,500 shares of common stock owned by D.B. Zwirn Special Opportunities Fund, Ltd. (each entity referred to in (i) through (ii) is herein referred to as a "Fund" and, collectively, as the "Funds"). D.B. Zwirn & Co., L.P. is the manager of the Funds,

and consequently has voting control and investment discretion over the shares of common stock held by the Fund. Daniel B. Zwirn is the managing member of and thereby controls Zwirn Holdings, LLC, which in turn is the managing member of and thereby controls DBZ GP, LLC, which in turn is the general partner of and thereby controls D.B. Zwirn & Co., L.P. The foregoing should not be construed in and of itself as an admission by any Reporting Person as to beneficial ownership of shares of common stock owned by another Reporting Person. In addition, each of D.B. Zwirn & Co., L.P., DBZ GP, LLC, Zwirn Holdings, LLC and Daniel B. Zwirn disclaims beneficial ownership of the shares of common stock held by the Funds.

- (10) Based on information contained in a Statement on Schedule 13G filed by Weiss Asset Management, LLC, Weiss Capital, LLC and Andrew M. Weiss, Ph.D. on March 24, 2008. Shares reported for Weiss Asset Management, LLC include shares beneficially owned by a private investment partnership of which Weiss Asset Management, LLC is the sole general partner. Shares reported for Weiss Capital, LLC include shares beneficially owned by a private investment corporation of which Weiss Capital is the sole investment manager. Shares reported for Andrew Weiss include shares beneficially owned by a private investment partnership of which Weiss Asset Management is the sole general partner and which may be deemed to be controlled by Mr. Weiss, who is the Managing Member of Weiss Asset Management, and also includes shares held by a private investment corporation which may be deemed to be controlled by Dr. Weiss, who is the managing member of Weiss Capital, the Investment Manager of such private investment corporation. Dr. Weiss disclaims beneficial ownership of the shares reported herein as beneficially owned by him except to the extent of his pecuniary interest therein. Weiss Asset Management, Weiss Capital, and Dr. Weiss have a business address of 29 Commonwealth Avenue, 10th Floor, Boston, Massachusetts 02116.

Beneficial Ownership following the Merger:

Solely for illustrative purposes, the following table is designed to set forth information regarding the beneficial ownership of FMG Acquisition Corp. common stock of each person who is anticipated to own greater than 5% of FMG's outstanding common stock and each person who will act in the capacity of officer or director following the Merger, based on the following assumptions:

- the current ownership of the entities and individuals identified above remains unchanged;
- does not reflect the result of any Company warrant exercises; and
- The columns reflecting the beneficial ownership after consummation of the Merger assumes the issuance of all 8,750,000 shares.

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Name and Address of Beneficial Owners(1)	Common Stock	
	Number of Shares (2)	Percentage of Common Stock
Gregory C. Branch, Chairman of the Board	1,492,225(3)	10.17%
FMG Investors LLC(4)	1,099,266	7.49%
Gordon G. Pratt, Chairman, Chief Executive Officer and President	1,099,266(4)	7.49%
Larry G. Swets, Jr., Chief Financial Officer, Secretary, Treasurer, Executive Vice President	1,099,266(4)	7.49%
Donald J. Cronin, President and Chief Executive Officer	77,263	0.53%
Nicholas W. Griffin, Chief Financial Officer	44,888	0.31%
Melvin A. Russell, Jr., Chief Underwriting Officer	46,463	0.32%
Alec L. Poitevint, II, Director	344,225(5)	2.35%
Kent G. Whittemore, Director	212,013(6)	1.45%
James R. Zuhlke, Director	21,035	0.14%
HBK Investments L.P.(7)	547,250	3.73%
Brian Taylor (8)	437,500	2.98%
Bulldog Investors(9)	1,282,167	8.74%
Millenco LLC(10)	189,375	1.29%
D.B. Zwirn Special Opportunities Fund, L.P.(11)	178,500	1.22%
D.B. Zwirn Special Opportunities Fund, Ltd. (11)	246,500	1.68%
D.B. Zwirn & Co., L.P. (11)	425,000	2.90%
DBZ GP, LLC(11)	425,000	2.90%
Zwirn Holdings, LLC(11)	350,000	2.39%
Daniel B. Zwirn(11)	350,000	2.39%
Weiss Asset Management, LLC(12)	255,002	1.74%
Weiss Capital, LLC(12)	130,435	0.89%
Andrew M. Weiss, Ph.D.(12)	385,437	2.63%
All Directors and Officers as a Group (9 persons)	3,337,376	22.75%

- (1) Unless otherwise indicated, the business address of each of the stockholders is Four Forest Park, Second Floor, Farmington, Connecticut 06032.
- (2) Unless otherwise indicated, all ownership is direct beneficial ownership.
- (3) Includes 116,200 shares to be held by Greg Branch Family LP, voting and investment power over which will be held by Mr. Branch, and 245,875 shares held by O.C. Branch Trust, voting power over which will be held by Mr. Branch.
- (4) Each of Messrs. Pratt and Swets are the managing members of our sponsor, FMG Investors LLC, and may be deemed to each beneficially own the 1,099,266 shares owned by FMG Investors LLC.

- (5) Includes 344,225 shares held by Mineral Associates, Inc., voting and investment power over which is held by Mr. Poitevint.
- (6) Shares to be held jointly by Kent G. and Kathy Whittemore.
- (7) Based on information contained in a Statement on Schedule 13G filed by HBK Investments L.P., HBK Services LLC, HBK Partners II L.P., HBK Management LLC and HBK Master Fund L.P. on February 12, 2008. The address of all such reporting parties is 300 Crescent Court, Suite 700, Dallas, Texas 75201. HBK Investments L.P. has delegated discretion to vote and dispose of the Securities to HBK Services LLC ("Services"). Services may, from time to time, delegate discretion to vote and dispose of certain of the Securities to HBK New York LLC, a Delaware limited liability company, HBK Virginia LLC, a Delaware limited liability company, HBK Europe Management LLP, a limited liability partnership organized under the laws of the United Kingdom, and/or HBK Hong Kong Ltd., a corporation organized under the laws of Hong Kong (collectively, the "Subadvisors"). Each of Services and the Subadvisors is under common control with HBK Investments L.P. The Subadvisors expressly declare that the filing of the statement on Schedule 13G shall not be construed as an admission that they are, for the purpose of Section 13(d) or 13(g), beneficial owners of the Securities. Jamiel A. Akhtar, Richard L. Booth, David C. Haley, Lawrence H. Lebowitz, and William E. Rose are each managing members (collectively, the "Members") of HBK Management LLC. The Members expressly declare that the filing of the statement on Schedule 13G shall not be construed as an admission that they are, for the purpose of Section 13(d) or 13(g), beneficial owners of the Securities.
- (8) Based on information contained in a Statement on Schedule 13D filed by Brian Taylor, Pine River Capital Management L.P. and Nisswa Master Fund Ltd. on October 12, 2007. All reporting parties have shared voting and dispositive power over such securities. The address of all such reporting parties is 800 Nicollet Mall, Suite 2850, Minneapolis, MN 55402.
- (9) Based on information contained in a Statement on Schedule 13D filed by Bulldog Investors, Phillip Goldstein and Andrew Dakos on February 13, 2008. All reporting parties have shared voting and dispositive power over such securities. The address of all such reporting parties is Park 80 West, Plaza Two, Saddle Brook, NJ 07663.
- (10) Based on information contained in a Statement on Schedule 13G filed by Millenco LLC, Millenium Management LLC and Israel A. Englander on December 11, 2007. All reporting parties have shared voting and dispositive power over such securities. The address of all such reporting parties is 666 Fifth Avenue, New York, NY 10103.
- (11) Based on information contained in a Statement on Schedule 13G/A filed by D.B. Zwirn & Co., L.P., DBZ GP, LLC, D.B. Zwirn Special Opportunities Fund, L.P. and D.B. Zwirn Special Opportunities Fund, Ltd. on January 25, 2008. D.B. Zwirn & Co., L.P., DBZ GP, LLC, Zwirn Holdings, LLC, and Daniel B. Zwirn may each be deemed the beneficial owner of (i) 178,500 shares of common stock owned by D.B. Zwirn Opportunities Fund, L.P. and (ii) 246,500 shares of common stock owned by D.B. Zwirn Special Opportunities Fund, Ltd. (each entity referred to in (i) through (ii) is herein referred to as a "Fund" and, collectively, as the "Funds"). D.B. Zwirn & Co., L.P. is the manager of the Funds, and consequently has voting control and investment discretion over the shares of common stock held by the Fund. Daniel B. Zwirn is the managing member of and thereby controls Zwirn Holdings, LLC, which in turn is the managing member of and thereby controls DBZ GP, LLC, which in turn is the general partner of and thereby controls D.B. Zwirn & Co., L.P. The foregoing should not be construed in and of itself as an admission by any Reporting Person as to beneficial ownership of shares of common stock owned by another Reporting Person. In addition, each of D.B. Zwirn & Co., L.P., DBZ

GP, LLC, Zwirn Holdings, LLC and Daniel B. Zwirn disclaims beneficial ownership of the shares of common stock held by the Funds.

- (12) Based on information contained in a Statement on Schedule 13G filed by Weiss Asset Management, LLC, Weiss Capital, LLC and Andrew M. Weiss, Ph.D. on March 24, 2008. Shares reported for Weiss Asset Management, LLC include shares beneficially owned by a private investment partnership of which Weiss Asset Management, LLC is the sole general partner. Shares reported for Weiss Capital, LLC include shares beneficially owned by a private investment corporation of which Weiss Capital is the sole investment manager. Shares reported for Andrew Weiss include shares beneficially owned by a private investment partnership of which Weiss Asset Management is the sole general partner and which may be deemed to be controlled by Mr. Weiss, who is the Managing Member of Weiss Asset Management, and also includes shares held by a private investment corporation which may be deemed to be controlled by Dr. Weiss, who is the managing member of Weiss Capital, the Investment Manager of such private investment corporation. Dr. Weiss disclaims beneficial ownership of the shares reported herein as beneficially owned by him except to the extent of his pecuniary interest therein. Weiss Asset Management, Weiss Capital, and Dr. Weiss have a business address of 29 Commonwealth Avenue, 10th Floor, Boston, Massachusetts 02116.

All of the shares of common stock outstanding prior to the IPO have been placed in escrow with Continental Stock Transfer & Trust Company, as escrow agent, until the earliest of:

- one year following the consummation of a business combination; and
- the consummation of a liquidation, merger, stock exchange or other similar transaction which results in all of our stockholders having the right to exchange their shares of common stock for cash, securities or other property subsequent to our consummating a business combination.

During the escrow period, the holders of these shares of common stock will not be able to sell or transfer their securities except in certain limited circumstances (such as transfers to relatives and trusts for estate planning purposes, while remaining in escrow), but will retain all other rights as our stockholders, including, without limitation, the right to vote their shares of common stock and the right to receive cash dividends, if declared. If dividends are declared and payable in shares of common stock, such dividends will also be placed in escrow. If we are unable to effect a business combination and liquidate, none of our founding stockholders will receive any portion of the liquidation proceeds with respect to common stock owned by them prior to October 4, 2007, including the common stock underlying the sponsor warrants.

PRICE RANGE OF SECURITIES AND DIVIDENDS

FMG Acquisition Corp.

Our Units, Common Stock and Warrants are each traded on the Over-the-Counter Bulletin Board under the symbols FMGQU, FMGQ and FMGQW, respectively. Our Units commenced public trading on October 4, 2007 and our Common Stock and Warrants commenced public trading on November 7, 2007.

The table below sets forth, for the calendar quarter indicated, the high and low bid prices of our units, common stock and warrants as reported on the Over-the-Counter Bulletin Board. The over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily reflect actual transactions.

	Over-the-Counter Bulletin Board							
	Units		Common Stock		Warrants			
	High	Low	High	Low	High	Low		
Fourth Quarter 2007*	\$ 8.00	\$ 7.90	\$ 7.30	\$ 7.15	\$ 0.70	\$ 0.70		
First Quarter 2008	7.93	7.62	7.25	7.12	0.70	0.35		
Second Quarter 2008	7.65	7.52	7.40	7.23	0.50	0.27		

* For the period October 4 through end of the quarter

United

Historical market price information regarding United membership units is not provided because there is no public market for United membership units.

United Dividend Policy

Historically, due to United's status as a limited liability company, it has distributed annually to its members at least an amount equal to approximately 40% of the prior year's taxable income. During fiscal year 2006, United made

distributions of approximately \$1.6 million related to income taxable to its members for 2005. During the year ended December 31, 2007, United made distributions of approximately \$8.7 million relating to income taxable to its members in 2006, as well as a \$10 million distribution representing a return of capital. Also during its 2007 fiscal year, United accrued \$9.3 million for distributions relating to income taxable to its members for fiscal year 2007, but did not make these distributions until April of 2008. United made additional distributions of \$2 million in April of 2008 representing a return of capital. United intends to accrue and declare additional dividends in 2008 consisting of estimated taxes payable by its members related to its 2008 taxable income, which will be paid prior to completion of the Merger.

United's credit facility with Columbus Bank & Trust limits United's ability to declare and pay dividends to an amount that is no more than 50% of the amounts represented by its net income for a fiscal year less the amount of distributions made for taxes. This credit facility also contains provisions that may effectively limit the amount of dividends United can pay to its members. For instance, under the terms of United's loan agreement with Columbus Bank & Trust, United must meet certain financial ratios and other financial requirements. These ratios and other requirements are calculated using United's financial information that takes into account dividends paid to our members. Therefore, in determining whether United can pay dividends, or the amount of dividends that may be paid, United will have to observe the limits described above and consider whether the payment of such dividends will allow it to maintain the ratios and other financial requirements in its loan agreement.

Holders of United Membership units

There are currently 62 holders of United membership units.

Dividends Upon Completion of the Merger

Following completion of the Merger, we will consider whether or not to institute a dividend policy. We may also choose to reinvest any earnings back into the combined company. The combined company also expects that any loan or credit facilities it enters into may limit its ability to pay dividends.

DESCRIPTION OF FMG ACQUISITION CORP. SECURITIES

General

Our amended and restated certificate of incorporation authorizes the issuance of up to 20,000,000 shares of common stock, par value \$0.0001 per share, and 1,000,000 shares of preferred stock, par value \$0.0001 per share. As of the date hereof, 5,917,031 shares of common stock are outstanding. No shares of preferred stock are currently outstanding.

Units

Each unit consists of one share of common stock and one warrant. Each warrant entitles the holder to purchase one share of common stock. Even though the component parts of the units may be broken apart and traded separately, the units will continue to be listed as a separate security, and any securityholder of our common stock and warrants may elect to combine them together and trade them as a unit. Securityholders will have the ability to trade our securities as units until such time as the warrants expire or are redeemed.

Common Stock

Common stockholders of record are entitled to one vote for each share held on all matters to be voted on by stockholders. In connection with the stockholder vote required to approve any business combination, all of our officers, directors and special advisors have agreed to vote all shares of common stock owned by them prior to this offering in the same manner as a majority of the public stockholders who vote at the special or annual meeting called for the purpose of approving a business combination. Our insiders have also agreed that if they acquire shares of common stock in or following the IPO, they will vote such acquired shares of common stock in favor of a business combination.

In accordance with Article Sixth of our amended and restated certificate of incorporation, we will proceed with the business combination only if a majority of the shares of common stock voted by the public stockholders are voted in favor of the business combination and public stockholders owning less than 30% of the shares of common stock sold in the IPO both exercise their conversion rights and vote against the business combination. For purposes of seeking approval of the majority of the shares of common stock voted by the public stockholders, non-votes will have no effect on the approval of a business combination once a quorum is obtained.

Our Board of Directors is divided into two classes, each of which will generally serve for a term of two years with only one class of directors being elected in each year. There is no cumulative voting with respect to the election of directors, with the result that the holders of more than 50% of the shares of common stock eligible to vote for the election of directors can elect all of the directors.

Our stockholders are entitled to receive ratable dividends when, as and if declared by the Board of Directors out of funds legally available therefor. In the event of a liquidation, dissolution or winding up of the company after a business combination, our stockholders are entitled, subject to the rights of holders of preferred stock, if any, to share ratably in all assets remaining available for distribution to them after payment of liabilities and after provision is made for each class of stock, if any, having preference over the common stock. Our stockholders have no conversion, preemptive or other subscription rights. There are no sinking fund or redemption provisions applicable to the common stock, except that public stockholders have the right to convert their shares of common stock to cash equal to their pro rata share of the trust account if they vote against the business combination and the business combination is approved and completed. Stockholders existing prior to October 4, 2007 are not entitled to convert any of their shares of common stock into a pro rata share of the trust account.

Preferred Stock

Our amended and restated certificate of incorporation authorizes the issuance of 1,000,000 shares of blank check preferred stock with such designation, rights and preferences as may be determined from time to time by our Board of Directors. Accordingly, our Board of Directors is empowered, without stockholder approval, to issue preferred stock with dividend, liquidation, conversion, voting or other rights which could adversely affect the voting power or other rights of the holders of common stock. However, the underwriting agreement prohibits us, prior to a business combination, from issuing preferred stock which participates in any manner in the proceeds of the trust account, or which votes as a class with the common stock on a business combination. Although we do not currently intend to issue any shares of preferred stock, we cannot assure you we will not do so in the future.

Warrants

There are 5,983,625 warrants outstanding, exclusive of the warrants underlying Pali Capital's purchase option described below. Each warrant entitles the registered holder to purchase one share of our common stock at a price of \$6.00 per share, subject to adjustment as discussed below, at any time commencing on the later of:

- the completion of a business combination; and
- October 4, 2008.

The warrants will expire on October 4, 2011 at 5:00 p.m., New York City time.

We may call the warrants for redemption (including any warrants issued upon exercise of the unit purchase option) at any time after the warrants become exercisable:

- in whole and not in part;
- at a price of \$.01 per warrant;
- upon not less than 30 days' prior written notice of redemption to each warrant holder; and
- if, and only if, the last sale price of the common stock equals or exceeds \$11.50 per share, for any 20 trading days within a 30 trading day period ending on the third business day prior to the notice of redemption to warrant holders.

In addition, we may not redeem the warrants unless the warrants comprising the units sold in the offering and the shares of common stock underlying those warrants are covered by an effective registration statement from the beginning of the measurement period through the date fixed for the redemption.

If we call the warrants for redemption as described above, our management will have the option to require any holder that wishes to exercise his, her or its warrant to do so on a "cashless basis." If our management takes advantage of this option, all holders of warrants would pay the exercise price by surrendering his, her or its warrants for that number of shares of common stock equal to the quotient obtained by dividing (x) the product of the number of shares of common stock underlying the warrants, multiplied by the difference between the exercise price of the warrants and the "fair market value" (defined below) by (y) the fair market value. The "fair market value" shall mean the average reported last sale price of the common stock for the 10 trading days ending on the third trading day prior to the date on which the notice of redemption is sent to the holders of warrants. If our management takes advantage of this option, the notice of redemption will contain the information necessary to calculate the number of shares of common stock to be received upon exercise of the warrants, including the "fair market value" in such case. Requiring a cashless exercise in this

manner will reduce the number of shares to be issued and thereby lessen the dilutive effect of a warrant redemption. We believe this feature is an attractive option to us if we do not need the cash from the exercise of the warrants after a business combination. If we call our warrants for redemption and our management does not take advantage of this option, our sponsor would still be entitled to exercise its insider warrants for cash or on a cashless basis. We have established these criteria to provide warrant holders with a reasonable premium to the initial warrant exercise price as well as a degree of liquidity to cushion against a negative market reaction, if any, to our redemption call.

The exercise price and number of shares of common stock issuable on exercise of the warrants may be adjusted in certain circumstances, including in the event of a stock dividend, extraordinary dividend or our recapitalization, reorganization, merger or consolidation. However, the warrants will not be adjusted for issuances of common stock at a price below their respective exercise prices.

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The warrants may be exercised upon surrender of the warrant certificate on or prior to the expiration date at the offices of the warrant agent, with the exercise form on the reverse side of the warrant certificate completed and executed as indicated, accompanied by full payment of the exercise price, by certified or official bank check payable to us, for the number of warrants being exercised. The warrant holders do not have the rights or privileges of holders of common stock and any voting rights until they exercise their warrants and receive shares of common stock. After the issuance of shares of common stock upon exercise of the warrants, each holder will be entitled to one vote for each share held of record on all matters to be voted on by stockholders.

No warrants will be exercisable unless at the time of exercise a prospectus relating to common stock issuable upon exercise of the warrants is current and the common stock has been registered or qualified or deemed to be exempt under the securities laws of the state of residence of the holder of the warrants. Under the terms of the warrant agreement, we have agreed to use our best efforts to maintain a current prospectus relating to common stock issuable upon exercise of the warrants until the expiration of the warrants. If we are unable to maintain the effectiveness of such registration statement until the expiration of the warrants, and therefore are unable to deliver registered shares of common stock, the warrants may become worthless. Such expiration would result in each holder paying the full unit purchase price solely for the shares of common stock underlying the unit. Additionally, the market for the warrants may be limited if the prospectus relating to the common stock issuable upon the exercise of the warrants is not current or if the common stock is not qualified or exempt from qualification in the jurisdictions in which the holders of the warrants reside. In no event will the registered holders of a warrant be entitled to receive a net-cash settlement, stock, or other consideration in lieu of physical settlement in shares of our common stock.

No fractional shares of common stock will be issued upon exercise of the warrants. If, upon exercise of the warrants, a holder would be entitled to receive a fractional interest in a share, we will, upon exercise, round up to the nearest whole number the number of shares of common stock to be issued to the warrant holder.

Our sponsor purchased 1,250,000 warrants from us at a price of \$1.00 per warrant prior to the consummation of the offering. The insider warrants have terms and provisions substantially similar to the warrants being sold in this offering, except that (i) such insider warrants will not have a claim to the funds held in the trust account, (ii) such insider warrants will be placed in escrow and not released before, except in limited circumstances, 90 days from the consummation of a business combination, (iii) such insider warrants were purchased pursuant to an exemption from the registration requirements of the Securities Act and will become freely tradable only after they are registered pursuant to a registration rights agreement to be signed on or before the date of this prospectus, (iv) the insider warrants are non-redeemable so long as they are held by the sponsor or its permitted assigns, and (v) the insider warrants are exercisable (a) on a "cashless" basis at any time, if held by our sponsor or its permitted assigns and (b) in the absence of an effective registration statement covering the shares of common stock underlying the warrants. The transfer restriction does not apply to transfers made pursuant to registration or an exemption that are occasioned by operation of law or for estate planning purposes, while remaining in escrow. The non-redemption provision does not apply to warrants included in units or otherwise purchased in open market transactions, if any. As part of the negotiations between the representative of the underwriters and the sponsor, the sponsor agreed to purchase the warrants directly from us and not in open market transactions. By making a direct investment in us, the amount held in the trust account pending a business combination has been increased. Because the insider warrants were originally issued pursuant to an exemption from registration requirements under the federal securities laws, the holders of the insider warrants are able to exercise their warrants even if, at the time of exercise, a prospectus relating to the common stock issuable upon exercise of such warrants is not current. As described above, the holders of public warrants are not able to exercise them unless we have a current registration statement covering the shares of common stock issuable upon their exercise.

Purchase Option

We sold to Pali Capital, Inc., the representative of the underwriters, for \$100, an option to purchase up to a total of 450,000 units at \$10.00 per unit. The units issuable upon exercise of this option are identical to those sold in our IPO.

Dividends

We have not paid any cash dividends on our common stock to date and do not intend to pay cash dividends prior to the completion of a business combination. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition subsequent to completion of a business combination. The payment of any dividends subsequent to a business combination will be within the discretion of our then Board of Directors. It is the present intention of our Board of Directors to retain all earnings, if any, for use in our business operations. Our board is not currently contemplating and does not anticipate declaring any stock dividends in the foreseeable future, except if we increase the size of the offering pursuant to Rule 462(b) under the Securities Act. Further, our ability to declare dividends may be limited to restrictive covenants if we incur any indebtedness.

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Registration Rights

The holders of a majority of (i) the 1,183,406 shares of common stock owned or held by the officers, directors and special advisors of FMG; and (ii) the 1,250,000 shares of common stock issuable upon exercise of the 1,250,000 insider warrants will be entitled to make up to two demands that we register these securities. Such holders may elect to exercise these registration rights at any time commencing on or after the date on which these securities are released from escrow. In addition, these stockholders have certain “piggy-back” registration rights with respect to registration statements filed subsequent to the date on which these securities are released from escrow. We will bear the expenses incurred in connection with the filing of any such registration statements.

Although the purchase option and its underlying securities have been registered on FMG’s initial registration statement, the option grants holders demand and “piggy-back” registration rights for periods of five and seven years, respectively, from October 4, 2007. These rights apply to all of the securities directly and indirectly issuable upon exercise of the option.

Quotation of Securities

Our units, common stock and warrants are quoted on the OTC Bulletin Board under the symbols FMGQU, FMGQ and FMGQW, respectively.

Delaware Anti-Takeover Law

Pursuant to our amended and restated certificate of incorporation, we have opted out of the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. This section prevents certain Delaware corporations, under certain circumstances, from engaging in a “business combination” with:

- a stockholder who owns 15% or more of our outstanding voting stock (otherwise known as an “interested stockholder”);
- an affiliate of an interested stockholder; or
- an associate of an interested stockholder, for three years following the date that the stockholder became an interested stockholder.

COMPARISON OF RIGHTS OF FMG STOCKHOLDERS AND UNITED MEMBERS

This section describes material differences between the rights of holders of FMG's capital stock and the rights of holders of United's membership units. This summary is not intended to be a complete discussion of FMG's Amended and Restated Certificate of Incorporation and Bylaws or United's Members Agreement, as amended, and is qualified in its entirety by reference to the applicable document and applicable Delaware and Florida law.

FMG is organized as a corporation under the laws of the State of Delaware whereas United is organized as a limited liability company under the laws of the State of Florida. There are several differences between the laws of the two jurisdictions which may affect the relative rights of a stockholder or member, as the case may be. Upon completion of the Merger, holders of United membership units will become holders of FMG's common stock and their rights will be governed by Delaware law and FMG's Second Amended and Restated Certificate of Incorporation, which will become effective following the consummation of the Merger, and FMG's Bylaws. The form of the Second Amended and Restated Certificate of Incorporation expected to be in effect following the closing of the Merger is filed as an exhibit to the registration statement of which this proxy statement/prospectus is a part. The following discussion summarizes material differences between the rights of FMG's stockholders and United's members under Delaware and Florida law, as well as the respective certificates of incorporation, articles of organization and members agreement of FMG and of United. Copies of the governing corporate instruments are available without charge, to any person, including any beneficial owner to whom this document is delivered, by following the instructions listed under "Where You Can Find More Information."

FMG

United

AUTHORIZED CAPITAL STOCK

Authorized Shares . FMG is authorized under its Amended and Restated Certificate of Incorporation to issue up to 20,000,000 shares of common stock, par value \$0.0001 per share, and up to 1,000,000 shares of preferred stock, par value \$0.0001 per share. If the Second Amendment Proposal is approved, the Company will be authorized to issue up to 50,000,000 shares of common stock, par value \$0.0001 per share, and up to 1,000,000 shares of preferred stock, par value \$0.0001 per share.

Preferred Stock . FMG's Amended and Restated Certificate of Incorporation provides that shares of preferred stock may be issued in one or more series by FMG's board of directors. The FMG board can fix voting powers, full or limited, and designations, preferences and relative, participating, optional or other special rights and qualifications, limitations or restrictions. No shares of preferred stock have been issued.

Membership Units . Per its Articles of Organization and its Members Agreement, United does not have an authorized limit on the number of membership units that it may issue. As of March 31, 2008, there were 100,000 membership units issued and outstanding. There is only the one class of membership units.

CLASSIFICATION, NUMBER AND ELECTION OF DIRECTORS

The FMG board of directors is currently divided into two classes, with each class serving a staggered two-year term. The FMG Bylaws currently in effect provide that its board of directors will consist of not less than one nor more than nine directors, such number to be fixed by a vote of a majority of FMG's entire board of directors from time to time.

United's members agreement, as amended, provides that its board of managers will consist of one or more members, the exact number to be determined from time to time by the board of managers. The number of managers currently serving is six, each of whom serves a one year term.

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VACANCIES ON THE BOARD OF DIRECTORS AND REMOVAL OF DIRECTORS

Delaware law provides that any vacancy in the board of directors shall be filled as the bylaws provide or in the absence of such provision, by the board of directors or other governing body. If, at the time of filling of any vacancy or newly created directorship, the directors then in office constitute less than a majority of the authorized number of directors, the Delaware Court of Chancery may, upon application of any stockholder or stockholders holding at least 10% of the voting stock of the corporation then outstanding having the right to vote for such directors, order an election to be held to fill the vacancy or replace the directors selected by the directors then in office.

FMG's Second Amended and Restated Certificate of Incorporation and Bylaws will provide that any vacancy in the FMG board of directors, including vacancies resulting from any increase in the authorized number of directors, may be filled by a vote of the directors then in office, even if less than a quorum exists. Any director elected to fill a vacancy shall be elected until the next annual meeting of stockholders, and until his or her successor has been elected and qualified.

FMG's Bylaws currently provide that any director may be removed for cause by the affirmative vote of a majority of the entire board. FMG's bylaws provide that any director may otherwise be removed, with or without cause, by the affirmative vote of the holders of a majority of all of the shares of the stock of FMG outstanding and entitled to vote for the election of directors.

Florida law provides that a vacancy occurring in United's board of managers, including a newly created manager position, may be filled by a majority of the remaining board of managers, although less than a quorum, or by a plurality of the votes cast at a members meeting. Florida law also provides that managers may be removed from office with or without cause by a vote of members holding a majority of the outstanding membership units entitled to vote at an election of managers.

AMENDMENTS TO THE GOVERNANCE DOCUMENTS

Under Delaware law, an amendment to the certificate of incorporation of a corporation generally requires the approval of the corporation's board of directors and the approval of the holders of a majority of the outstanding stock entitled to vote upon the

Under Florida law, an amendment to the articles of organization of a limited liability company generally requires the approval of the holders of a majority of the outstanding membership units entitled to vote upon the proposed amendment (unless a higher vote is

proposed amendment (unless a higher vote is required by the corporation's certificate of incorporation).

required by the company's members agreement or articles of organization).

FMG's Amended and Restated Certificate of Incorporation may be amended in accordance with the general provisions of Delaware law; provided, however, that Articles Third, Fifth and Sixth of FMG's Amended and Restated Certificate of Incorporation may not be amended without the affirmative approval of at least 95% of the shares of common stock sold in FMG's IPO unless the amendments are submitted for approval in connection with an acquisition by FMG, whether by merger, capital stock exchange, asset or stock acquisition or other similar type of transaction, of an operating business having a fair market value of at least 80% of the amount in the trust account at the time of the transaction. If the First Amendment Proposal is approved, the 95% threshold requirement for the approval of an amendment will be removed.

United's members' agreement does not require a higher vote than the Florida statutory limit, provided however, that no amendment that adversely affects one particular member may be made without the prior written consent of such member.

AMENDMENTS TO BYLAWS

Under Delaware law, stockholders entitled to vote have the power to adopt, amend or repeal bylaws. In addition, a corporation may, in its certificate of incorporation, confer this power on the board of directors. The stockholders always have the power to adopt, amend or repeal the bylaws, even though the board of directors may also be delegated the power.

FMG's Amended and Restated Certificate of Incorporation provides that the FMG board of directors, without the assent or vote of FMG stockholders, may make, amend or repeal the bylaws, as provided in the bylaws. FMG's Bylaws provide that the bylaws may be amended, adopted or repealed by stockholders entitled to vote thereon at any regular or special meeting or by the vote of a majority of the FMG board of directors.

United does not have bylaws as it is governed by its members agreement.

INDEMNIFICATION OF DIRECTORS AND OFFICERS

Under Delaware law, a corporation may generally indemnify any person who was made a party to a proceeding due to his/her service at the request of the corporation (other than an action by or in the right of the corporation):

- for actions taken in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of the corporation; and
- and with respect to any criminal proceeding, if such person had no reasonable cause to believe that his/her conduct was unlawful.

In addition, Delaware law provides that a corporation may advance to a director or officer expenses incurred in defending any action upon receipt of an undertaking by the director or officer to repay the amount advanced if it is ultimately determined that he or she is not entitled to indemnification.

Under Florida law, a limited liability company may generally indemnify managers, members, officers, employees and agents from and against any and all claims and demands whatsoever, unless a judgment or other final adjudication establishes that the actions, or omissions to act, of such member, manager, officer, employee or agent were material to the cause of action so adjudicated and was:

- (i) a violation of criminal law, unless the member, manager, officer, employee or agent had no reasonable cause to believe such conduct was unlawful;
- (ii) a transaction from which the member, manager, officer, employee or agent derived an impersonal benefit;
- (iii) in the case of a manager, an unlawful distribution; or
- (iv) willful misconduct or conscious disregard for the best interests of the limited

liability company.

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FMG's Amended and Restated Certificate of Incorporation provides that FMG, to the fullest extent permitted by Section 145 of the Delaware General Corporation Law, shall indemnify all persons whom it may indemnify pursuant thereto. Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit or proceeding for which such officer or director may be entitled to indemnification hereunder shall be paid by FMG in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by FMG.

FMG's Amended and Restated Certificate of Incorporation provides that no director of FMG shall be personally liable to FMG or to any stockholder for monetary damages for breach of fiduciary duty as a director; provided, however, that liability of a director shall not be limited or eliminated (i) for any breach of the director's duty of loyalty to FMG or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the director or officer derived an improper personal benefit.

FMG's Bylaws provide that FMG shall indemnify any person who was or is made a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the Corporation and that FMG shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of FMG to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of FMG.

SHARES ELIGIBLE FOR FUTURE SALE

As of the date of this proxy statement/prospectus, the Company has 5,917,031 shares of common stock outstanding. In respect of the equity consideration portion of the aggregate purchase price of the membership units of United, FMG will issue 8,750,000 shares to the members of United. As a result of the negotiation of the Merger Agreement, FMG has agreed to register for resale the 8,750,000 shares of common stock to be issued to United's members in connection with the Merger. The cost of such registration, including the costs associated with supplementing or amending the resale prospectus, will be borne by FMG. Accordingly, immediately following the Merger, FMG will have 14,667,031 shares of common stock outstanding. Of these shares, 13,483,625 shares are freely tradable without restriction or further registration under the Securities Act, except for any shares held by an affiliate of FMG within the meaning of Rule 144 under the Securities Act. All of the remaining 1,183,406 shares are restricted securities under Rule 144, in that they were issued in private transactions not involving a public offering. All of these shares have been placed in escrow and will not be transferable until one year after the consummation of a business combination, subject to certain limited exceptions, such as transfers to family members and trusts for estate planning purposes and upon death, while in each case remaining subject to the escrow agreement, and will only be released prior to that date if the Company is forced to liquidate, in which case the shares would be destroyed.

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Of the 8,750,000 shares of common stock issued to the members of United in respect of the equity consideration, all of such shares are subject to a ninety-day lock up period.

Rule 144

The SEC recently adopted amendments to Rule 144 which became effective on February 15, 2008 and apply to securities acquired both before and after that date. Under these amendments, a person who has beneficially owned restricted shares of our common stock or warrants for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the three months preceding, a sale and (ii) we are subject to the Exchange Act periodic reporting requirements for at least three months before the sale.

Persons who have beneficially owned restricted shares of our common stock or warrants for at least six months but who are our affiliates at the time of, or at any time during the three months preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the number of shares of common stock then outstanding; and
- if the common stock is listed on a national securities exchange or on The NASDAQ Stock Market, the average weekly trading volume of the common stock during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale.

Sales under Rule 144 are also limited by manner of sale provisions and notice requirements and to the availability of current public information about us.

Sales Under Rule 144 by Non-Affiliates

Under Rule 144, a person who is not deemed to have been one of our affiliates at the time of or at any time during the three months preceding a sale, and who has beneficially owned the restricted stock proposed to be sold for at least 6 months, including the holding period of any prior owner other than an affiliate, is entitled to sell their common stock without complying with the manner of sale and volume limitation or notice provisions of Rule 144. We must be current in our public reporting if the non-affiliate is seeking to sell under Rule 144 after holding his ordinary shares between 6 months and one year. After one year, non-affiliates do not have to comply with any other Rule 144 requirements.

Restrictions on the Use of Rule 144 by Shell Companies or Former Shell Companies

Historically, the SEC staff has taken the position that Rule 144 is not available for the resale of securities initially issued by companies that are, or previously were, blank check companies like us, to their promoters or affiliates despite technical compliance with the requirements of Rule 144. The SEC has codified and expanded this position in the amendments discussed above by prohibiting the use of Rule 144 for resale of securities issued by any shell companies (other than business combination related shell companies) or any issuer that has been at any time previously a shell company. The SEC has provided an important exception to this prohibition, however, if the following conditions are met:

- the issuer of the securities that was formerly a shell company has ceased to be a shell company;
- the issuer of the securities is subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act;

- the issuer of the securities has filed all Exchange Act reports and material required to be filed, as applicable, during the preceding 12 months (or such shorter period that the issuer was required to file such reports and materials), other than Form 8-K reports; and
- at least one year has elapsed from the time that the issuer filed current Form 10 type information with the SEC reflecting its status as an entity that is not a shell company.

As a result, our initial stockholders and the holders of the insider warrants will be able to sell the founder shares and insider warrants pursuant to Rule 144 without registration one year after we have completed our initial business combination and we have filed current Form 10 type information with the SEC reflecting our status as an entity that is not a shell company.

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EXPERTS

The financial statements of FMG Acquisition Corp. as of December 31, 2007 and for the period from inception (May 22, 2007) to December 31, 2007, appearing in this prospectus and registration statement have been audited by Rothstein Kass, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing. The financial statements of FMG Acquisition Corp. as of March 31, 2008 and for the period from inception (May 22, 2007) to March 31, 2008, appearing in this prospectus and registration statement have been reviewed by Rothstein Kass, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing. The consolidated financial statements of United Insurance Holdings, L.C. as of December 31, 2007 and 2006, and for the years ended December 31, 2007, 2006 and 2005 appearing in this prospectus and registration statement have been audited by De Meo, Young, McGrath, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

LEGAL MATTERS

Certain matters relating to United States, including matters relating to U.S. federal income tax consequences of the Merger, will be passed upon for us by Ellenoff Grossman & Schole LLP.

STOCKHOLDER PROPOSALS AND OTHER MATTERS

Management of the Company knows of no other matters which may be brought before the Company's Special Meeting. If any matter other than the proposed Merger or related matters should properly come before the Special Meeting, however, the persons named in the enclosed proxies will vote proxies in accordance with their judgment on those matters.

Under Delaware law, only business stated in the notice of Special Meeting may be transacted at the Special Meeting.

We must receive proposals of stockholders intended to be presented at our next annual meeting prior to December 31, 2008 to be considered for inclusion in our proxy statement relating to that meeting. Our board of directors will review any proposals from eligible stockholders that it receives by that date and will make a determination whether any such proposals will be included in our proxy materials. Any proposal received after December 31, 2008 shall be considered untimely and shall not be made a part of our proxy materials.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

As allowed by SEC rules, this proxy statement/prospectus does not contain all of the information that you can find in the registration statement or the exhibits to the registration statement. You should refer to the registration statement and its exhibits for additional information that is not contained in this proxy statement/prospectus.

The Company is subject to the informational requirements of the Securities Exchange Act, and is required to file reports, any proxy statements and other information with the SEC. Any reports, statements or other information that the Company files with the SEC, including this proxy statement/prospectus may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549, on official business days during the hours of 10:00 am to 3:00 pm. Copies of this material can also be obtained upon written request from the Public Reference Section of the SEC at its principal office in Washington, D.C. 20549, at prescribed rates or from the SEC's website on the Internet at <http://www.sec.gov>, free of charge. Please call the SEC at

1-800-SEC-0330 for further information on public reference rooms.

Neither the Company nor United has authorized anyone to provide you with information that differs from that contained in this proxy statement/prospectus. You should not assume the information contained in this proxy statement/prospectus is accurate as on any date other than the date of the proxy statement/prospectus, and neither the mailing of this proxy statement/prospectus to FMG Acquisition Corp. stockholders nor the issuance of FMG shares of common stock in the Merger shall create any implication to the contrary.

This proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is not lawful to make any such offer or solicitation in such jurisdiction.

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FMG Acquisition Corp.
(a corporation in the development stage)

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of
FMG Acquisition Corp.

We have audited the accompanying balance sheet of FMG Acquisition Corp. (a corporation in the development stage) (the "Company") as of December 31, 2007 and the related statements of operations, stockholders' equity, and cash flows for the period from May 22, 2007 (date of inception) to December 31, 2007. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides 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 the Company as of December 31, 2007, and the results of its operations and its cash flows for the period from May 22, 2007 (date of inception) to December 31, 2007, in conformity with generally accepted accounting principles in the United States of America.

/s/ Rothstein, Kass & Company, P.C.

Roseland, New Jersey
March 27, 2008

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FMG ACQUISITION CORP.
(a corporation in the development stage)

BALANCE SHEET

	December 31, 2007
ASSETS	
Current assets	
Cash	\$ 71,274
Prepaid expenses	54,075
	125,349
Other assets	
Cash held in Trust Account	37,720,479
Deferred tax asset	32,210
	37,752,689
TOTAL ASSETS	\$ 37,878,038
LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities , accounts payable and accrued expenses	
	\$ 174,344
Long-term liabilities , deferred underwriters' fee	
	1,514,760
Common stock, subject to possible redemption, 1,419,614 shares, at redemption value	11,232,133
Stockholders' equity	
Preferred stock, \$.0001 par value; 1,000,000 shares authorized; none issued	-
Common stock, \$.0001 par value, authorized 20,000,000 shares; 5,917,031 shares issued and outstanding, (including 1,419,614 shares subject to possible redemption)	602
Additional paid-in capital	24,873,742
Earnings accumulated during the development stage	82,457
Total stockholders' equity	24,956,801
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 37,878,038

See accompanying notes to financial statements.

FMG ACQUISITION CORP.
(a corporation in the development stage)

STATEMENT OF OPERATIONS

For the period May 22, 2007 (date of inception) to December 31, 2007

Revenue	\$	-
Formation and operating costs		114,266
Loss from operations		(114,266)
Interest income		268,228
Income before provision for income taxes		153,962
Provision for income taxes		71,505
Net income applicable to common stockholders	\$	82,457
Maximum number of shares subject to possible redemption:		
Weighted average number of common shares, basic and diluted		519,680
Net income per common share, for shares subject to possible redemption		
	\$	-
Approximate weighted average number of common shares outstanding (not subject to possible redemption)		
Basic		2,879,226
Diluted		3,258,383
Net income per common share not subject to possible redemption,		
Basic	\$	0.030
Diluted	\$	0.027

See accompanying notes to financial statements.

FMG ACQUISITION CORP.
(a corporation in the development stage)

STATEMENT OF STOCKHOLDERS' EQUITY

For the period May 22, 2007 (date of inception) to December 31, 2007

	Common Stock		Additional		Earnings	Total
	Shares	Amount	Paid-in	Capital	Accumulated	Stockholders'
					During	Equity
					Development	
					Stage	
Common shares issued to existing shareholders	1,183,406	\$ 129	\$ 24,871	\$ -		25,000
Proceeds from issuance of warrants			1,250,000			1,250,000
Sale of 4,733,625 units on October 11, 2007 at a price of \$8 per unit, net of underwriters' discount and offering costs (including 1,419,614 shares subject to possible redemption)	4,733,625	473	34,830,904			34,831,377
Common stock, subject to possible redemption, 1,419,614 shares			(11,232,133)			(11,232,133)
Proceeds from issuance of options			100			100
Net income					82,457	82,457
Balances, December 31, 2007	5,917,031	\$ 602	\$ 24,873,742	\$ 82,457		24,956,801

See accompanying notes to financial statements.

FMG ACQUISITION CORP.
(a corporation in the development stage)

STATEMENT OF CASH FLOWS

For the period May 22, 2007 (date of inception) to December 31, 2007

Cash flows provided by operating activities

Net income	\$ 82,457
Adjustments to reconcile net income to net cash provided by operating activities:	
Deferred income tax (benefit)	(32,210)
Increase (decrease) in cash attributable to changes in operating assets and liabilities:	
Prepaid expenses	(54,075)
Accounts payable and accrued expenses	174,344
Net cash provided by operating activities	170,516

Cash used in investing activities, change in restricted cash	(37,720,479)
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Cash flows from financing activities

Proceeds from notes payable, stockholders	100,000
Repayment of notes payable, stockholders	(100,000)
Proceeds from issuance of common stock to initial stockholders	25,000
Proceeds from issuance of warrants in private placement	1,250,000
Gross proceeds from public offering	37,869,000
Payments for underwriters' discount and offering cost	(1,522,863)
Proceeds from issuance of underwriters purchase option	100

Net cash provided by financing activities	37,621,237
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Net increase in cash	71,274
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Cash, beginning of period	-
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Cash, end of period	\$ 71,274
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Supplemental schedule of non-cash financing activities:

Accrual of deferred underwriters' fees	\$ 1,514,760
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See accompanying notes to financial statements.

FMG Acquisition Corp.
(a corporation in the development stage)
Notes to Financial Statements

NOTE A—DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

FMG Acquisition Corp. (a corporation in the development stage) (the “Company”) was incorporated in Delaware on May 22, 2007. The Company was formed to acquire a business operating in or providing services to the insurance industry through a merger, capital stock exchange, asset acquisition, stock purchase or other similar business combination. The Company has neither engaged in any operations nor generated revenue to date, with the exception of interest income held in the Trust Account. The Company is considered to be in the development stage as defined in Statement of Financial Accounting Standards (SFAS) No. 7, *Accounting and Reporting By Development Stage Enterprises*, and is subject to the risks associated with activities of development stage companies. The Company has selected December 31st as its fiscal year-end.

The Company’s management has broad discretion with respect to the specific application of the net proceeds of the public offering of Units (as defined in Note C below) (the “Offering”), although substantially all of the net proceeds of the Offering are intended to be generally applied toward consummating a business combination with (or acquisition of) a business operating in or providing services to the insurance industry (“Business Combination”). Furthermore, there is no assurance that the Company will be able to successfully effect a Business Combination. Since the closing of the Offering, approximately 99% of the gross proceeds, after payment of certain amounts to the underwriters, is being held in a trust account (“Trust Account”) and invested in U.S. “government securities” defined as any Treasury Bill issued by the United States government having a maturity of one hundred and eighty (180) days or less or any open ended investment company registered under the Investment Company Act of 1940 that holds itself out as a money market fund and bears the highest credit rating issued by a United States nationally recognized rating agency, until the earlier of (i) the consummation of its first Business Combination or (ii) the distribution of the Trust Account as described below. The remaining proceeds, as well as up to \$1,200,000 of post tax interest income earned on the Trust Account, may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

The Company, after signing a definitive agreement for the acquisition of a target business, will submit such transaction for stockholder approval. In the event that 30% or more of the outstanding stock (excluding, for this purpose, those shares of common stock issued prior to the Offering) vote against the Business Combination and exercise their conversion rights described below, the Business Combination will not be consummated. Public stockholders voting against a Business Combination will be entitled to convert their stock into a pro rata share of the Trust Account (including the additional 4% fee of the gross proceeds payable to the underwriters upon the Company’s consummation of a Business Combination), including any interest income earned on cash and cash equivalents held in the Trust Account (net of taxes payable and the amount distributed to the Company to fund its working capital requirements) on their pro rata share, if the business combination is approved and consummated. However, voting against the Business Combination alone will not result in an election to exercise a stockholder’s conversion rights. A stockholder must also affirmatively exercise such conversion rights at or prior to the time the Business Combination is voted upon by the stockholders. All of the Company’s stockholders prior to the Proposed Offering, including all of the directors and officers of the Company, have agreed to vote all of the shares of common stock held by them in accordance with the vote of the majority in interest of all other stockholders of the Company.

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NOTE A—DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS (CONTINUED)

In the event that the Company does not consummate a Business Combination by October 11, 2009, the proceeds held in the Trust Account will be distributed to the Company's Public Stockholders, excluding the existing stockholders to the extent of their initial stock holdings. In the event of such distribution, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the initial public offering price per Unit in the Offering (assuming no value is attributed to the Warrants contained in the Units offered in the Offering, discussed in Note C).

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation:

The accompanying financial statements are presented in U.S. dollars and have been prepared in accordance with accounting principles generally accepted in the United State of America ("U.S. GAAP") and pursuant to the accounting and disclosure rules and regulations of the Securities Exchange Commission (the "SEC").

Development stage company:

The Company complies with the reporting requirements of SFAS No. 7, "Accounting and Reporting by Development Stage Enterprises." At December 31, 2007, the Company had not commenced operations. All activity from the period May 22, 2007 (date of inception) through December 31, 2007 relates to the Company's formation and the public offering described below. The Company will not generate any operating revenues until after completion of its initial business combination, at the earliest. The Company will generate non-operating income in the form of interest income on cash and cash equivalents held in the Trust Account.

Net income per common share:

The Company complies with accounting and disclosure requirements of SFAS No. 128, "Earnings Per Share". Basic earnings per common share is computed by dividing the net income applicable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted income per common share reflects the potential dilution assuming common shares were issued upon the exercise of outstanding "in the money" warrants and the proceeds thereof were used to purchase common shares at the average market price during the period.

The Company's statement of operations includes a presentation of earning per share for common stock subject to possible redemption in a manner similar to the two-class method of earnings per share. The basic and diluted net income per common share amount for the maximum number of shares subject to possible redemption is calculated by dividing interest income attributable to common shares subject to redemption (nil for the period from May 22, 2007 to December 31, 2007) by the weighted average number of shares subject to possible redemption. The basic and diluted net income per common share amount for the shares outstanding not subject to possible redemption is calculated by dividing the income, exclusive of the net interest income attributable to common shares subject to redemption, by the weighted average number of shares not subject to possible redemption.

At December 31, 2007, the Company had outstanding warrants to purchase 5,983,625 shares of common stock.

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Redeemable common stock:

The Company accounts for redeemable common stock in accordance with Emerging Issue Task Force Topic D-98 “*Classification and Measurement of Redeemable Securities*”. Securities that are redeemable for cash or other assets are classified outside of permanent equity if they are redeemable at the option of the holder. In addition, if the redemption causes a liquidation event, the redeemable securities should not be classified outside of permanent equity. As discussed in Note A, the Business Combination will only be consummated if a majority of the shares of common stock voted by the Public Stockholders are voted in favor of the Business Combination and Public Stockholders holding less than 30% of common shares sold in the Offering exercise their redemption rights. As further discussed in Note A, if a Business Combination is not consummated by October 11, 2009 the Company will liquidate. Accordingly, 1,419,614 shares of common stock have been classified outside of permanent equity at redemption value.

The Company recognizes changes in the redemption value immediately as they occur and adjusts the carrying value of the redeemable common stock to equal its redemption value at the end of each reporting period. The redemption value is a factor of the Public Stockholder’s pro-rata share of proceeds held in trust. Of the amount held in trust, up to \$1,200,000 of post tax interest income earned on the Trust Account may be used by the Company to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses. Therefore, interest earned on the Trust Account may not impact the redemption value to the extent it will be utilized by the Company. At December 31, 2007, the per share redemption value was approximately \$7.91.

Common stock:

In August 2007, the Board of Directors of the Company approved a 1.15-for-1 stock split in the form of a stock dividend of 0.15 shares of common stock for every one share of common stock issued and outstanding as of August 13, 2007. All transactions and disclosures in the financial statements, related to the Company’s common stock, have been adjusted to reflect the effects of the stock dividend.

Upon consummation of the Offering, the Company’s initial stockholders (“Initial Stockholders”), who owned 100% of the Company’s issued and outstanding common stock prior to the Offering, forfeited a pro-rata portion of their shares of common stock (an aggregate of 110,344 shares of common stock) as a result of the underwriters’ election not to exercise the balance of a purchase option (See Note F). Such ownership interests were adjusted upon consummation of the Offering to reflect their aggregate ownership of 20% of the Company’s issued and outstanding common stock (an aggregate of 1,183,406 shares of common stock).

Concentration of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in financial institutions, which at times, may exceed the Federal depository insurance coverage of \$100,000. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

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NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value of financial instruments:

The fair value of the Company's assets and liabilities, which qualify as financial instruments under SFAS No. 107, "Disclosure About Fair Value of Financial Instruments," approximates the carrying amounts presented in the accompanying balance sheet.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Income taxes:

The Company complies with SFAS No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Effective May 22, 2007, the Company adopted the provisions of the Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). There were no unrecognized tax benefits as of December 31, 2007. FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties at May 22, 2007 (date of inception). There was no change to this balance at December 31, 2007. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position. The adoption of the provisions of FIN 48 did not have a material impact on the Company's financial position, results of operations and cash flows as of and for the period ended December 31, 2007.

Securities held in trust:

Investment securities consist of United States Treasury securities. The Company classifies its securities as held-to-maturity in accordance with SFAS No. 115, "Accounting for Certain Debt and Equity Securities." Held-to-maturity securities are those securities which the Company has the ability and intent to hold until maturity. Held-to-maturity treasury securities are recorded at amortized cost and adjusted for the amortization or accretion of premiums or discounts.

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NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A decline in the market value of held-to-maturity securities below cost that is deemed to be other than temporary, results in an impairment that reduces the carrying costs to such securities' fair value. The impairment is charged to earnings and a new cost basis for the security is established. To determine whether an impairment is other than temporary, the Company considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and the duration of the impairment, changes in value subsequent to year-end, forecasted performance of the investee, and the general market condition in the geographic area or industry the investee operates in.

Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective-interest method. Such amortization and accretion is included in the "interest Income" line item in the consolidated statement of operations. Interest income is recognized when earned.

Recently issued accounting standards:

In December 2007, the FASB issued SFAS 141(R), "Business Combinations). SFAS 141(R) provides companies with principles and requirements on how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree as well as the recognition and measurement of goodwill acquired in a business combination. SFAS 141(R) also requires certain disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Acquisition costs associated with the business combination will generally be expensed as incurred. SFAS 141(R) is effective for business combinations occurring in fiscal years beginning after December 15, 2008, which will require the Company to adopt these provisions for business combinations occurring in fiscal 2009 and thereafter. Early adoption of SFAS 141(R) is not permitted.

Management does not believe that any other recently issued, but not yet effective, accounting pronouncements, if currently adopted, would have a material effect on the Company's financial statements.

NOTE C— OFFERING

On October 11, 2007 the Company sold 4,733,625 units ("Units") at an offering price of \$8.00 per Unit. Each Unit consists of one share of the Company's common stock, \$0.0001 par value, and one redeemable common stock purchase warrant ("Warrant"). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of \$6.00 commencing on the later of (a) October 4, 2008 or (b) the completion of a Business Combination with a target business or the distribution of the Trust Account, and will expire October 4, 2011. The Warrants are redeemable at a price of \$0.01 per Warrant upon 30 days prior notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$11.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of redemption is given.

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NOTE D—RELATED PARTY TRANSACTIONS

On May 24, 2007 the Company issued a \$100,000 unsecured promissory note to a principal stockholder and affiliate of the Company's officer, FMG Investors, LLC. The note was non-interest bearing and was repaid on October 11, 2007.

The Company has received a limited recourse revolving line of credit totaling \$250,000 made available by FMG Investors, LLC. The revolving line of credit terminates upon the earlier of the completion of a business combination or October 4, 2009 (as such borrowings may be used to pay costs, expenses and claims in connection with any such dissolution and liquidation). The revolving line of credit is non-interest bearing. As of December 31, 2008, the Company had no borrowings against this revolving line of credit.

The Company has accrued operating expenses in the amount of \$7,292 due to FMG Investors, LLC relating to administrative and travel costs.

The Company presently occupies office space provided by an affiliate of our Chairman and Chief Executive Officer. Such affiliate has agreed that, until the acquisition of a target business by the Company, it will make such office space, as well as certain office and secretarial services, available to the Company, as may be required by the Company from time to time. The Company has agreed to pay such affiliate \$7,500 per month for such services.

Certain of the directors and officers of the Company purchased through FMG Investors, LLC, in a private placement, 1,250,000 warrants immediately prior to the Offering at a price of \$1.00 per warrant (an aggregate purchase price of approximately \$1,250,000) from the Company and not as part of the Offering. They have also agreed that these warrants purchased by them will not be sold or transferred until 90 days after completion of a Business Combination.

NOTE E—INCOME TAXES

For the period May 22, 2007 (date of inception) to December 31, 2007, the components of the provision for income taxes (benefit) are as follows:

	For the period May 22, 2007 (date of inception) to December 31, 2007	
Current:		
Federal	\$	78,000
State		26,000
Deferred:		
Federal		(32,000)
I	\$	72,000

The Company has not begun its trade or business for U.S. tax purposes. Accordingly, it could not yet recognize losses for start-up expenditures. As a result, a deferred tax asset of approximately \$32,000 at December 31, 2007 was established for these start-up expenditures.

The effective income tax rate of 46% differs from the federal statutory rate of 34% principally due to the effect of state income taxes and deferred federal taxes.

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NOTE F—COMMITMENTS

The Company paid an underwriting discount of 3% of the public unit offering price to the underwriters at the closing of the Offering, with an additional 4% fee of the gross offering proceeds payable upon the Company's consummation of a Business Combination.

The Company sold to Pali Capital, Inc, for \$100, as additional compensation, an option to purchase up to a total of 450,000 units at a per-unit price of \$10.00. The units are issuable upon exercise of this option are also identical to those offered in the Offering. The sale was accounted for as an equity transaction. Accordingly, there was no net impact on the Company's financial position or results of operations, except for the recording of the \$100 proceeds from the sale.

The Company has determined, based upon a Black-Scholes model, that the fair value of the option on the date of sale would be approximately \$2.32 per unit, or \$1,044,000 in total, using an expected life of five years, volatility of 34.9% and a risk-free interest rate of 3.69 %.

In accordance with Statement of Financial Accounting Standard No. 123R, Share Based Payments (SFAS 123R), the cost of services received in exchange for an award of equity instruments is to be measured based on the grant-date fair value of those instruments. Because the Company does not have a trading history, the Company needed to estimate the potential volatility of its common stock price, which will depend on a number of factors which cannot be ascertained at this time. SFAS 123R requires the Company to measure the option based on an appropriate industry sector index instead of the expected volatility of its share price. The volatility calculation of 34.9% is based on the five year average volatility for a group of the 20 smallest insurance companies in the Russell 2000 ("Index"). The Company referred to the Index because management believes that the average volatility is a reasonable benchmark to use in estimating the expected volatility of the Company's common stock post-business combination. Although an expected life of five years was taken into account for purposes of assigning a fair value to the option, if the Company does not consummate a business combination within the prescribed time period and liquidates, the option would become worthless.

Although the purchase option and its underlying securities have been registered under the registration statement, the purchase option provides for registration rights that permit the holder of the purchase option to demand that a registration statement will be filed with respect to all or any part of the securities underlying the purchase option within five years of October 4, 2007. Further, the holders of the purchase option will be entitled to piggy - back registration rights in the event we undertake a subsequent registered offering within seven years of the completion of the proposed offering.

The Company granted the underwriter a 45-day option to purchase up to 675,000 additional units to cover the over-allotment. The underwriter used 233,625 of the additional units at the time of closing and did not exercise the balance of the option.

NOTE G—PREFERRED STOCK

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors. As of December 31, 2007, the Company had not issued shares of preferred stock. The Company's certificate of incorporation prohibits it, prior to a Business Combination, from issuing preferred stock which participates in the proceeds of the Trust Account or which votes as a class with the Common Stock on a Business Combination.

NOTE E - MARKETABLE SECURITIES

The carrying amount, including accrued interest, gross unrealized holding losses, and fair value of held-to-maturity securities at December 31, 2007 were as follows:

	Carrying amount	Gross unrealized holding gains	Fair value
Held-to-maturity:			
U. S. Treasury securities	\$ 37,647,185	\$ 73,294	\$ 37,720,479

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Stockholders of
FMG Acquisition Corp.

We have reviewed the accompanying balance sheet of FMG Acquisition Corp. (a corporation in the development stage) (the "Company") as of March 31, 2008, and the related statements of operations, stockholders' equity and cash flows for the quarter then ended and for the period May 22, 2007 (date of inception) to March 31, 2008 in accordance with Statements of Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of the Company.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

/s/ Rothstein Kass & Company

Roseland, New Jersey
May 14, 2008

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FMG ACQUISITION CORP.
(a corporation in the development stage)
BALANCE SHEET
(unaudited)

March 31,
2008

ASSETS

Current assets

Cash	\$	55,042
Prepaid expenses		42,000
		97,042

Other assets

Cash and cash equivalents held in Trust Account	37,737,092
Deferred tax asset	32,210
	37,769,302

TOTAL ASSETS	\$	37,866,344
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LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities , accounts payable and accrued expenses	\$	416,008
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Long-term liabilities , deferred underwriters' fee	1,514,760
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Common stock, subject to possible redemption, 1,419,614 shares, at redemption value	11,232,133
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Stockholders' equity

Preferred stock, \$.0001 par value; 1,000,000 shares authorized; none issued	-
Common stock, \$.0001 par value, authorized 20,000,000 shares; 5,917,031 shares issued and outstanding, (including 1,419,614 shares subject to possible redemption)	602
Additional paid-in capital	24,873,742
Deficit accumulated during the development stage	(170,901)
Total stockholders' equity	24,703,443

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	37,866,344
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See accompanying notes to financial statements.

FMG ACQUISITION CORP.
(a corporation in the development stage)

STATEMENTS OF OPERATIONS
(unaudited)

	For the three months ended March 31, 2008	May 22, 2007 (inception) to March 31, 2008
Interest income	\$ 166,486	\$ 434,714
Operating costs	356,846	471,112
Income Taxes	62,998	134,503
Net (loss)/income	\$ (253,358)	\$ (170,901)
Maximum Number of shares subject to possible redemption:		
Weighted average number of common shares, basic and diluted	1,419,614	1,419,614
Net income per common share, for shares subject to redemption	-	-
Approximate weighted average number of common shares outstanding (not subject to possible redemption)		
Basic & Diluted	5,917,031	5,917,031
Net income per common share not subject to possible redemption,		
Basic & Diluted	(0.043)	(0.029)

See accompanying notes to financial statements.

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FMG ACQUISITION CORP.
(a corporation in the development stage)

STATEMENT OF STOCKHOLDERS' EQUITY
(unaudited)
For the period May 22, 2007 (date of inception) to March 31, 2008

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Deficit Accumulated During Development Stage	Total Stockholders' Equity
Common shares issued to existing shareholders	1,183,406	\$ 129	\$ 24,871	\$ -	\$ 25,000
Proceeds from issuance of warrants			1,250,000		1,250,000
Sale of 4,733,625 units on October 11, 2007 at a price of \$8 per unit, net of underwriters' discount and offering costs (including 1,419,614 shares subject to possible redemption)	4,733,625	473	34,830,904		34,831,377
Common stock, subject to possible redemption, 1,419,614 shares			(11,232,133)		(11,232,133)
Proceeds from issuance of options			100		100
Net income for period				82,457	82,457
Balances, December 31, 2007	5,917,031	602	24,873,742	82,457	24,956,801
Net loss for the period				(253,358)	(253,358)
Balances, March 31, 2008	5,917,031	\$ 602	\$ 24,873,742	\$(170,901)	\$ 24,703,443

See accompanying notes to financial statements.

FMG ACQUISITION CORP.
(a corporation in the development stage)

STATEMENTS OF CASH FLOWS
(unaudited)

	For the three months ended March 31, 2008	May 22, 2007 (inception) to March 31, 2008
Cash flows provided by operating activities		
Net loss	\$ (253,358)	\$ (170,901)
Adjustments to reconcile net loss to net cash used in operating activities:		
Deferred income tax (benefit)	-	(32,210)
Increase (decrease) in cash attributable to changes in operating assets and liabilities		
Prepaid expenses	12,074	(42,000)
Accounts payable and accrued expenses	241,665	416,008
Net cash provided by operating activities	381	170,897
Cash used in investing activities, change in restricted cash and cash equivalents		
	(16,613)	(37,737,092)
Cash flows from financing activities		
Proceeds from notes payable, stockholders		100,000
Repayment of notes payable, stockholders	-	(100,000)
Proceeds from issuance of common stock	-	25,000
Proceeds from issuance of warrants	-	1,250,000
Gross proceeds from public offering	-	37,869,000
Payments for underwriters' discount and offering cost	-	(1,522,863)
Proceeds from issuance of option	-	100
Net cash provided by financing activities	-	37,621,237
Net (decrease)/increase in cash	(16,232)	55,042
Cash, beginning of period	71,274	-
Cash, end of period	\$ 55,042	\$ 55,042
Supplemental schedule of non-cash financing activities:		
Accrual of deferred underwriters' fees	\$ -	\$ 1,514,760
Supplemental disclosure for taxes paid:		

Taxes paid	\$	127,250	\$	127,250
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See accompanying notes to financial statements.

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FMG Acquisition Corp.

(a corporation in the development stage)

**Notes to Financial Statements
(unaudited)**

NOTE A—BASIS OF PRESENTATION

The accompanying unaudited financial statements as of March 31, 2008, and for the period May 22, 2007 (date of inception) to March, 31 2008, have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the interim period presented are not necessarily indicative of the results to be expected for any other interim period or for the full year.

NOTE B—DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

FMG Acquisition Corp. (a corporation in the development stage) (“FMG” or the “Company”) was incorporated in Delaware on May 22, 2007. The Company was formed to acquire a business operating in or providing services to the insurance industry through a merger, capital stock exchange, asset acquisition, stock purchase or other similar business combination. The Company has neither engaged in any operations nor generated significant revenue to date. The Company is considered to be in the development stage as defined in Statement of Financial Accounting Standards (SFAS) No. 7, “Accounting and Reporting By Development Stage Enterprises”, and is subject to the risks associated with activities of development stage companies. The Company has selected December 31st as its fiscal year end.

The Company’s management has broad discretion with respect to the specific application of the net proceeds of the public offering of Units (as defined in Note D below) (the “Offering”), although substantially all of the net proceeds of the Offering are intended to be generally applied toward consummating a business combination with (or acquisition of) a business operating in or providing services to the insurance industry (“Business Combination”). Furthermore, there is no assurance the Company will be able to successfully effect a Business Combination. Since the closing of the Offering, approximately 99% of the gross proceeds, after payment of certain amounts to the underwriters, is being held in a trust account (“Trust Account”) and invested in U.S. “government securities”, defined as any Treasury Bill issued by the United States government having a maturity of one hundred and eighty (180) days or less or any open ended investment company registered under the Investment Company Act of 1940 that holds itself out as a money market fund and bears the highest credit rating issued by a United States nationally recognized rating agency, until the earlier of (i) the consummation of its Business Combination or (ii) the distribution of the Trust Account as described below. The remaining proceeds, as well as up to \$1,200,000 of post tax interest income earned on the Trust Account, may be used to pay for business, legal and accounting due diligence on prospective acquisitions and continuing general and administrative expenses.

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NOTE B—DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS (CONTINUED)

The Company will submit any proposed Business Combination for stockholder approval. In the event 30% or more of the outstanding stock (excluding, for this purpose, those shares of common stock issued prior to the Offering) vote against the Business Combination and exercise their conversion rights described below, the Business Combination will not be consummated. Public stockholders voting against a Business Combination will be entitled to convert their stock into a pro rata share of the Trust Account (including the additional 4% fee of the gross proceeds payable to the underwriters upon the Company's consummation of a Business Combination), including any interest earned (net of taxes payable and the amount distributed to the Company to fund its working capital requirements) on their pro rata share, if the business combination is approved and consummated. However, voting against the Business Combination alone will not result in an election to exercise a stockholder's conversion rights. A stockholder must also affirmatively exercise such conversion rights at or prior to the time the Business Combination is voted upon by the stockholders. All of the Company's stockholders prior to the Offering, including all of the directors and officers of the Company, have agreed to vote all of the shares of common stock held by them in accordance with the vote of the majority in interest of all other stockholders of the Company.

In the event the Company does not consummate a Business Combination by October 4, 2009, the proceeds held in the Trust Account will be distributed to the Company's public stockholders, excluding the officers and directors of, and the special advisor to, the Company to the extent of their stock holdings prior to the Offering. In the event of such distribution, it is likely that the per share value of the residual assets remaining available for distribution (including Trust Account assets) will be less than the initial public offering price per Unit in the Offering (assuming no value is attributed to the Warrants contained in the Units to be offered in the Offering discussed in Note D).

NOTE C—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Development Stage Company:

The Company complies with the reporting requirements of SFAS No. 7, "Accounting and Reporting by Development Stage Enterprises."

Net loss per common share:

The Company complies with accounting and disclosure requirements of SFAS No. 128, "Earnings Per Share". Net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the period.

Stock based compensation:

The Company complies with the accounting and disclosure requirements of SFAS No. 123R, "Share Based Payments". The cost of services received in exchange for an award of equity instruments is to be measured based on the grant-date fair value of those instruments.

Concentration of credit risk:

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash accounts in a financial institution, which at times, exceeds the Federal depository insurance coverage of \$100,000. The Company has not experienced losses on these accounts and management believes the Company is not exposed to significant risks on such accounts.

Fair value of financial instruments:

Explanation of Responses:

The fair value of the Company's assets and liabilities, which qualify as financial instruments under SFAS No. 107, "Disclosure About Fair Value of Financial Instruments," approximates the carrying amounts presented in the balance sheet.

Cash and cash equivalents:

The Company considers all highly liquid investment instruments purchased with an original maturity of three months or less to be cash equivalents.

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NOTE C—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure 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.

Deferred offering costs:

The Company complies with the requirements of the SEC Staff Accounting Bulletin (SAB) Topic 5A, "Expenses of Offering". Deferred offering costs consist principally of legal and underwriting fees incurred through the balance sheet date that are related to the Offering and that will be charged to capital upon the completion of the Offering or charged to expense if the Offering is not completed.

Income taxes:

The Company complies with SFAS No. 109, "Accounting for Income Taxes," which requires an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in future taxable or deductible amounts, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

Effective May 22, 2007, the Company adopted the provisions of the Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109" ("FIN 48"). There were no unrecognized tax benefits as of March 31, 2008. FIN 48 prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. No amounts were accrued for the payment of interest and penalties at December 31, 2007. There was no change to this balance at March 31, 2008. Management is currently unaware of any issues under review that could result in significant payments, accruals or material deviations from its position. The adoption of the provisions of FIN 48 did not have a material impact on the Company's financial position, results of operations and cash flows.

Recently issued accounting standards:

In December 2007, the FASB issued SFAS 160, "Noncontrolling Interests in Consolidated Financial Statements," an Amendment of ARB No. 51, "Consolidated Financial Statements," ("SFAS 160"). SFAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. It clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements. This statement is effective as of the beginning of an entity's first fiscal year that begins after December 15, 2008 with retrospective application. The Company will adopt SFAS 160 beginning January 1, 2009 and management is currently evaluating the potential impact on the financial statements when implemented.

In December 2007, the FASB issued SFAS 141(R), "Business Combinations". SFAS 141(R) provides companies with principles and requirements on how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree as well as the recognition and measurement of goodwill acquired in a business combination. SFAS 141(R) also requires certain disclosures to enable users of the financial statements to evaluate the nature and financial effects of the business combination. Acquisition costs associated with the business combination will generally be expensed as incurred. SFAS 141(R) is effective for business combinations occurring in fiscal years beginning after December 15, 2008, which will require the Company to adopt these provisions for business combinations occurring in fiscal 2009 and thereafter. Early adoption of SFAS 141(R) is not permitted.

Management does not believe any other recently issued, but not yet effective, accounting pronouncements, if currently adopted, would have a material effect on the Company's financial statements.

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NOTE D— OFFERING

On October 11, 2007 the Company sold 4,733,625 units (“Units”) at an offering price of \$8.00 per Unit. Each Unit consists of one share of the Company’s common stock, \$0.0001 par value, and one redeemable common stock purchase warrant (“Warrant”). Each Warrant will entitle the holder to purchase from the Company one share of common stock at an exercise price of \$6.00 commencing upon the completion of a Business Combination with a target business or the distribution of the Trust Account, and will expire October 4, 2011. The Warrants are redeemable at a price of \$0.01 per Warrant upon 30 days prior notice after the Warrants become exercisable, only in the event that the last sale price of the common stock is at least \$11.50 per share for any 20 trading days within a 30 trading day period ending on the third business day prior to the date on which notice of redemption is given.

Upon consummation of the Offering, the Company’s initial stockholders (“Initial Stockholders”), who owned 100% of the Company’s issued and outstanding common stock prior to the Offering, forfeited a pro-rata portion of their shares of common stock (an aggregate of 110,344 shares of common stock) as a result of the underwriters’ election not to exercise the balance of a purchase option. Such ownership interests were adjusted upon consummation of the Offering to reflect their aggregate ownership of 20% of the Company’s issued and outstanding common stock (an aggregate of 1,183,406 shares of common stock).

NOTE E—RELATED PARTY TRANSACTIONS

The Company has received a limited recourse revolving line of credit totaling \$250,000 made available by FMG Investors, LLC. The revolving line of credit terminates upon the earlier of the completion of the Business Combination or the cessation of FMG’s corporate existence 24 months from the date of the Offering (as such borrowings may be used to pay costs, expenses and claims in connection with any such dissolution and liquidation). The revolving line of credit is non-interest bearing.

The Company presently occupies office space provided by an affiliate of our Chairman and Chief Executive Officer. Such affiliate has agreed that, until the acquisition of a target business by the Company, it will make such office space, as well as certain office and secretarial services, available to the Company, as may be required by the Company from time to time. The Company has agreed to pay such affiliate \$7,500 per month for such services.

Certain of the directors and officers of the Company have agreed to purchase through FMG Investors, LLC, in a private placement, 1,250,000 warrants immediately prior to the Offering at a price of \$1.00 per warrant (an aggregate purchase price of approximately \$1,250,000) from the Company and not as part of the Offering. They have also agreed that these warrants purchased by them will not be sold or transferred until 90 days after the completion of a Business Combination.

NOTE F—COMMITMENTS

The Company paid an underwriting discount of 3% of the public unit offering price to the underwriters at the closing of the Offering, with an additional 4% fee of the gross offering proceeds payable upon the Company’s consummation of a Business Combination.

The Company has agreed to sell to Pali Capital, Inc, for \$100, as additional compensation, an option to purchase up to a total of 450,000 units at a per-unit price of \$10.00. The units issuable upon exercise of this option are also identical to those offered in the Offering. The sale was accounted for as an equity transaction.

Accordingly, there was no net impact on the Company’s financial position or results of operations, except for the recording of the \$100 proceeds from the sale.

The Company has determined, based upon a Black-Scholes model, that the fair value of the option on the date of sale would be approximately \$2.32 per unit, or \$1,044,000 in total, using an expected life of five years, volatility of 34.9% and a risk-free interest rate of 3.69 %.

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NOTE F—COMMITMENTS (CONTINUED)

In accordance with Statement of Financial Accounting Standard No. 123R, Share Based Payments (SFAS 123R), the cost of services received in exchange for an award of equity instruments is to be measured based on the grant-date fair value of those instruments. Because the Company does not have a trading history, the Company needed to estimate the potential volatility of its common stock price, which will depend on a number of factors which cannot be ascertained at this time. SFAS 123R requires the Company to measure the option based on an appropriate industry sector index instead of the expected volatility of its share price. The volatility calculation of 34.9% is based on the five year average volatility for a group of the 20 smallest insurance companies in the Russell 2000 (“Index”). The Company referred to the Index because management believes that the average volatility is a reasonable benchmark to use in estimating the expected volatility of the Company’s common stock post-business combination. Although an expected life of five years was taken into account for purposes of assigning a fair value to the option, if the Company does not consummate a business combination within the prescribed time period and liquidates, the option would become worthless.

Although the purchase option and its underlying securities have been registered under the registration statement, the purchase option will provide for registration rights that will permit the holder of the purchase option to demand that a registration statement be filed with respect to all or any part of the securities underlying the purchase option within five years of the completion of the offering. Further, the holders of the purchase option will be entitled to piggy - back registration rights in the event the Company undertakes a subsequent registered offering within seven years of the completion of the Offering.

The Company granted the underwriter a 45-day option to purchase up to 675,000 additional units to cover the over-allotment. The underwriter used 233,625 of the additional units at the time of closing and did not exercise the balance of the option.

NOTE G—PREFERRED STOCK

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors. As of March 31, 2008, the Company had not issued shares of preferred stock. The Company’s certificate of incorporation prohibits it, prior to a Business Combination, from issuing preferred stock which participates in the proceeds of the Trust Account or which votes as a class with the common stock on a Business Combination.

NOTE H—SUBSEQUENT EVENTS

On April 2, 2008, FMG issued a press release with respect to the execution of an Agreement and Plan of Merger (“Merger Agreement”) with United Insurance Holdings, L.C., a limited liability company formed in the State of Florida (“United”) and United Subsidiary Corp., a wholly-owned subsidiary of FMG (“United Subsidiary”). Pursuant to the Merger Agreement, FMG agreed to purchase all of the outstanding membership interests of United and United agreed to merge with United Subsidiary in a transaction whereby United would be the surviving entity and a wholly-owned subsidiary of FMG. On the closing date, two of the current directors and all of the current officers of FMG will resign and United will appoint new officers and three new directors. Upon consummation of the merger, FMG will change its name to United Insurance Holdings Corp.

NOTE I — FAIR VALUE MEASUREMENTS

Effective January 1, 2008, the Company implemented Statement of Financial Accounting Standard No. 157, *Fair Value Measurement*, or SFAS 157, for its financial assets and liabilities that are re-measured and reported at fair value at each reporting period, and non-financial assets and liabilities that are re-measured and reported at fair value at least

annually. In accordance with the provisions of FSP No. FAS 157-2, *Effective Date of FASB Statement No. 157*, the Company has elected to defer implementation of SFAS 157 as it relates to its non-financial assets and non-financial liabilities that are recognized and disclosed at fair value in the financial statements on a nonrecurring basis until January 1, 2009. The Company is evaluating the impact, if any, this standard will have on its non-financial assets and liabilities.

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NOTE I — FAIR VALUE MEASUREMENTS (CONTINUED)

The adoption of SFAS 157 to the Company's financial assets and liabilities and non-financial assets and liabilities that are re-measured and reported at fair value at least annually did not have an impact on the Company's financial results.

The following table presents information about the Company's assets and liabilities that are measured at fair value on a recurring basis as of March 31, 2008, and indicates the fair value hierarchy of the valuation techniques the Company utilized to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs are unobservable data points for the asset or liability, and includes situations where there is little, if any, market activity for the asset or liability (in thousands):

Description	March 31, 2008	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Other Unobservable Inputs (Level 3)
Assets:				
Cash	\$ 55	\$ 55	\$ —	\$ —
Cash and cash equivalents held in trust	37,737	37,737	—	—
Total	\$ 37,792	\$ 37,792	\$ —	\$ —

The fair values of the Company's cash and cash equivalents held in the Trust Account are determined through market, observable and corroborated sources.

The carrying amounts reflected in the consolidated balance sheets for other current assets and accrued expenses approximate fair value due to their short-term maturities.

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De Meo, Young, McGrath
A Professional Services Company

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2400 EAST	2424 NORTH
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Roberta N. Young, CPA	

**regulated by the
State of Florida*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Members
United Insurance Holdings, LC

We have audited the accompanying consolidated balance sheets of United Insurance Holdings, LC and subsidiaries (the "Company"), a Florida corporation, as of December 31, 2007 and 2006 and the related statements of income, changes in Members' equity, and cash flows for each of the years in the three-year period ended December 31, 2007. 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 audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (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. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 audit provides 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 United Insurance Holdings, LC and subsidiaries as of December 31, 2007 and 2006, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

De Meo, Young, McGrath, CPA

/s/ **DE MEO, YOUNG, MCGRATH, CPA**

Fort Lauderdale, Florida

May 1, 2008

DYM

MEMBERS OF AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS: MANAGEMENT
CONSULTING SERVICES DIVISION; SEC PRACTICE SECTION;
PRIVATE COMPANIES PRACTICE SECTION; TAX DIVISION FLORIDA INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS INSTITUTE OF BUSINESS APPRAISERS

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United Holdings, LC and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2007	2006
	(Dollars in thousands)	
ASSETS		
Investments:		
Fixed maturities	\$ 107,410	\$ 90,692
Equity securities	5,072	16,385
Other investments	1,300	23,890
Total investments	113,782	130,967
Cash and cash equivalents	56,852	46,248
Premiums receivable, net	9,966	10,140
Reinsurance recoverable, net	16,816	38,521
Prepaid reinsurance premiums	26,345	34,160
Deferred policy acquisition costs	7,547	7,231
Property and equipment, net	108	99
Federal income tax recoverable	-	354
Deferred income taxes asset, net	4,733	6,812
Prepaid expenses and other assets	6,277	1,508
Total assets	\$ 242,426	\$ 276,040
LIABILITIES AND MEMBERS' EQUITY		
Unpaid losses and loss adjustment expenses	\$ 36,005	\$ 57,175
Unearned premiums	73,051	79,684
Reinsurance payable	10,852	27,831
Accrued distribution payable	9,227	8,157
Advance premium	2,396	2,404
Accounts payable and accrued expenses	13,858	25,196
Shares subject to mandatory redemption	2,564	939
Federal and state income tax payable	2,303	-
Other liabilities	2,238	901
Long-term debt	43,833	49,640
Total liabilities	196,327	251,927
Commitments and contingencies		
Members' equity:		
Members' certificates of interest	7,464	6,963
Retained earnings	37,891	17,601
Accumulated other comprehensive income (loss)	744	(451)
Total members' equity	46,099	24,113
Total liabilities and members' equity	\$ 242,426	\$ 276,040

See accompanying notes to consolidated financial statements.

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United Holdings, LC and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2007	2006	2005
	<i>(Dollars in thousands)</i>		
Revenue:			
Gross premiums written	\$ 145,050	\$ 148,886	\$ 141,806
Gross premiums ceded	(58,511)	(77,966)	(52,685)
Net premiums written	86,539	70,920	89,121
Decrease (increase) in net unearned premiums	(1,181)	2,710	(13,457)
Net premiums earned	85,358	73,630	75,664
Net investment income	7,751	5,917	2,984
Net realized investment gains	322	111	85
Commissions and fees	2,414	2,399	1,730
Policy assumption bonus	13,556	-	-
Other income	3,200	395	149
Total revenue	112,601	82,452	80,612
Expenses:			
Losses and loss adjustment expenses	25,662	35,357	61,617
Policy acquisition costs	17,316	15,545	12,982
Operating and underwriting expenses	9,110	9,748	3,958
Salaries and wages	2,792	2,344	1,771
General and administrative expenses	2,078	1,245	1,371
Interest	7,704	5,019	312
Total expenses	64,662	69,258	82,011
Income (loss) from operations	47,939	13,194	(1,399)
Provision (benefit) for income tax	8,297	(4,014)	(2,560)
Net income	\$ 39,642	\$ 17,208	\$ 1,161

See accompanying notes to consolidated financial statements.

United Holdings, LC and Subsidiaries

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY AND COMPREHENSIVE INCOME

Years Ended December 31,

	Comprehensive Income	Members' Certificates of Interest	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance as of December 31, 2004		\$ 6,147	\$ 9,666	\$ (188)	\$ 15,625
Net Income	1,161	-	1,161	-	1,161
Increase in certificates of interest	-	101	-	-	101
Net unrealized change in investments, net of tax effect of \$370	(517)	-	-	(517)	(517)
Distributions	-	-	(1,758)	-	(1,758)
Comprehensive income	\$ 644				
Balance as of December 31, 2005		6,248	9,069	(705)	14,612
Net Income	17,208	-	17,208	-	17,208
Increase in certificates of interest	-	715	-	-	715
Net unrealized change in investments, net of tax effect of \$154	254	-	-	254	254
Distributions	-	-	(8,676)	-	(8,676)
Comprehensive income	\$ 17,462				
Balance as of December 31, 2006		6,963	17,601	(451)	24,113
Net Income	39,642	-	39,642	-	39,642
Increase in certificates of interest	-	501	-	-	501
Net unrealized change in investments, net of tax effect of \$755	1,195	-	-	1,195	1,195
Distributions	-	-	(19,352)	-	(19,352)
Comprehensive income	\$ 40,837				
Balance as of December 31, 2007		\$ 7,464	\$ 37,891	\$ 744	\$ 46,099

See accompanying notes to consolidated financial statements.

United Holdings, LC and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOW

Years Ended December 31,
2007 **2006** **2005**
(Dollars in thousands)

Cash flow provided by (used in) operating activities:

Net income (loss)	\$	39,642	\$	17,208	\$	1,161
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Adjustments to reconcile net income (loss) to net cash provided

Depreciation and amortization	720	66	22
Provision for (recovery of) uncollectible premiums	163	99	(60)
Deferred income taxes, net	2,080	(3,516)	(2,152)

Changes in operating assets and liabilities:

Premiums receivable	11	(5,564)	(1,878)
Reinsurance recoverable	21,705	127,485	(161,906)
Prepaid reinsurance premiums	7,815	(12,009)	(9,004)
Deferred acquisition costs	(317)	303	(1,043)
Income taxes, net	2,657	2,802	(386)
Other assets	(4,680)	195	678
Reserve for loss and LAE	(21,170)	(117,042)	161,670
Unearned premiums	(6,634)	9,299	22,461
Reinsurance payable	(16,980)	10,191	7,612
Premium deposits	(8)	(36)	(332)
Accounts payable and accrued expenses	(11,337)	(15,899)	15,424
Other liabilities	1,338	891	(1,549)
Net cash provided by (used in) operating activities	15,005	14,473	30,718

Cash flow provided by (used in) investing activities:

Proceeds from sales of investments available for sale	66,934	79,988	56,664
Purchases of investments available for sale	(49,840)	(135,786)	(99,888)
Change in unrealized holding gain/ (loss)	1,194	255	(517)
Cost of property and equipment acquired	(49)	(43)	(36)
Net cash provided by (used in) investing activities	18,239	(55,586)	(43,777)

Cash flow provided by (used in) financing activities:

Proceeds from borrowings	33,000	40,000	10,000
Repayments of borrowings	(39,486)	—	(2,222)
Contributions by owners	501	—	101
Distributions to owners	(18,281)	(2,167)	(365)
Proceeds from the issuance of equity	—	597	—
Shares subject to mandatory redemption	1,626	939	—
Net cash provided by (used in) financing activities	(22,640)	39,369	7,514
Increase(decrease) in cash	10,604	(1,744)	(5,545)
Cash and cash equivalents at beginning of period	46,248	47,992	53,537
Cash and cash equivalents at end of period	\$ 56,852	\$ 46,248	\$ 47,992

Supplemental Cash Flow Information:

Cash paid during the period for:

Interest	\$ 4,505	\$ 3,850	\$ 316
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Income Taxes paid (refunded)	3,234	(2,724)	515
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See accompanying notes to consolidated financial statements.

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United Insurance Holdings, LC and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2007
(Dollars in thousands)

(1) ORGANIZATION AND BUSINESS

United Insurance Holdings, LC (“the Company”, “UIH”, “we”) is a Florida-domiciled, limited liability company formed in 1999. The Company and its three wholly-owned subsidiaries are engaged in the property and casualty insurance business in the state of Florida. The Company’s subsidiaries include United Property & Casualty Insurance Company (“UPCIC”), a property and casualty stock insurance company; United Insurance Management, LC (“UIM”), (the Managing General Agent (“MGA”) for UPCIC, that functions as the manager for the insurance subsidiary’s business), and Skyway Claims Services LC (“Skyway”), which provides claims adjusting services to UPCIC. We operate under one business segment.

Since its formation, UPCIC, a licensed Florida insurer, has actively written homeowners’ and dwelling fire business throughout the state of Florida. UPCIC writes business through its vast, independent agency force and writes business through an alliance with Allstate Insurance Company. In 1999, 2004 and 2005, UPCIC assumed policies from Citizens Property Insurance Corporation (“Citizens”) and these assumed policies comprise approximately 30% of UPCIC premium. UPCIC also writes a flood coverage and a smaller commercial auto line of business (“Garage”). The Company, through UIM, manages substantially all aspects of the insurance operations that would include underwriting, policy administration, collections and disbursements, accounting and claims processes. UIM contracts with a third-party administrator (“TPA”) to manage many aspects of policy processing including billing and policy maintenance.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(a) PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

(b) CASH AND CASH EQUIVALENTS

Cash includes demand deposits with financial institutions and cash equivalents that are defined as short-term, highly-liquid investments with original maturities of three months or less.

UIM is required to maintain a cash account with Columbus Bank and Trust Company (“CB&T”) in connection with its loan agreement that was entered into during February 2007. This amount is included in cash in the accompanying consolidated balance sheet at December 31, 2007.

(c) INVESTMENTS

Investments in debt and equity securities are classified as either held-to-maturity, available-for-sale or trading. We currently classify all securities as available-for-sale and report them at fair value, with subsequent changes in value reflected as unrealized investment gains and losses credited or charged directly to accumulated other comprehensive income included in members’ equity.

A decline in the fair value of an available-for-sale security below cost that is deemed other than temporary results in a charge to income, resulting in the establishment of a new cost basis for the security. Dividends and interest income are

recognized when earned. Realized gains and losses are included in earnings and are derived using the specific identification method for determining the cost of securities sold.

The fair values of the Company's cash and cash equivalents approximate carrying values due to the short-term nature of those instruments.

The fair values of debt and equity securities were determined from nationally quoted markets.

The insurance subsidiary is required to maintain a deposit pursuant to Florida Statutes to help secure the payment of claims. Cash and cash equivalents of \$300 have been assigned to the Florida Office of Insurance Regulation ("Office") to satisfy this requirement. This amount is included in other investments in the accompanying consolidated balance sheets at December 31, 2007 and 2006.

Investments over which the Company does not have control and a majority economic interest and therefore do not meet Financial Accounting Standards Board ("FASB") Interpretation No. 46R, "Consolidation of Variable Interest Entities-Revised", requirements for consolidation are reported on the equity basis of accounting.

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United Insurance Holdings, LC and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2007
(Dollars in thousands)

(d) PREMIUM REVENUE AND PREMIUMS RECEIVABLE

Premiums are recorded as earned on a daily pro rata basis over the contract period of the related policies that are in force. The portion of premiums not earned at the end of the year is recorded as unearned premiums.

Premiums receivable includes amounts due from UPCIC's insureds for billed premiums. UPCIC performs a policy-level evaluation to determine the extent the premiums receivable balance exceeds the unearned premiums balance. Then, this exposure is aged to establish an allowance for credit losses based upon prior experience. Recoveries paid on amounts previously charged off are credited to bad debt expense in the period received. As of December 31, 2007 and 2006, the Company had recorded an allowance for credit losses of \$160 and \$70, respectively.

(e) DEFERRED POLICY ACQUISITION COSTS

Policy acquisition costs that vary with, and are directly related to, the production of new business are deferred, net of related ceding commissions and unearned policy fees, to the extent recoverable and are amortized over the period during which the related premiums are earned.

Deferred acquisition costs primarily represent commissions paid to outside agents at the time of policy issuance, net of commissions refunded for cancelled policies, policy administration fees paid to a TPA at the time of policy issuance, and premium tax. Deferred acquisition costs are recorded net of unearned policy fees and unearned ceding commissions. These costs are amortized over the life of the related policy in relation to the amount of premiums earned. There is no indication that these costs will not be fully recoverable in the near term.

An analysis of deferred acquisition costs follows:

	Years Ended December 31,	
	2007	2006
Balance, beginning of year	\$ 7,231	\$ 7,534
Acquisition costs deferred	14,957	13,878
Amortization expense during year	(14,641)	(14,181)
Balance, end of year	\$ 7,547	\$ 7,231

(f) ADVANCE PREMIUM

Advance premium represents premiums received primarily in connection with homeowner policies that are not yet effective.

(g) UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

Loss and loss adjustment expense ("LAE") reserves represent the estimated ultimate net cost of all unpaid, reported and unreported losses and LAE. The reserves for unpaid losses and LAE are estimated using individual case-basis estimates for reported losses and actuarial estimates for losses incurred but not yet reported. Those estimates are subject to the effects of trends in loss severity and frequency. The estimates are continually reviewed and adjusted as

necessary as experience develops or new information becomes known; such adjustments are included in current operations. The ultimate settlement of losses and LAE may vary significantly from the estimated amounts included in the consolidated financial statements.

The anticipated effect of inflation is implicitly considered when estimating liabilities for losses and LAE. While anticipated price increases due to inflation are considered in estimating the ultimate claim costs, the increase in average severities of claims is caused by a number of factors that vary with the individual type of policy written. Future average severities are projected based on historical trends adjusted for implemented changes in underwriting standards, policy provisions, and general economic trends. Those anticipated trends are monitored based on actual development and the estimated liabilities are modified, if necessary.

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United Insurance Holdings, LC and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2007
(Dollars in thousands)

Loss and LAE reserves are reported gross of reinsurance recoverables for unpaid losses and LAE. Losses and LAE ceded through reinsurance are credited against losses and LAE incurred. The Company does not discount its loss and LAE reserves for financial statement purposes.

There can be no assurance that our unpaid losses and LAE will be adequate to cover actual losses. If our unpaid losses and LAE prove to be inadequate, we will be required to increase the liability with a corresponding reduction in our net income in the period in which the deficiency is identified. Future loss experience substantially in excess of the established unpaid losses and LAE could have a material adverse effect on our business, results of operations and financial condition.

Accounting for loss contingencies pursuant to SFAS No.5, "Loss Contingencies", involves the existence of a condition, situation or set of circumstances involving uncertainty as to possible loss that will ultimately be resolved when one or more future event(s) occur or fail to occur. Additionally, accounting for a loss contingency requires management to assess each event as probable, reasonably possible or remote. Probable is defined as the future event or events are likely to occur. Reasonably possible is defined as the chance of the future event or events occurring is more than remote but less than probable, while remote is defined as the chance of the future event or events occurring is slight. An estimated loss in connection with a loss contingency shall be recorded by a charge to current operations if both of the following conditions are met: First, the amount can be reasonably estimated; and second, the information available prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements. It is implicit in this condition that it is probable that one or more future events will occur confirming the fact of the loss or incurrence of a liability.

(h) MANAGING GENERAL AGENT FEES

UIM provides insurance-related services to UPCIC, including but not limited to, policy administration, underwriting and general and administrative activities. UPCIC pays UIM 31.5% of gross earned premium as compensation for these services.

(i) POLICY FEES

Policy fees are recognized as income on a pro rata basis as the policy is earned.

(j) REINSURANCE

The accompanying balance sheets reflect reserves for unearned premiums and reserves for losses and loss adjustment expenses ("LAE") gross of reinsurance ceded. The accompanying statements of operations reflect premiums, losses and LAE net of reinsurance ceded.

The reinsurance contracts allow management to control exposure to potential losses arising from large risks and catastrophic events. Amounts recoverable from reinsurers are estimated in a manner consistent with the losses and LAE reserves associated with the reinsured policies. Reinsurance premiums, losses and LAE are accounted for on a basis consistent with that used in accounting for the original policies issued or based on the terms of the reinsurance contracts.

(k) INCOME TAXES

Explanation of Responses:

The Company and its non-insurance subsidiaries are not taxable entities; therefore, no tax liability or tax provision exists for these entities. The insurance subsidiary files a separate return, is taxable as a C-corporation, and uses the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. This method also requires the recognition of future tax benefits such as net operating loss carry forwards to the extent that realization of such benefits is more likely than not. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(I) CONCENTRATION OF CREDIT RISK

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of its holdings of cash and marketable securities. The Company's credit risk is managed by primarily investing in high-quality money market instruments, securities of the United States government and its agencies, and high-quality corporate issuers. At December 31, 2007 and 2006, the Company had no significant concentrations of credit risk.

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United Insurance Holdings, LC and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2007
(Dollars in thousands)

(m) RECENT ACCOUNTING PRONOUNCEMENTS

In June 2006, the FASB issued interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48") which clarifies the accounting for income tax reserves and contingencies recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, Accounting for Income Taxes. This Interpretation also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. This Interpretation is effective for fiscal years beginning after December 15, 2006. There was no material impact on the consolidated financial statements related to the adoption of FIN 48.

In February 2006, FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments". This accounting standard permits fair value re-measurement for any hybrid financial instrument containing an embedded derivative that otherwise would require bifurcation; clarifies which interest-only strips and principal-only strips are not subject to the requirements of SFAS No. 133; establishes a requirement to evaluate interests in securitized financial assets to identify them as freestanding derivatives or as hybrid financial instruments containing an embedded derivative requiring bifurcation; clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives; and amends SFAS No. 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument pertaining to a beneficial interest other than another derivative financial instrument. SFAS No. 155 is effective for all financial instruments acquired or issued after the beginning of an entity's first fiscal year beginning after September 15, 2006. There was no material impact on our consolidated financial statements with respect to the adoption of SFAS No. 155.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position No. 157-2 "Effective Date of FASB Statement No. 157", which permits the deferral of the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company plans to utilize the deferral for non-financial assets and liabilities. The adoption of SFAS No. 157 is not expected to have a material effect on the Company's results of operation or financial position.

In September 2006, FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." This statement requires an employer to recognize the overfunded or underfunded status of a single-employer defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in the funded status in the year in which the changes occur through comprehensive income. SFAS No. 158 will become effective for years ending after December 15, 2006. The Company has no defined benefit or postretirement plans, so there was no impact on our consolidated financial statements with respect to the adoption of SFAS No. 158.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin ("SAB") No. 108 to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires that registrants quantify the impact on the current year's financial statements of correcting all misstatements, including the carryover and reversing effects of prior years' misstatements, as well as the effects of errors arising in the current year. SAB 108 is effective as of the first fiscal year ending after November 15, 2006, allowing a one-time transitional cumulative

effect adjustment to retained earnings as of January 1, 2006, for errors that were not previously deemed material, but are material under the guidance in SAB No. 108. There was no material impact on our consolidated financial statements with respect to the adoption of SAB No. 108.

In March 2006, FASB issued SFAS No. 156, “Accounting for Servicing of Financial Assets—an amendment of FASB Statement No. 140”. SFAS 156 requires the recognition of a servicing asset or servicing liability under certain circumstances when an obligation to service a financial asset by entering into a servicing contract. It also requires all separately recognized servicing assets and servicing liabilities to be initially measured at fair value utilizing the amortization method or fair market value method. SFAS 156 is effective at the beginning of the first fiscal year that begins after September 15, 2006. FASB 156 did not have a material impact on the Company’s consolidated financial statements.

In November 2005, the FASB released FASB Staff Position Nos. FAS 115-1 and FAS 124-1, “The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments” (“FSP 115-1”), which effectively replaces EITF Issue No. 03-1. FSP 115-1 contains a three-step model for evaluating impairments and carries forward the disclosure requirements in EITF Issue No. 03-1 pertaining to securities in an unrealized loss position is considered impaired; an evaluation is made to determine whether the impairment is other-than-temporary; and, if an impairment is considered other-than-temporary, a realized loss is recognized to write the security’s cost or amortized cost basis down to fair value. FSP 115-1 references existing other-than-temporary impairment guidance for determining when impairment is other-than-temporary and clarifies that subsequent to the recognition of other-than-temporary impairment loss for debt securities, an investor shall account for the security using the constant effective yield method. FSP 115-1 is effective for reporting periods beginning after December 15, 2005, with earlier application permitted. There was no material impact on our consolidated financial statements with respect to the adoption of FSP 115-1.

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In September 2005, the AICPA issued Statement of Position 05-1, "Accounting by Insurance Enterprises for Deferred Acquisition Costs in connection with Modifications or Exchanges of Insurance Contracts" ("SOP 05-1"). This statement provides guidance to insurance entities that incur deferred acquisition costs on internal replacements of insurance and investment contracts other than those specifically described in SFAS No. 97, *Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments*. SOP 05-1 defines internal replacements as modifications in product benefits, features, rights, or coverage that occur by the exchange of a contract for a new contract, or by amendment, endorsement, or rider to a contract, or by the election of a feature or coverage with a contract. The accounting treatment for such replacements depends on whether, under the provisions of the SOP, the replacement contract is considered substantially changed from the replaced contract. A substantial change would be treated as the extinguishment of the replaced contract, and all unamortized deferred acquisition costs, unearned revenue liabilities, and deferred sales inducement assets from the replaced contract would no longer be deferred in connection with the replacement contract. A replacement contract that is substantially unchanged should be accounted for as a continuation of the original contract. SOP 05-1 will be effective for internal replacements occurring in fiscal years beginning after December 15, 2006, with earlier adoption encouraged. There was no material impact on our consolidated financial statements with respect to the adoption of SOP 05-1.

In December 2004, the FASB issued SFAS, No. 123, Share-Based Payments (revised 2004) ("SFAS No. 123R"). This statement eliminates the option to apply the intrinsic value measurement provisions of APB No. 25 to stock compensation awards issued to employees. Rather, SFAS No. 123R requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant date fair value of the award. That cost will be recognized over the period during which an employee is required to provide services in exchange for the award - the requisite service period (usually the vesting period). SFAS No. 123R will also require companies to measure the cost of employee services received in exchange for employee stock purchase plan awards. SFAS No. 123R became effective for the fiscal quarter beginning January 1, 2006. There was no material impact on United's consolidated financial statements with respect to the adoption of SFAS No. 123R.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections-a replacement of APB Opinion No. 20 and FASB Statement No. 3" ("SFAS 154"). This Statement replaces APB Opinion No. 20, Accounting Changes, and FASB Statement No. 3, Reporting Accounting Changes in Interim Financial Statements, and changes the requirements for the accounting for and reporting of a change in accounting principle. This Statement applies to all voluntary changes in accounting principle. It also applies to changes required by an accounting pronouncement in the unusual instance that the pronouncement does not include specific transition provisions. When a pronouncement includes specific transition provisions, those provisions should be followed.

APB Opinion No. 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle. This Statement requires retrospective application to prior periods' financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. When it is impracticable to determine the period-specific effects of an accounting change on one or more individual prior periods presented, this Statement requires that the new accounting principle be applied to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustment be made to the opening balance of retained earnings (or other appropriate components of equity or net assets in the statement of financial position) for that period rather than being reported in an income

statement. When it is impracticable to determine the cumulative effect of applying a change in accounting principle to all prior periods, this Statement requires that the new accounting principle be applied as if it were adopted prospectively from the earliest date practicable. This Statement was made effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. The adoption of SFAS 154 did not have a significant effect on our financial statements.

In February 2007, the FASB issued SFAS No. 159 *“The Fair Value Option for Financial Assets and Financial Liabilities— Including an Amendment of SFAS No. 115”* (“SFAS No. 159”), which permits an entity to measure many financial assets and financial liabilities at fair value that are not currently required to be measured at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with a few exceptions. SFAS No. 159 amends previous guidance to extend the use of the fair value option to available-for-sale and held-to-maturity securities. SFAS No. 159 also establishes presentation and disclosure requirements to help financial statement users understand the effect of the election. This Statement is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. The Company does not expect to apply the fair value option to any existing financial assets or liabilities as of January 1, 2008. Consequently, the adoption of SFAS No. 159 is expected to have no material impact on our financial position or results of operations.

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In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations" ("SFAS No. 141(R)"). This standard establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS No. 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective as of the beginning of the Company's fiscal year beginning after December 15, 2008. The Company is currently evaluating the impact that the adoption of SFAS No. 141(R) will have on its consolidated financial condition or results of operations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements—an amendment of ARB No. 51" ("SFAS No. 160"). This standard establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The guidance will become effective as of the beginning of the Company's fiscal year beginning after December 15, 2008. The Company is currently evaluating the impact that the adoption of SFAS No. 160 will have on its consolidated financial condition or results of operations.

(n) USE OF ESTIMATES

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

Similar to other property and casualty insurers, our liability for unpaid losses and loss adjustment expense, although supported by actuarial projections and other data, is ultimately based on management's reasoned expectations of future events. Although considerable variability is inherent in these estimates, we believe that this liability is reasonable. Estimates are reviewed regularly and adjusted as necessary. Such adjustments are reflected in current operations. In addition, the realization of our deferred income tax assets is dependent on generating sufficient future taxable income. It is reasonably possible that the expectations associated with these accounts could change in the near term and that the effect of such changes could be material to the Consolidated Financial Statements.

(o) OPERATIONAL RISKS

The following is a description of the most significant risks facing us and how we mitigate those risks:

- (I) **LEGAL/REGULATORY RISKS**—the risk that changes in the regulatory environment in which an insurer operates will create additional expenses not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits, restrict underwriting practices and risk classifications, mandate rate reductions and refunds, and new legal theories or insurance company insolvencies through guaranty fund assessments may create costs for the insurer beyond those recorded in the financial statements. We attempt to mitigate this risk by monitoring proposed regulatory legislation and by assessing the impact of new laws. As we write business only in the state of Florida, we are more exposed to this risk than more

geographically-balanced companies.

As of December 31, 2007 and 2006, the Company and its subsidiaries were in compliance with all regulatory requirements.

- (II) CREDIT RISK—the risk that financial instruments, which potentially subject the Company to concentrations of credit risk, may decline in value or default, or the risk that reinsurers to which business is ceded and from which receivables are recorded on the balance sheet may not pay. The Company minimizes this risk by adhering to a conservative investment strategy and entering into reinsurance agreements with financially sound reinsurers. The Company maintains deposits, in excess of the federally insured limits (“FDIC”). SFAS 105 identifies this situation as a concentration of credit risk requiring disclosure, regardless of the degree of risk. At December 31, 2007, cash at one financial institution exceeded the \$100 FDIC coverage by \$56,752. At December 31, 2006, the amounts that exceeded the FDIC coverage at two financial institutions were \$4,988 and \$41,057, respectively. This risk is managed by maintaining all deposits in high quality financial institutions.

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- (III) **INTEREST RATE RISK**—the risk that interest rates will change and cause a decrease in the value of an insurer's investments. To the extent that liabilities come due more quickly than assets mature, an insurer might have to sell assets prior to maturity and potentially recognize a gain or a loss. This risk is managed by the monitoring of the investment portfolio by management, the investment committee and the Company's outside investment manager.
- (IV) **CATASTROPHIC EVENT RISK**—the risk associated with writing insurance policies covering losses that result from catastrophes, including hurricanes, tropical storms, tornadoes or other weather-related events. We mitigate our risk of catastrophic events through the use of reinsurance, forecast-modeling techniques and the monitoring of concentrations of risk, all designed to protect the statutory surplus of the insurance company.

(p) FAIR VALUE

The fair value of our investments is estimated based on prices published by financial services or on quotations received from securities dealers and is reflective of the interest rate environment that existed as of the close of business on December 31, 2007 and 2006. Changes in interest rates subsequent to December 31, 2007 may affect the fair value of our investments. Refer to Note 3 in the notes to consolidated financial statements for details.

The carrying amounts for the following financial instrument categories approximate their fair values at December 31, 2007 and 2006 because of their short-term nature: cash and short-term investments, premiums receivable, reinsurance receivable and accounts payable and accrued expenses.

(q) STOCK OPTION PLANS

At December 31, 2007 and 2006, the Company did not have a stock-based employee compensation plan; however, the Company's Board granted membership units to key personnel in 2007 and 2006. All grants were valued at fair market value in accordance with SFAS 123(R). Please see Note 14 for additional information.

(r) PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and, for financial reporting purposes, are depreciated on a straight-line basis over the estimated useful lives of the assets, which range from four to five years. Maintenance and repair costs are charged to expense as incurred.

(s) POLICY ASSUMPTION BONUS AGREEMENTS

As part of a policy assumption (or "takeout") agreement with Citizens that expired in 2006, UPCIC receives takeout bonuses from Citizens for policies assumed. Since the receipt of these bonuses is contingent upon UPCIC meeting certain requirements, and since the payment of the bonus closely follows the completion of such requirements, the Company does not record the bonus until the payment is received from Citizens.

(3) INVESTMENTS - FIXED MATURITIES AND EQUITY SECURITIES

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The following table shows the realized gains (losses) for fixed and equity securities for the years ended December 31, 2007, 2006 and 2005.

	Years Ended December 31,					
	Gains (Losses) 2007	Fair Value at Sale	Gains (Losses) 2006	Fair Value at Sale	Gains (Losses) 2005	Fair Value at Sale
Fixed income securities	4	1,527	11	3,058	1	252
Equity securities	1,231	7,043	834	8,361	628	3,354
Total realized gains	1,235	8,570	845	11,419	629	3,606
Fixed income securities	(70)	5,258	(178)	5,940	(132)	8,189
Equity securities	(843)	4,995	(556)	4,608	(412)	1,795
Total realized losses	(913)	10,253	(734)	10,548	(544)	9,984
Net realized gains on investments	\$ 322	\$ 18,823	\$ 111	\$ 21,967	\$ 85	\$ 13,590

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A summary of the amortized cost, estimated fair value, gross unrealized gains and losses of fixed maturities, equity securities, and other investments at December 31, 2007 and 2006 is as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
December 31, 2007				
Fixed Maturities - Available for Sale:				
U.S. government and agency obligations	66,813	2,095	4	68,904
Corporate securities	38,695	217	406	38,506
Total fixed maturities	105,508	2,312	410	107,410
Equity securities	5,782	21	731	5,072
Short term investments	300	-	-	300
Other investments	1,000	-	-	1,000
Total	\$ 112,590	\$ 2,333	\$ 1,141	\$ 113,782
December 31, 2006				
Fixed Maturities - Available for Sale:				
U.S. government and agency obligations	44,848	25	481	44,392
Corporate securities	46,878	29	607	46,300
Total fixed maturities	91,726	54	1,088	90,692
Equity securities	16,108	409	132	16,385
Short term investments	22,890	-	-	22,890
Other investments	1,000	-	-	1,000
Total	\$ 131,724	\$ 463	\$ 1,220	\$ 130,967

Investments in debt and equity securities are considered available-for-sale securities and are carried at market value at December 31, 2007 and 2006.

Unrealized gains and losses on debt and equity securities are credited or charged directly to accumulated other comprehensive income and included in members' equity. Realized gains and losses on investments included in the results of operations are determined using the specific identification method.

Included in other investments is an investment of \$1,000 in an 'excess and surplus' lines insurance company for which there is no readily available market value. The Company has performed an analysis of the fair market value of this investment at December 31, 2007 and 2006 and has determined that it approximates cost of \$1,000.

The investments held at the end of the year were comprised mainly of high-quality money market instruments, securities of the United States government and its agencies, and securities of high-quality corporate issuers.

Below is a summary of fixed maturities at December 31, 2007 and 2006 by contractual or expected maturity periods. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay

obligations with or without call or prepayment penalties.

	December 31, 2007		December 31, 2006	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
Due in one year or less	11,290	11,296	4,024	3,995
Due after one year through five years	62,478	63,546	59,045	58,179
Due after five years through ten years	31,740	32,568	28,657	28,518
Due after ten years	-	-	-	-
Total	\$ 105,508	\$ 107,410	\$ 91,726	\$ 90,692

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Major categories of the Company's net investment income are summarized as follows:

	2007	2006	2005
Fixed maturities	4,758	2,920	1,673
Equity securities	731	402	272
Cash, cash equivalents and short term investments	2,262	2,595	1,039
Total investment income	\$ 7,751	\$ 5,917	\$ 2,984

Proceeds from the sale of investments during 2007, 2006, and 2005, were \$66,934, \$79,988, and \$56,664 and gross gains of \$1,235, \$845, and \$629 and gross losses of \$913, \$734 and \$544 were realized on those sales, respectively.

A summary of realized gains (losses) and unrealized gains (losses) are as follows:

	2007	2006	2005
Net realized gains (losses):			
Fixed maturities	(66)	(167)	(131)
Equity securities	388	278	216
Total	\$ 322	\$ 111	\$ 85
Net unrealized gains (losses):			
Fixed maturities	1,902	(1,033)	(1,064)
Equity securities	(710)	276	(144)
Total	\$ 1,192	\$ (757)	\$ (1,208)

An aging of our unrealized investment losses by investment class is as follows:

	Unrealized Holdings Net Losses	Less than 12 months	12 months or longer
December 31, 2007			
Fixed Maturities - Available for Sale:			
U.S. government and agency obligations	4	-	4
Corporate securities	406	-	406
Total fixed maturities	410	-	410
Equity securities	731	255	476
Total	\$ 1,141	\$ 255	\$ 886
December 31, 2006			
Fixed Maturities - Available for Sale:			
U.S. government and agency obligations	481	38	443
Corporate securities	607	205	402

Explanation of Responses:

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Total fixed maturities		1,088		243		845
Equity securities		132		36		96
Total	\$	1,220	\$	279	\$	941

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(4) POLICY ASSUMPTION BONUS AGREEMENTS

As part of a policy assumption (or “takeout”) agreement with Citizens that ended in 2006, UPCIC receives takeout bonuses from Citizens for policies assumed from multiple assumptions. The bonuses were calculated at 17.5% of the written premium originally assumed, net of adjustments related to policies that were not renewed or retained by the Company. The bonus money due to UPCIC is on deposit with an escrow agent, as specified by the terms of the takeout agreement. To receive the bonus, UPCIC is required to offer to renew the assumed policies for a period of three years at UPCIC’s approved rates and on substantially similar terms. Approximately three years after the assumption date, the escrow agent distributes the bonus funds, with the related investment income thereon, to UPCIC. During 2004 and 2005, UPCIC assumed written premiums under the takeout agreement totaling \$70,386 and \$36,338, respectively. During 2007, UPCIC recognized takeout bonus of \$13,556, which includes \$1,238 of investment income, from the 2004 takeout period.

(5) PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	As of December 31,	
	2007	2006
Furniture, fixtures and equipment	\$ 292	\$ 243
Leasehold improvements	37	37
Property and equipment, gross	329	280
Accumulated depreciation	(221)	(181)
Property and equipment, net	\$ 108	\$ 99

Depreciation of property and equipment was \$40, \$30 and \$22 during 2007, 2006, and 2005, respectively.

(6) REINSURANCE

We follow industry practice of reinsuring a portion of our risks and paying for that protection based primarily upon modeled projected maximum losses and total insured values of all policies in effect and subject to such reinsurance. Reinsurance involves an insurance company transferring, or “ceding”, all or a portion of its exposure on insurance underwritten by it to another insurer, known as a reinsurer. The ceding of insurance does not legally discharge the insurer from its primary liability for the full amount of the policies. To the extent that reinsurers are unable to meet the obligations they assume under these reinsurance agreements, the ceding company remains liable for the insured loss.

Reinsurance agreements provide UPCIC with increased capacity to write more and larger risks and maintain its exposure to loss within its capital resources. Our reinsurance agreements, described below, are designed to coincide with the seasonality of Florida’s hurricane season.

In 2007, 2006 and 2005, UPCIC participated in a multi-line property per risk program. For 2007 and 2006, the contract program provided coverage up to \$1,300 in excess of \$1,000 per risk. The maximum recovery on any one loss occurrence, irrespective of the number of risks involved, is \$1,300. Should a loss recovery (or series of loss recoveries) exhaust the coverage provided under the contracts, one reinstatement of coverage is included at 100% additional premium. For 2005, the contract program provided coverage up to \$1,550 in excess of \$750 per risk. The maximum recovery on any one loss occurrence, regardless of the number of risks involved, was \$3,100. Should a loss recovery (or series of loss recoveries) exhaust the coverage provided under the contract, one reinstatement of coverage was included at no additional premium.

In 2007, 2006 and 2005, UPCIC participated in a catastrophe excess of loss program. The program had two components, one of which was obtained through the private market and a component obtained from the Florida Hurricane Catastrophe Fund ("FHCF"). In 2007 and 2005, each of the contracts making up the private market component included one reinstatement of coverage at no additional premium. In 2006, each of the contracts making up the private market component included one reinstatement of coverage at 100% additional premium. In 2007 and 2006, the FHCF limited apportionment layer (or lower layer) included one reinstatement at no additional premium; however, the remaining FHCF contracts did not provide for reinstatement of coverage in either year. In 2005, the FHCF did not offer a lower layer of coverage and did not provide for reinstatement of coverage.

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In 2007, the entire program provided for reimbursement of up to \$374,327 of qualified loss and LAE in excess of UPCIC's retained loss and LAE of \$16,500. The first layer of coverage was obtained from the FHCF and provides for reimbursement of up to \$10,000 in excess of the first \$16,500. The next two layers of coverage were obtained from the private market; the first of these two layers provides for reimbursement of up to \$14,172 in excess of \$26,500 and the second provides for reimbursement of up to \$33,622 in excess of \$40,672. The next layer of coverage was obtained from both the private market and from the FHCF. The FHCF portion provides for reimbursement of up to 90% of \$212,539 in excess of \$70,980 while the private portion provides for reimbursement of up to \$21,254 in excess of \$70,980. The final layer of coverage was also obtained from both the private market and the FHCF. The FHCF portion provides for reimbursement of up to 90% of \$107,309 and the private portion provides reimbursement up to \$10,731 in excess of \$283,519.

In 2006, the entire program provided for reimbursement of up to \$344,460 of qualified loss and LAE in excess of UPCIC's retained loss and LAE of \$22,813, which consists of \$10,000 of the first \$20,000, 3% of \$248,894 in excess of \$83,805, and the first \$5,346 in excess of \$332,699. The first layer of coverage was obtained from the FHCF and provides for reimbursement of up to \$10,000 in excess of the first \$4,800. The next two layers of coverage were obtained from the private market; the first of these two layers provides for reimbursement of up to \$26,000 in excess of \$20,000 and the second provides for reimbursement of up to \$37,805 in excess of \$46,000. The next layer of coverage was obtained from both the private market and from the FHCF. The FHCF portion provides for reimbursement of up to 90% of \$248,894 in excess of \$83,805 while the private portion provides for reimbursement of up to \$25,250 in excess of \$83,805. The final layer of coverage was obtained from the private market and provides for reimbursement of up to \$21,400 in excess of \$338,045.

In 2005, the entire program provided for reimbursement of up to \$412,833 of qualified loss and LAE in excess of UPCIC's retained loss and LAE of \$7,500. The first two layers of coverage were obtained from the private market; the first of these two layers provided for reimbursement of up to \$5,000 in excess of \$7,500 and the second provided for reimbursement of up to \$71,944 in excess of \$12,500. The next layer of coverage was obtained from both the private market and from the FHCF. The FHCF portion provided for reimbursement of up to 90% of \$302,424 in excess of \$83,926 while the private portion provided for reimbursement of up to \$31,613 in excess of \$84,444. The final layer of coverage was obtained from the private market and provided for reimbursement of \$32,095 in excess of \$116,057.

For the years ended December 31, 2007, 2006 and 2005, premiums of \$34,288, \$51,025 and \$39,380 were ceded under the private excess of loss contracts, respectively. Under the FHCF excess of loss contract, premiums of \$18,748, \$20,895 and \$13,295 were ceded for the year ended December 31, 2007, 2006 and 2005, respectively.

UPCIC also participated in a quota share program on our Garage line of business. For commercial policies incepting on or after August 1, 2007, the program provides 50% coverage up to \$2,000 per risk and \$4,000 per contract term. For commercial policies incepting prior to August 1, 2007, the program provides 70% coverage up to \$2,000 per risk and \$4,000 per contract term. The reinsurer allows UPCIC a commission ranging from 20% to 42.5% based on the loss ratio of the program. UPCIC recorded the commission at the minimum for the years ended December 31, 2007 and 2006 and recorded the commission at the contract's provisional rate at 32.5% for the year ended December 31, 2005. For the years ended December 31, 2007, 2006 and 2005, premiums of \$2,838, \$2,200 and \$123 were ceded under the quota share Garage program agreement, respectively. In August 2005, United started writing insurance under the Garage program.

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The impact of reinsurance on the financial statements is as follows:

	2007		2006		2005
Premium written:					
Direct	\$ 145,050	\$	149,210	\$	116,508
Assumed	-		(324)		25,298
Ceded	(58,511)		(77,966)		(52,685)
Net premium written	\$ 86,539	\$	70,920	\$	89,121
Change in unearned premiums:					
Direct	\$ 6,634	\$	(12,906)	\$	(26,369)
Assumed	-		3,607		3,908
Ceded	(7,815)		12,009		9,004
Net decrease (increase)	\$ (1,181)	\$	2,710	\$	(13,457)
Premiums earned:					
Direct	\$ 151,684	\$	136,304	\$	90,139
Assumed	-		3,283		29,206
Ceded	(66,326)		(65,957)		(43,681)
Net premiums earned	\$ 85,358	\$	73,630	\$	75,664
Losses and LAE incurred:					
Direct	\$ 36,426	\$	121,669	\$	257,445
Assumed	1,111		29,365		27,811
Ceded	(11,875)		(115,677)		(223,639)
Net losses and LAE incurred	\$ 25,662	\$	35,357	\$	61,617

As of December 31,
2007 **2006**

Unpaid losses and LAE, net:					
Direct	\$ 34,035	\$	55,655		
Assumed	1,970		1,520		
Ceded	(14,446)		(33,441)		
Net unpaid losses and LAE	\$ 21,559	\$	23,734		
Unearned premiums:					
Direct	\$ 73,051	\$	79,684		
Assumed	-		-		
Ceded	(26,345)		(34,160)		
Net unearned premium	\$ 46,706	\$	45,524		

Explanation of Responses:

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Reinsurance recoverable, net at December 31, 2007 and 2006, consist of the following:

	As of December 31,	
	2007	2006
Reinsurance recoverable on unpaid losses and LAE	\$ 14,446	\$ 33,441
Reinsurance recoverable on paid losses	2,370	5,080
Reinsurance recoverable, net	\$ 16,816	\$ 38,521

Ceded losses and LAE incurred have decreased from \$223,639 in 2005 to \$115,677 in 2006 and further decreased to \$11,875 in 2007 primarily due to the lack of catastrophic storms in 2006 and 2007. As a result of that lack of catastrophic storm activity, United has not incurred losses and LAE from storms in 2006 and 2007 that would be eligible for reimbursement from its reinsurers.

Reinsurance recoverable on unpaid losses and LAE decreased from \$153,769 at January 1, 2006 to \$14,446 at December 31, 2007 primarily due to ongoing collections of amounts due to United from its reinsurers from losses sustained during the storm years of 2004 and 2005. As discussed above, United did not incur any losses or LAE from catastrophic storms during 2006 and 2007; therefore, the reinsurance receivables primarily decreased due to collections from reinsurers and no additional reinsurance receivables were added.

Reinsurance premiums payable at December 31, 2007 and 2006 were \$10,852 and \$27,831, respectively.

In 2007 and 2006, the subsidiary did not commute any reinsurance nor did it enter into or engage in any loss portfolio transfer for any lines of business.

(7) UNPAID LOSSES AND LOSS ADJUSTMENT EXPENSES

The liability for unpaid losses and loss adjustment expenses ("LAE") is determined on an individual-case basis for all incidents reported. The liability also includes amounts for claims incurred but not reported.

Activity in the liability for unpaid losses and LAE is summarized as follows:

	Years Ended December 31,	
	2007	2006
Balance at January 1	\$ 57,175	\$ 174,217
Less reinsurance recoverables	33,441	153,769
Net balance at January 1	\$ 23,734	\$ 20,448
Incurred related to:		
Current year	\$ 31,466	\$ 36,095
Prior years	(5,804)	(738)
Total incurred	\$ 25,662	\$ 35,357

Explanation of Responses:

Paid related to:			
Current year	\$	18,511	\$ 18,291
Prior years		9,326	13,780
Total paid	\$	27,837	\$ 32,071
Net balance at year-end	\$	21,559	\$ 23,734
Plus reinsurance recoverables		14,446	33,441
Balance at year-end	\$	36,005	\$ 57,175

Based upon consultations with our independent actuarial consultants and their statement of opinion on losses and LAE, we believe that the liability for unpaid losses and LAE is reasonable to cover all claims and related expenses which may arise from incidents reported.

In 2007 and 2006, net incurred losses and LAE attributable to insured events of prior years has decreased by approximately \$5,804 and \$738, respectively, as a result of re-estimation of unpaid losses and LAE. These decreases are generally a result of ongoing analysis of recent favorable loss development trends. Original estimates are decreased or increased as additional information becomes known regarding individual claims. There can be no assurance concerning future adjustments of reserves, positive or negative, for claims through December 31, 2007.

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(8) LONG-TERM DEBT

Long-term debt consists of the following:

	As of December 31,	
	2007	2006
Secured line of credit payable to CB&T in monthly installments of accrued interest only through June 16, 2007, at which time the outstanding balance becomes due in full. Interest accrues at lender's prime rate (7.98% at December 31, 2006). The line was replaced by the secured note payable in February 2007.	\$ -	\$ 9,722
Unsecured note payable to York Enhanced Strategies Fund, LLC ("York"). The note was for a period of 60 months and was due on September 19, 2011. Interest was allowed to be added to the principal balance for the first six months. Interest rate was 15% at December 31, 2006. The note was paid in full on February 8, 2007.	-	19,918
Unsecured note payable to the Florida State Board of Administration ("FSBA") by UPCIC. The term of the note is 20 years with quarterly payments to begin October 1, 2006. Interest only payments are required for the first three years. The interest rate shall be determined two business days prior to the payment date in order to set the rate for the following quarter. (4.58% and 4.70% at December 31, 2007 and 2006, respectively). Any payment of interest or repayment of principal is subject to approval by the Office and may be paid only out of UPCIC's earnings and only if UPCIC's surplus exceeds specified levels required by the Office.	20,000	20,000
Secured note payable to CB&T in 36 consecutive monthly installments through February 20, 2010, including interest of 400 basis points above LIBOR. Interest rate at December 31, 2007 was 9.8%.	23,833	-
	\$ 43,833	\$ 49,640

As of December 31, 2007 the annual maturities of long-term debt are as follows:

2008	\$ 11,000
2009	11,294
2010	3,010
2011	1,176
2012	1,176

Explanation of Responses:

Thereafter	16,177
	\$ 43,833

On September 10, 2006, the Company entered into a loan agreement (“York Note”) with York Capital (“York”) in the amount of \$20,000. In connection with the financing transaction, York received a 4.75% equity ownership interest (“Ownership”) and entered a Put Agreement (“Put”) with the Company. The Put provides York with an option to sell its entire interest back to UIH at any time (i) between September 15, 2009 and September 15, 2010, and (ii) between September 15, 2011 and September 15, 2012 (“Exercise Period”) at a purchase price of two times the consolidated book value of the Company at the end of the fiscal quarter immediately preceding the put date and has no floor or ceiling as to the amount to be paid.

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The Company valued this Ownership at \$715 at December 31, 2006. In accordance with SFAS No. 150, the recorded value of the Ownership will remain unchanged and any revaluation would apply to only the Put. The Company valued the related redeemable Put at December 31, 2007 and 2006 at \$2,564 and \$939, respectively. The Company initially valued the Put by discounting the rights of two times the book value at December 31, 2006 by the average required return on equity as calculated by a capital asset pricing model driven formula utilizing historic geometric and arithmetic mean returns and a management-selected beta appropriate for a privately-held company. The Put was revalued at December 31, 2007 utilizing this same methodology. At December 31, 2007 and 2006, the Put was discounted from 4.75% of two times the consolidated book value, or \$4,536 and \$2,862, respectively, that represented the amount that would have been due if the put was exercisable at year-end. At December 31, 2007 and 2006, the Company incurred \$1,125 and \$375 in participation fees, respectively, and recognized additional expense related to the Put of \$1,606 and \$939, respectively. In addition, at December 31, 2007 and 2006, the Company had original issue discount expense related to the York Note of \$679 and \$36, respectively.

The Company refinanced the York Note in February 2007 and entered into a loan agreement with CB&T, a related party, ("CB&T loan") which provided \$33,000 and is secured by the operation of the MGA agreement and related fees paid to UIM. The CB&T loan is also secured by members' interests, all tangible and intangible assets of UIH and UIM, accounts, accounts receivable, furniture, furnishings and equipment and all deposits. The security agreement states that if an event of default occurs under the CB&T loan, the bank may, at its option, cause the acceleration of the CB&T loan, which shall become immediately due and payable, take possession of the collateral, and have the right to assign, sell, lease, or otherwise dispose of and deliver all or any part of the collateral, to satisfy our obligations under this agreement. The proceeds of the loan were used to repay the notes payable to York and the secured line of credit payable to CB&T.

The CB&T loan also requires that all "excess cash flow" as permitted by applicable law be deposited in an investment account at CB&T. The investment account at CB&T must also have a minimum balance in the amount of \$10,000 by August 31, 2007 and until the time that the CB&T loan has been paid in full, such investment account shall have a minimum balance of the lesser of \$10,000 or the unpaid principal balance of the note. The balance in the investment account at CB&T was \$18,990 at December 31, 2007. See Note 13 for discussion of other related party transactions with CB&T and Note 21 for subsequent events related to this loan.

The Company's loan agreements contain certain covenants including the maintenance of minimum specified financial ratios and balances. We were in compliance with the terms of the CB&T covenants at December 31, 2007. An event of default will occur under the FSBA note if UPCIC: (i) defaults in the payment of the surplus note; (ii) fails to meet at least 2:1 ratio of net premium to surplus ("Minimum Writing Ratio") by December 31, 2007; (iii) fails to submit quarterly filings to the OIR; (iv) fails to maintain at least \$50 million of surplus during the term of the note, except for certain situations; (v) misuses proceeds of the note; (vi) makes any misrepresentations in the application for the program; or (vii) pays any dividend when principal or interest payments are past due under the note. As of December 31, 2007, UPCIC was in compliance with each of the aforementioned loan covenants except for the writing ratio covenant.

If UPCIC fails to increase its writing ratio for two consecutive quarters prior to December 31, 2007, fails to obtain the 2:1 Minimum Writing Ratio by December 31, 2007, or drops below the 2:1 Minimum Writing Ratio once it is obtained for two consecutive quarters, the interest rate on the surplus note will increase during such deficiency by 25 basis points if the resulting writing ratio is between 1.5:1 and 2:1 and the interest rate will increase by 450 basis points

if the writing ratio is below 1.5:1. Since the writing ratio at December 31, 2007 was 1.4:1 which is below 1.5:1, UPCIC's interest rate in the first quarter of 2008 will increase by 450 basis points. In addition, if UPCIC remains in default, the FSBA may at its sole discretion due to the writing deficiency increase the interest rate to the maximum interest rate permitted by law, accelerate the repayment of principal and interest, shorten the term of the note, or call the note and demand full repayment.

Interest expense for the years ended December 31, 2007, 2006 and 2005, was \$7,704, \$5,019 and \$312, respectively.

(9) INCOME TAXES

The Company and two subsidiaries, UIM and Skyway, are limited liability companies and, as such, income is taxed directly to the members. Therefore, the financial statements do not include an income tax provision for these entities. However, UPCIC files a separate C Corporation 1120PC federal income tax return. The income tax provision reflected in these statements is attributable to UPCIC.

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A summary of the provision for income tax expense (benefit) is as follows:

	Years Ended December 31,		
	2007	2006	2005
Federal:			
Current	\$ 6,286	\$ (345)	\$ (769)
Deferred	1,131	(3,133)	(1,377)
Provision (benefit) for Federal income tax expense	7,417	(3,478)	(2,146)
State:			
Current	687	-	-
Deferred	193	(536)	(414)
Provision (benefit) for State income tax expense	880	(536)	(414)
Provision (benefit) for income taxes	\$ 8,297	\$ (4,014)	\$ (2,560)

The actual income tax expense (benefit) differs from the “expected” income tax expense (benefit) (computed by applying the combined applicable effective federal and state tax rates to income (loss) before provision for income tax expense (benefit) as follows:

	Years Ended December 31,		
	2007	2006	2005
Computed expected tax (benefit) at federal rate	\$ 16,299	\$ 4,794	\$ (475)
State tax, net of federal deduction benefit	582	(393)	(193)
Dividend received deduction	(144)	(81)	(51)
Income of limited liability companies	(8,490)	(8,391)	(1,282)
Other, net	50	57	(559)
Income tax expense (benefit), as reported	\$ 8,297	\$ (4,014)	\$ (2,560)

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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 amounts used for income tax purposes. Significant components of our net deferred tax asset are as follows:

	As of December 31,	
	2007	2006
Deferred tax assets:		
Unearned premiums	\$ 3,391	\$ 3,988
Assessments	1,922	1,885
Loss reserve discount	566	711
Unrealized loss	-	307
Bad debt expense	60	164
Reinsurance provisions	49	681
Total deferred tax assets	5,988	7,736
Deferred tax liabilities:		
Unrealized gain	(448)	-
Premium recognition	(411)	(469)
Deferred acquisitions costs	(390)	(455)
Other	(6)	-
Total deferred tax liabilities	(1,255)	(924)
Net deferred tax asset	\$ 4,733	\$ 6,812

In assessing the net realizable value of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. The Company has no net operating or capital loss carryforwards available to offset future taxable income at December 31, 2007 and 2006.

(10) REGULATORY REQUIREMENTS AND RESTRICTIONS

Under Florida law, a domestic insurer may not pay any dividend or distribute cash or other property to its shareholders except out of that part of its available and accumulated capital surplus funds which is derived from realized net operating profits on its business and net realized capital gains. A Florida domestic insurer may not make dividend payments or distributions to shareholders without prior approval of the Florida OIR if the dividend or distribution would exceed the larger of (i) the lesser of (a) 10 percent of capital surplus (b) net income, not including realized capital gains, plus a two-year carryforward, (ii) 10 percent of capital surplus with dividends payable constrained to unassigned funds minus 25 percent of unrealized capital gains or (iii) the lesser of (a) 10 percent of capital surplus or (b) net investment income plus a three-year carryforward with dividends payable constrained to unassigned funds minus 25 percent of unrealized capital gains. Alternatively, a Florida domestic insurer may pay a dividend or distribution without the prior written approval of the Florida OIR (i) if the dividend is equal to or less than the greater

of (a) 10 percent of the insurer's capital surplus as regards policyholders derived from realized net operating profits on its business and net realized capital gains or (b) the insurer's entire net operating profits and realized net capital gains derived during the immediate preceding calendar year, (ii) the insurer will have policyholder capital surplus equal to or exceeding 115 percent of the minimum required statutory capital surplus after the dividend or distribution, (iii) the insurer files a notice of the dividend or distribution with the Florida OIR at least ten business days prior to the dividend payment or distribution and (iv) the notice includes a certification by an officer of the insurer attesting that, after the payment of the dividend or distribution, the insurer will have at least 115 percent of required statutory capital surplus as to policyholders. Except as provided above, a Florida domiciled insurer may only pay a dividend or make a distribution (i) subject to prior approval by the Florida OIR or (ii) 30 days after the Florida OIR has received notice of such dividend or distribution and has not disapproved it within such time. UPCIC has not paid any dividends or distributed any cash or other property to shareholders.

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Under Florida law, eligible investments are subject to the following limitations: (a) the cost of investments made by insurers in authorized stock shall not exceed 15 percent of the insurer's admitted assets; (b) the cost of such investment in common stocks shall not exceed 10 percent of the insurer's admitted assets; (c) the cost of such investment in stock of any one corporation shall not exceed 3 percent of the insurer's admitted assets; and (d) the cost of investments in bonds, which investments are classified as medium to lower quality obligations, shall be limited to (i) no more than 13 percent of an insurer's admitted assets and (ii) no more than 5 percent of an insurer's admitted assets in obligations that have been given a rating of 4, 5 or 6 by the Securities Valuation Office (SVO) of the National Association of Insurance Commissioners (NAIC) and (iii) no more than 1.5 percent of an insurer's admitted assets in obligations that have been given a rating of 5 or 6 by the SVO of the NAIC and (iv) not more than 0.5 percent of an insurer's admitted assets in obligations that have been given a rating of 6 by the SVO of the NAIC and (v) no more than 10 percent of an insurer's admitted assets, if the investments are in issuers from any one industry and (vi) no more than 2 percent of an insurer's admitted assets if the investment is in any one issuer. UPCIC is in compliance with this covenant at December 31, 2007 and 2006.

In order to enhance the regulation of insurer solvency, the NAIC established risk-based capital requirements for insurance companies that are designed to assess capital adequacy and to raise the level of protection that statutory surplus provides for policy holders. These requirements measure three major areas of risk facing property and casualty insurers: (i) underwriting risks, which encompass the risk of adverse loss developments and inadequate pricing; (ii) declines in asset values arising from credit risk; and (iii) other business risks from investments. Insurers having less statutory surplus than required will be subject to varying degrees of regulatory action, depending on the level of capital inadequacy. The Florida OIR, which follows these requirements, could require the Company to cease operations in the event they fail to maintain the required statutory capital. UPCIC is in compliance with the risk based capital requirement at December 31, 2007 and 2006.

To increase the surplus in UPCIC for the purpose of further ensuring stability for policyholders and approved by the Florida OIR, UIH entered into a subordinated surplus debenture agreement ("the Debenture") with UPCIC in December 2004 in the amount of \$4,000. The Debenture bore interest payable to UIH in the amount of 7% payable annually. A second Debenture was issued in May 2005 in the amount of \$5,000 and a third Debenture was issued in October 2005 in the amount of \$3,000. As of December 31, 2006, UPCIC had a balance outstanding under the Debentures to UIH of \$12,000. The Debentures were repaid in full after receiving proper approval as of December 31, 2007.

The Company is subject to assessments by a Florida guaranty fund, a residual market pool, and a state catastrophe reinsurance pool. The activities of this fund and these pools include collecting funds from solvent insurance companies to cover losses resulting from the insolvency or rehabilitation of other insurance companies or deficits generated by Citizens and the Florida Hurricane Catastrophe Fund (FHCF). The Company's policy is to recognize its obligation for guaranty fund, Citizens, and FHCF assessments when the Company has the information available to reasonably estimate its liabilities. Guaranty fund, Citizens, and FHCF assessments are generally available for recoupment from policyholders.

United is subject to assessments by Citizens, the Florida Hurricane Catastrophe Fund ("FHCF") and the Florida Insurance Guaranty Association ("FIGA"). Citizens and the FHCF may levy assessments against all assessable insurers that write premiums in the State of Florida to cover operating deficiencies related to windstorm catastrophes. FIGA may levy assessments against all assessable insurers that write premiums in the State of Florida to cover the claims of policyholders of insurance companies in the State of Florida that have become insolvent.

Assessments implemented by Citizens are calculated by multiplying the ratio of United's direct written premium on the subject lines of business to the total direct written premium on the subject lines of business of all assessable Florida insurance companies ("participation ratio") by Citizens' total operating deficit in its High Risk Account. By Florida statute, assessments implemented by either the FHCF or FIGA are capped annually at a flat percentage of 1% for FHCF and 2% for FIGA multiplied by United's direct written premium on subject lines of business.

Under current regulations, insurers may recoup the amount of their assessments from policyholders, or, in some cases, collect the amount of the assessments from policyholders as surcharges for the benefit of the assessing entity. In order to recoup an assessment, United files for a rate increase which the OIR immediately approves. The rate increase is valid for a twelve-month period following the approval of the rate increase. Any assessment not recouped during the first twelve-month period can be included in a new rate filing with the OIR, which is valid for an additional twelve month period.

United accrues for the guaranty fund and other insurance-related assessments in accordance with Statement of Position ("SOP") 97-3, "Accounting by Insurance and Other Enterprises for Insurance-Related Assessments". SOP 97-3 provides guidance for determining when an entity should recognize a liability for guaranty fund and other insurance-related assessments, how to measure that liability and when an asset may be recognized for the recovery of such assessments through premium tax offsets or policy surcharges. The recoupment of the assessments is revenue, and is recorded prospectively as such in the period that the policies containing the OIR approved rate increase are accrued. In order to recoup the assessment, the State provides United with an immediate rate increase in the amount of the assessment. Emergency assessments from Citizens and the FHCF are collected from policyholders as a surcharge and recorded as a liability until they are remitted to Citizens or the FHCF.

In August 2005, Citizens levied a regular assessment against United to recoup the 2004 Plan Year Deficit incurred in its High Risk Account. United's participation in this assessment totaled \$180, and it completed the recoupment of this assessment in 2006.

In June 2006, the OIR ordered an emergency FHCF assessment of 1% of direct written premiums for policies with effective dates beginning January 1, 2007. The assessment was levied against the policyholders and not against United. United remits the amounts collected to the FHCF on a quarterly basis. This assessment was a result of catastrophe losses the State of Florida experienced in 2004 and 2005.

In June 2006, FIGA levied an assessment upon its member companies equal to 2% of net direct premiums written in the State of Florida for the calendar year 2005. United's participation in this assessment totaled \$2,274, and it recouped \$1,879 of this assessment in 2007. United will recoup the remaining \$395 in 2008.

In September 2006, Citizens levied a regular assessment against United to recoup the 2005 Plan Year Deficit incurred in its High Risk Account. United's participation in this assessment totaled \$438, and it recouped all but \$86 of this assessment in 2007. United will recoup the remaining \$86 in 2008.

In December 2006, FIGA levied an assessment upon its member companies equal to 2% of net direct premiums written in the state of Florida for the calendar year 2005. United's participation in this assessment totaled \$2,274, and it recouped \$926 of this assessment in 2007. United will recoup the remaining \$1,348 in 2008.

In January 2007, Citizens levied an emergency assessment equal to 1.4% of direct written premiums on all policies issued on or after July 1, 2007. United is currently collecting the assessment from policyholders and remitting the amounts to the Citizens on a monthly basis. This assessment was levied to recoup the remaining 2005 Plan Year Deficit not recouped with the regular assessment levied in September 2006. The deficit was a result of catastrophe losses the State of Florida experienced in 2004 and 2005.

In October 2007, FIGA levied an assessment upon its member companies equal to 2% of net direct premiums written in Florida for the calendar year 2006. United's participation in this assessment totaled \$3,088. Subsequent to December 31, 2007, the OIR approved United's rate increase filing and United has started the process to recoup this assessment in 2008.

The Company's insurance subsidiary's assets, liabilities and results of operations have been reported in accordance with accounting principles generally accepted in the United States of America (GAAP), which varies from statutory accounting practices (SAP) prescribed or permitted by insurance regulatory authorities. Prescribed statutory accounting practices are found in a variety of publications of the NAIC, state laws and regulations, as well as through general practices. The principal differences between SAP and GAAP are that under SAP: (1) certain assets that are not admitted assets are eliminated from the balance sheet, (2) acquisition costs for policies are expensed as incurred, while they may be deferred and amortized over the estimated life of the policies under GAAP, (3) differences in the computation of deferred income taxes, and (4) valuation allowances are established against investments. The Company's insurance subsidiary must file with applicable state insurance regulatory authorities an "Annual Statement" which reports, among other items, net income (loss) and stockholders' equity (called "surplus as regards policyholders" in statutory reporting).

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A reconciliation between the GAAP net income and the statutory net income (loss) of the insurance subsidiary is as follows:

	Year ended December 31,		
	2007	2006	2005
Consolidated GAAP net income	\$ 39,642	\$ 17,208	\$ 1,161
<i>Increase (decrease) due to:</i>			
Commissions	73	1,023	882
Deferred income taxes	1,324	(3,671)	(1,789)
Deferred policy acquisition costs	233	(355)	(460)
Allowance for doubtful accounts	45	49	286
Assessments	99	4,830	180
Premium	(1,497)	3,588	(1,526)
Interest accrued on takeout bonus income	(1,238)	-	-
Other, net	(123)	(506)	145
Operations of nonstatutory subsidiaries	(27,070)	(23,770)	(3,769)
Statutory net income (loss)	\$ 11,488	\$ (1,604)	\$ (4,890)

A reconciliation between the GAAP stockholders' equity and surplus as regards policyholders is as follows:

	Year ended December 31,	
	2007	2006
Consolidated GAAP members' equity	\$ 46,099	\$ 24,113
<i>Increase (decrease) due to:</i>		
Deferred policy acquisition costs	(3,015)	(3,248)
Deferred income taxes	(1,451)	(2,393)
Investments	(1,134)	770
Nonadmitted assets	(488)	(805)
Surplus debentures	20,000	32,000
Provision for reinsurance	(2,365)	(35)
Equity of nonstatutory subsidiaries	(11,500)	(3,278)
Commissions	2,099	2,026
Allowance for doubtful accounts	480	435
Assessments	5,109	5,010
Premium	(443)	1,054
Interest accrued on takeout bonus income	(1,238)	-
Other, net	(454)	(334)

Statutory surplus as regards policyholders	\$	51,699	\$	55,315
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(11) COMMITMENTS AND CONTINGENCIES

Our company and its subsidiaries are exposed to certain commitments and contingencies as a result of the nature of our business. They can be summarized as being either assessment related, insured claim activity, and other matters generally arising in the normal course of the insurance business.

We operate in a regulatory environment where certain entities and organizations have the authority to require us to participate in assessments. Currently these entities and organizations include, but are not limited to FIGA, Citizens, and FHCF. See Note 10 for further details on assessments incurred. Because of the Company's participation in assigned risk plans, it may be exposed to losses that surpass the capitalization of these facilities and/or to additional assessments from these facilities. In addition, while there is availability for recoupments from organizations or premium rate increases, they may not offset each other in financial statements for the same fiscal period. There is also the possibility that policies may not be renewed in subsequent years.

We are involved in claims and legal actions arising in the ordinary course of business. Revisions to our estimates are based on our analysis of subsequent information that we receive regarding various factors, including: (i) per claim information; (ii) company and industry historical loss experience; (iii) legislative enactments, judicial decisions, legal developments in the awarding of damages, and (iv) trends in general economic conditions, including the effects of inflation. Management revises its estimates based on the results of its analysis. This process assumes that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for estimating the ultimate settlement of all claims. There is no precise method for subsequently evaluating the impact of any specific factor on the adequacy of the reserves, because the eventual redundancy or deficiency is affected by multiple factors. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations, or liquidity.

The company is also subject to changing social, economic, and regulatory conditions. Regulatory authorities as well as legislative bodies in the state of Florida seek to influence and restrict premium rates, require premium refunds to policyholders, restrict the ability of insurers to cancel or non-renew policies, require insurers to continue to write new policies or limit their ability to write new policies. They can also limit insurers' ability to change coverage terms or impose underwriting standards or impose additional regulations regarding agent and broker compensation. All of these items result in an expansion of the overall regulation of insurance products and the insurance industry. The ultimate changes and effects on the Company's business, if any, are uncertain. However, based upon information currently known to management, the effect of regulation is not considered to have a material adverse effect on our consolidated financial statements.

(12) LEASES

The Company and its subsidiaries lease office space and office equipment under operating leases; the office space lease expires in September 2008 and the office equipment leases have various expiration dates. Lease expense amounted to \$123, \$103 and \$84 for the years ended December 31, 2007, 2006 and 2005, respectively. At December 31, 2007, minimum future lease payments under noncancellable operating leases are as follows:

2008	\$ 117
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2009	37
2010	37
2011	37
2012	6
Thereafter	2
Total	\$ 236

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(13) RELATED PARTY TRANSACTIONS

The Company engaged in the following related party transactions:

The Company paid board fees and commissions for premiums produced during 2007, 2006, and 2005 to Alpha Insurance, Comegy's Insurance Corner and San of Tampa Bay (insurance agencies owned by one of its directors) totaling \$773, \$600 and \$419, respectively. The commissions paid were determined in accordance with industry rates.

The Company places private reinsurance through Ballantyne, McKean and Sullivan, Ltd., a broker that employs a director of the Company. The reinsurers pay commissions to the broker determined in accordance with industry rates.

The Company has entered into an Investment Management agreement with Synovus Trust Company, N.A. ("Synovus"), whereby Synovus provides discretionary investment management services for the investment accounts of the Company's subsidiaries. The agreement was effective October 8, 2003, and remains in effect until terminated by either party. Synovus Financial Corporation, Synovus' parent, owned 17.2% of the Company at December 31, 2007 and 18% at December 31, 2006, respectively. The Company's subsidiaries incurred combined fees under the agreement of \$96, \$115 and \$97 for the years ended December 31, 2007, 2006 and 2005, respectively.

During 2007 and 2006, the Company held various secured loan agreements with Columbus Bank & Trust ("CB&T") (Note 21). CB&T is a subsidiary of Synovus Financial Corporation. The amount outstanding on the note payable executed in February 2007 was \$23,833 as of December 31, 2007. There was no amount outstanding on this line as of December 31, 2006. The amount outstanding on the line of credit payable at December 31, 2006 was \$9,722. Total interest paid to CB&T totaled \$2,472, \$741 and \$293 for the years ended December 31, 2007, 2006 and 2005, respectively. The balance in the investment account at CB&T was \$18,990 at December 31, 2007. The interest rates charged and earned were determined in accordance with industry rates.

Effective June 1, 2007, UPCIC executed a reinsurance agreement with Caymaanz Insurance Company ("Caymaanz") for reinsurance catastrophe coverage of \$6,500 for a premium of \$5,525. The rate is consistent with industry rates. In addition, UIM purchased redeemable, non-voting preferred stock in Caymaanz for \$1,140. UIM does not have voting control or a majority economic interest. Through its contractual rights, UIM does, however, have control over certain designated assets; therefore, these assets have been consolidated and are recorded in other assets in the consolidated financial statements.

As of December 31, 2007 and 2006, we had notes receivable from certain officers in the amount of \$100. Interest accrues at 3% on an annual basis.

(14) STOCK COMPENSATION PLANS

At December 31, 2007, the Company had no stock-based employee compensation plan; however, during 2005, 2006 and 2007, the Company's Board granted membership units to key personnel. The Company's Member Agreement sets aside a 5% interest, portions of which can be awarded to employees, managers, officers and the Chairman of the Board. The Company performs a valuation based on year-end earnings and utilizes their judgment to determine the amount each year. All of the grants were valued at fair market value in accordance with SFAS No. 123(R). For the

years ended December 31, 2007 and 2006, the fair market value of the membership units awarded was \$147 and \$165, respectively. The 2005 grant was not required to be valued at fair market value per SFAS 123(R).

(15) EMPLOYEE BENEFIT PLAN

The Company provides a 401(k) plan for substantially all employees of the Company and its subsidiaries. The Company matches 100% of the first 5% of employees' contributions to the plan. The Company's contributions to the plan on behalf of the participating employees were \$73, \$57 and \$117 for the years ended December 31, 2007, 2006 and 2005, respectively.

(16) ACQUISITIONS

There were no acquisitions made during the years ended December 31, 2007 and 2006.

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United Insurance Holdings, LC and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2007
(Dollars in thousands)

(17) COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) includes unrealized gains and losses; net of the related income tax effect, on debt and equity securities classified as available-for-sale, and is included as a component of members' equity.

Comprehensive income (loss) is as follows:

	Years Ended December 31,		
	2007	2006	2005
Unrealized holdings gains or losses arising during year	1,950	408	(887)
Tax effect	(755)	(154)	370
Net unrealized change in investments, net of tax effect	1,195	254	(517)

(18) AUTHORIZATION OF PREFERRED STOCK

Our Articles of Incorporation do not authorize the issuance of preferred stock.

(19) DIVIDENDS AND DISTRIBUTIONS

The Company is a legal entity separate and distinct from its subsidiaries. As a holding company, the primary sources of cash needed to meet its obligations are distributions, dividends, and other permitted payments from its subsidiaries. While there are no restrictions on distributions from the Company, dividends from UPCIC have certain restrictions (Note 10).

In accordance with the Company's Members Agreement, the Company provides cash distributions to each member on an annual basis in order for each member to pay federal income taxes which may be owed by members due to the taxable income attributable to them as members of the Company. An additional equity distribution of \$10,000 was made in February 2007. Distributions declared and paid in 2007 and 2006 were \$520 and \$148, respectively. Distributions to members of \$9,227 and \$8,157 were reflected as liabilities as of December 31, 2007 and 2006, respectively.

(20) DISCONTINUED OPERATIONS

There were no discontinued operations during the years ended December 31, 2007 and 2006.

(21) SUBSEQUENT EVENTS

On January 21, 2008 UIH executed a letter of intent ("the Letter") with FMG Acquisition Corporation ("FMG") where FMG will acquire a majority holding in UIH and then merge UIH into FMG. The resulting entity will rename itself United Insurance Holdings Corp. ("UIH Corp.").

The Letter requires FMG to pay cash of \$25,000 and provide 8,750,000 shares of FMG common stock valued at \$8 per share, at closing. The \$95,000 of non-contingent consideration will be in exchange for an approximate 60%

interest in UIH Corp. The Letter also contains contingent consideration of up to \$5,000 in cash to be paid by FMG if UIH Corp. meets certain financial targets in subsequent events. The Letter allows the Company to make its regular distribution to members related to taxes (Note 19) and provides for an additional equity distribution of \$2,000 to members. In addition, each member of the Board of Managers will receive a cash bonus of \$50. The transaction will be subject to execution of a definitive agreement which will contain various conditions, customary for transactions of this type, including regulatory approval of the Office and an affirmative vote of FMG shareholders and UIH members.

On February 29, 2008, the Company sold its investment in Prime Holdings Insurance Services, Inc. ("Prime") back to Prime at a redemption price of \$1,133. The redemption price will be paid by delivery of a promissory note payable in three annual installments commencing on May 1, 2008. The promissory note will bear interest at 8% per annum beginning May 1, 2008. Interest payments will be made with the principal payments due on May 1, 2009 and 2010, respectively.

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United Insurance Holdings, LC and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2007
(Dollars in thousands)

On March 10, 2008, the Company entered into an agreement with Computer Sciences Corporation, (“CSC”) to provide policy administration services including processing, billing and policy maintenance. In accordance with the terms of the agreement with our current TPA, West Point Underwriters, LLC, (“West Point”) on March 13, 2008, the Company provided West Point with written notice of termination.

On March 13 2008, we entered into an amendment to the CB&T loan agreement which eliminated the “excess cash flow” provision of the loan. In addition, the minimum balance in the investment accounts at CB&T was increased from \$10,000 to \$13,000 with no future escrows required. The interest rate was decreased from 400 to 300 basis points above LIBOR. The agreement also provides for the return of escrow funds if there is no material storm activity as of November 2008.

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United Insurance

Schedule I - Summary of Investments

December 31, 2007
(dollars in thousands)

	Cost	Fair Value	Amount Reflected on Balance Sheet
Fixed Maturities - Available for Sale:			
U.S. government and agency obligations	\$ 66,813	\$ 68,904	\$ 68,904
Corporate securities	38,695	38,506	38,506
Total fixed maturities	105,508	107,410	107,410
Preferred stock	4,411	3,800	3,800
Common stock	1,371	1,272	1,272
Total equities	5,782	5,072	5,072
Short term investments	300	300	300
Other investments	1,000	1,000	1,000
Total investments	\$ 112,590	\$ 113,782	\$ 113,782

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United Insurance Holdings, LC and Subsidiaries

CONSOLIDATED BALANCE SHEETS

	March 31, 2008	December 31, 2007
	<i>(Dollars in thousands)</i>	
	<i>(unaudited)</i>	<i>(audited)</i>
ASSETS		
Investments at fair value:		
Fixed maturities	\$ 107,394	\$ 107,410
Equity securities	4,632	5,072
Other investments	10,300	1,300
Total investments	122,326	113,782
Cash and cash equivalents	48,296	56,852
Premiums receivable, net	9,996	9,966
Reinsurance recoverable, net	16,183	16,816
Prepaid reinsurance premiums	12,819	26,345
Deferred policy acquisition costs	6,946	7,547
Property and equipment, net	100	108
Deferred income taxes asset, net	4,034	4,733
Prepaid expenses and other assets	8,088	6,277
Total assets	\$ 228,788	\$ 242,426
LIABILITIES AND MEMBERS' EQUITY		
Unpaid losses and loss adjustment expenses	\$ 32,127	\$ 36,005
Unearned premiums	66,618	73,051
Reinsurance payable	—	10,852
Accrued distribution payable	11,130	9,227
Advance premium	3,145	2,396
Accounts payable and accrued expenses	12,886	13,858
Shares subject to mandatory redemption	2,564	2,564
Federal and state income tax payable	2,131	2,303
Other liabilities	2,642	2,238
Long-term debt	41,083	43,833
Total liabilities	174,326	196,327
Commitments and contingencies		
Members' equity:		
Members' certificates of interest	7,527	7,464
Retained earnings	44,521	37,891
Accumulated other comprehensive income	2,414	744
Total members' equity	54,462	46,099
Total liabilities and members' equity	\$ 228,788	\$ 242,426

See accompanying notes to consolidated financial statements.

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United Insurance Holdings, LC and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three months ended March 31,	
	2008	2007
	<i>(Dollars in thousands)</i>	
	<i>(unaudited)</i>	
Revenue:		
Gross premiums written	\$ 29,090	\$ 37,417
Gross premiums ceded	(1,362)	(491)
Net premiums written	27,728	36,926
Increase in net unearned premiums	(7,093)	(17,392)
Net premiums earned	20,635	19,534
Net investment income	1,633	1,771
Net realized investment losses	(157)	(7)
Commissions and fees	647	660
Policy assumption bonus	2,912	6,748
Other income	780	814
Total revenue	26,450	29,520
Expenses:		
Losses and loss adjustment expenses	7,131	7,025
Policy acquisition costs	4,318	3,989
Operating and underwriting expenses	1,442	1,389
General and administrative expenses	1,337	666
Salary and wages	808	743
Interest	865	3,243
Total expenses	15,901	17,055
Income from operations	10,549	12,465
Provision for income tax	2,016	2,709
Net income	\$ 8,533	\$ 9,756

See accompanying notes to consolidated financial statements.

United Insurance Holdings, LC and Subsidiaries

CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY AND COMPREHENSIVE INCOME

	Comprehensive Income	Members' Certificates of Interest	Retained Earnings	Accumulated Other Comprehensive Income	Total
	<i>(Dollars in thousands)</i> <i>(unaudited)</i>				
Balance as of December 31, 2007	\$	7,464	\$	37,891	\$ 744 \$ 46,099
Net Income	8,533	-	8,533	-	8,533
Increase in certificates of interest	-	63	-	-	63
Net unrealized change in investments, net of tax effect of \$1,009	1,670	-	-	1,670	1,670
Distributions	-	-	(1,903)	-	(1,903)
Comprehensive income	\$ 10,203				
Balance as of March 31, 2008	\$	7,527	\$	44,521	\$ 2,414 \$ 54,462

See accompanying notes to consolidated financial statements.

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United Insurance Holdings, LC and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOW

	Three Months Ended March 31,			
	2008		2007	
	(Dollars in thousands)			
	(unaudited)			
Cash flow provided by operating activities:				
Net income	\$	8,533	\$	9,756
Adjustments to reconcile net income to net cash provided				
Depreciation and amortization		168		868
Realized loss		157		7
Provision for uncollectible premiums		—		163
Deferred income taxes, net		(310)		(1,799)
Changes in operating assets and liabilities:				
Premiums receivable		(29)		(1,420)
Reinsurance recoverable		633		10,203
Prepaid reinsurance premiums		13,526		17,324
Deferred acquisition costs		602		271
Income taxes, net		(172)		4,508
Other assets		(679)		(1,868)
Reserve for loss and LAE		(3,878)		(8,127)
Unearned premiums		(6,433)		68
Reinsurance payable		(10,852)		(12,894)
Premium deposits		750		1,758
Accounts payable and accrued expenses		(971)		(2,780)
Other liabilities		270		(236)
Net cash provided by operating activities		1,315		15,802
Cash flow provided by (used in) investing activities:				
Proceeds from sales of investments available for sale		3,287		14,300
Purchases of investments available for sale		(10,468)		(10,489)
Cost of property and equipment acquired		(3)		(5)
Net cash provided by (used in) investing activities		(7,184)		3,806
Cash flow used in financing activities:				
Proceeds from borrowings		—		33,000
Repayments of borrowings		(2,750)		(31,754)
Contributions by owners		63		501
Distributions to owners		—		(18,281)
Net cash used in financing activities		(2,687)		(16,534)
Increase (decrease) in cash		(8,556)		3,074
Cash and cash equivalents at beginning of period		56,852		46,248
Cash and cash equivalents at end of period	\$	48,296	\$	49,322
Supplemental Cash Flow Information:				
Cash paid during the period for:				
Interest	\$	900	\$	3,243
Income taxes paid		1,860		-

See accompanying notes to consolidated financial statements.

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United Insurance Holdings, LC and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)
(Dollars in thousands)

(1) ORGANIZATION AND BUSINESS

United Insurance Holdings, LC (“UIH”, “the Company”, “we”) is a Florida-domiciled, limited liability company formed in 1999. The Company and its three wholly-owned subsidiaries are engaged in the property and casualty insurance business in the State of Florida. The Company’s subsidiaries include United Property & Casualty Insurance Company (“UPCIC”), a property and casualty stock insurance company; United Insurance Management, LC (“UIM”), (the Managing General Agent (“MGA”) for UPCIC, that functions as the manager for the insurance subsidiary’s business), and Skyway Claims Services LC (“Skyway”), which provides claims adjusting services to UPCIC. We operate under one business segment.

Since its formation, UPCIC, a licensed Florida insurer, has actively written homeowners’ and dwelling fire business throughout the State of Florida. UPCIC writes business through its vast, independent agency force and writes business through an alliance with Allstate Insurance Company. In 1999, 2004 and 2005, UPCIC assumed policies from Citizens and these assumed policies comprise approximately 30% of UPCIC premium. UPCIC also writes flood coverage and a smaller commercial auto line of business (“Garage”). The Company, through UIM, manages substantially all aspects of the insurance operations that would include underwriting, policy administration, collections and disbursements, accounting and claims processes. UIM contracts with a third-party administrator (“TPA”) to manage many aspects of policy processing including billing and policy maintenance.

Basis of Presentation

The accompanying consolidated interim financial statements are unaudited and are prepared in accordance with the instructions for Form 10-Q and Article 10 of Regulation S-X. In compliance with those instructions, certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) in the United States of America have been condensed or omitted.

Results of operations and cash flows for the interim periods are not necessarily indicative of the results that may be expected for the entire year or any other future period as a result of the presentation described above.

All significant intercompany transactions and accounts have been eliminated.

In the opinion of management, these consolidated interim financial statements include all the normal recurring adjustments necessary to fairly present the Company’s consolidated results of operations, financial position and cash flows as of March 31, 2008, and for all periods presented. These consolidated financial statements and footnotes should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2007 within this Form S-4/A.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES

(a) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported

amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Similar to other property and casualty insurers, our liability for unpaid losses and loss adjustment expense ("LAE"), although supported by actuarial valuations and other data, is ultimately based on management's reasoned expectations of future events. Although considerable variability is inherent in these estimates, we believe that this liability is reasonable. Estimates are reviewed regularly and adjusted as necessary. Any adjustments are reflected in current operations. It is reasonably possible that the expectations associated with these accounts could change in the near term and that the effect of such changes could be material to the consolidated financial statements. Various assumptions and other factors underlie the determination of these significant estimates, which are described in greater detail in Note 2 of the Company's audited financial statements for the fiscal year ended December 31, 2007 included within this Form S-4/A.

(b) PREMIUM REVENUE AND PREMIUMS RECEIVABLE

Premiums are recorded as earned on a daily pro rata basis over the contract period of the related policies that are in force. The portion of premiums not earned at the end of the quarter is recorded as unearned premiums.

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United Insurance Holdings, LC and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)
(Dollars in thousands)

Premiums receivable includes amounts due from UPCIC's insureds for billed premiums. UPCIC performs a policy-level evaluation to determine the extent the premiums receivable balance exceeds the unearned premiums balance. This exposure is then aged to establish an allowance for credit losses based upon prior experience. Recoveries paid on amounts previously charged off are credited to bad debt expense in the period received. As of March 31, 2008 and December 31, 2007, the Company had recorded an allowance for credit losses of \$152 and \$160, respectively.

(c) STOCK OPTION PLANS

At March 31, 2008 and December 31, 2007, the Company did not have a stock-based employee compensation plan; however, from time to time, the Company's Board has granted membership units to key personnel. In March 2008, the Company's Board decided to discontinue any future grants, and there were no grants issued to key personnel at March 31, 2008, or at December 31, 2007.

(d) OPERATIONAL RISKS

The following is a description of the most significant risks facing us and how we mitigate those risks:

(I) **LEGAL/REGULATORY RISKS**—the risk that changes in the regulatory environment in which an insurer operates will create additional expenses not anticipated by the insurer in pricing its products. That is, regulatory initiatives designed to reduce insurer profits, restrict underwriting practices and risk classifications, mandate rate reductions and refunds, and new legal theories or insurance company insolvencies through guaranty fund assessments may create costs for the insurer beyond those recorded in the financial statements. We attempt to mitigate this risk by monitoring proposed regulatory legislation and by assessing the impact of new laws. As we write business only in the State of Florida, we are more exposed to this risk than more geographically-balanced companies.

As of March 31, 2008 and December 31, 2007, the Company and its subsidiaries were in compliance with all regulatory requirements.

(II) **CREDIT RISK**—the risk that financial instruments, which potentially subject the Company to concentrations of credit risk, may decline in value or default, or the risk that reinsurers to which business is ceded and from which receivables are recorded on the balance sheet may not pay. The Company minimizes this risk by adhering to a conservative investment strategy and entering into reinsurance agreements with financially sound reinsurers. The Company maintains deposits, in excess of the federally insured limits ("FDIC"). SFAS 105 identifies this situation as a concentration of credit risk requiring disclosure, regardless of the degree of risk. At March 31, 2008 and December 31, 2007, cash at one financial institution exceeded the \$100 FDIC coverage by \$35,242 and \$56,752, respectively. This risk is managed by maintaining all deposits in high quality financial institutions.

(III) **INTEREST RATE RISK**—the risk that interest rates will change and cause a decrease in the value of an insurer's investments. To the extent that liabilities come due more quickly than assets mature, an insurer might have to sell assets prior to maturity and potentially recognize a gain or a loss. This risk is managed by the monitoring of the investment portfolio by management, the investment committee and the Company's outside investment manager.

(IV) **CATASTROPHIC EVENT RISK**—the risk associated with writing insurance policies covering losses that result from catastrophes, including hurricanes, tropical storms, tornadoes or other weather-related events. We mitigate

our risk of catastrophic events through the use of reinsurance, forecast-modeling techniques and the monitoring of concentrations of risk, all designed to protect the statutory surplus of the insurance company.

(e) RECLASSIFICATIONS

Certain amounts in 2007 financial statements have been reclassified to conform to the 2008 presentation.

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United Insurance Holdings, LC and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)
(Dollars in thousands)

(e) RECENT ACCOUNTING PRONOUNCEMENTS

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements", which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The provisions of SFAS No. 157 are effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB issued FASB Staff Position No. 157-2 "Effective Date of FASB Statement No. 157", which permits the deferral of the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company plans to utilize the deferral for non-financial assets and liabilities. The standard describes three levels of inputs that may be used to measure fair value. Level 1 is defined as quoted prices in active markets for identical assets or liabilities. Level 2 is defined as observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 3 is defined as unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. All of the Company's investments are valued at fair market value using Level 1 and Level 2 inputs. Based upon the Company's current use of fair value measurements, the adoption of SFAS No. 157 did not have a material effect on the Company's results of operation or financial position.

In February 2007, the FASB issued SFAS No. 159 "*The Fair Value Option for Financial Assets and Financial Liabilities— Including an Amendment of SFAS No. 115*" ("SFAS No. 159"), which permits an entity to measure many financial assets and financial liabilities at fair value that are not currently required to be measured at fair value. Entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with a few exceptions. SFAS No. 159 amends previous guidance to extend the use of the fair value option to available-for-sale and held-to-maturity securities. SFAS No. 159 became effective for the Company on January 1, 2008. The adoption of SFAS No. 159 had no material impact on our financial position or results of operations as the Company did not elect to measure any financial instruments or other items at fair value that are not currently required to be measured at fair value.

In March 2008, the FASB issued SFAS No. 161, "Disclosures About Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" ("SFAS No. 161"). SFAS No. 161 will require a more detailed discussion of how an entity uses derivative instruments and hedging activities and how such derivative instruments and related hedged items affect the entity's financial position, financial performance and cash flows. Among other things, the expanded disclosures will also require presentation of the fair values of derivative instruments and their gains and losses in tabular format and enhanced liquidity disclosures, including discussion of credit-risk-related derivative features. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. The Company has determined that the adoption of SFAS No. 161 will have no impact on the financial statements.

(3) POLICY ASSUMPTION BONUS AGREEMENTS

As part of a policy assumption (or "takeout") agreement with Citizens that ended in 2006, UPCIC receives takeout bonuses from Citizens for policies assumed from multiple assumptions. The bonuses were calculated at 17.5% of the written premium originally assumed, net of adjustments related to policies that were not renewed or retained by the Company. The bonus money due to UPCIC is on deposit with an escrow agent, as specified by the terms of the takeout agreement. To receive the bonus, UPCIC is required to offer to renew the assumed policies for a period of

three years at UPCIC's approved rates and on substantially similar terms. Approximately three years after the assumption date, the escrow agent distributes the bonus funds, with the related investment income thereon, to UPCIC. During the three months ended March 31, 2008 and 2007, UPCIC recognized takeout bonus of \$2,912 and \$6,748, respectively which included \$373 and \$642 of investment income, respectively from the 2004 and 2005 takeout periods.

(4) REINSURANCE

We follow industry practice of reinsuring a portion of our risks and paying for that protection based primarily upon modeled projected maximum losses and total insured values of all policies in effect and subject to such reinsurance. Reinsurance involves an insurance company transferring, or "ceding", all or a portion of its exposure on insurance underwritten by it to another insurer, known as a reinsurer. The ceding of insurance does not legally discharge the insurer from its primary liability for the full amount of the policies. To the extent that reinsurers are unable to meet the obligations they assume under these reinsurance agreements, the ceding company remains liable for the insured loss.

Reinsurance agreements provide UPCIC with increased capacity to write more and larger risks and maintain its exposure to loss within its capital resources. Our reinsurance agreements are designed to coincide with the seasonality of Florida's hurricane season.

There were no material changes to the reinsurance program during the three months ended March 31, 2008.

For the three months ended March 31, 2008 and 2007, there were no ceded premiums under the private excess of loss contracts or the FHCF excess of loss contract. For the three months ended March 31, 2008 and 2007, premiums of \$1,251 and \$898 were ceded for the federal flood policies, respectively.

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United Insurance Holdings, LC and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)
(Dollars in thousands)

UPCIC also participated in a quota share program on our Garage line of business. There were no material changes to the garage reinsurance program during the three months ended March 31, 2008. UPCIC recorded the commission at the minimum for the three months ended March 31, 2008 and 2007. For the three months ended March 31, 2008 and 2007, premiums of \$603 and \$667 were ceded under the quota share Garage program agreement, respectively.

(5) LONG-TERM DEBT

Long-term debt consists of the following:

	March 31, 2008 (unaudited)	As of December 31, 2007 (audited)
Unsecured note payable to the Florida State Board of Administration ("FSBA") by UPCIC. The term of the note is 20 years with quarterly payments to begin October 1, 2006. Interest only payments are required for the first three years. The interest rate shall be determined two business days prior to the payment date in order to set the rate for the following quarter. (8.61% and 4.58% at March 31, 2008 and December 31, 2007, respectively). Any payment of interest or repayment of principal is subject to approval by the Office and may be paid only out of UPCIC's earnings and only if UPCIC's surplus exceeds specified levels required by the Office.	\$ 20,000	\$ 20,000
Secured note payable to CB&T in 36 consecutive monthly installments through February 20, 2010, including interest of 300 basis points above the 30 day LIBOR at March 31, 2008 and 400 basis points above LIBOR at December 31, 2007. Interest rate at March 31, 2008 and December 31, 2007 was 5.6% and 9.8%, respectively.	21,083	23,833
	\$ 41,083	\$ 43,833

On September 10, 2006, the Company entered into a loan agreement ("York Note") with York Capital ("York") in the amount of \$20,000. In connection with the financing transaction, York received a 4.75% equity ownership interest ("Ownership") and entered a Put Agreement ("Put") with the Company. The Put provides York with an option to sell its entire interest back to UIH at any time (i) between September 15, 2009 and September 15, 2010, and (ii) between September 15, 2011 and September 15, 2012 ("Exercise Period") at a purchase price of two times the consolidated book value of the Company at the end of the fiscal quarter immediately preceding the put date and has no floor or ceiling as to the amount to be paid.

The Company valued this Ownership at \$715 at December 31, 2006. In accordance with SFAS No. 150, the recorded value of the Ownership will remain unchanged and any revaluation would apply to only the Put. The Company valued the related redeemable Put at March 31, 2008 and December 31, 2007 at \$2,564. The Company initially valued the Put by discounting the rights of two times the book value at December 31, 2006 by the average required return on equity as calculated by a capital asset pricing model driven formula utilizing historic geometric and arithmetic mean returns

and a management-selected beta appropriate for a privately-held company. The Put was revalued at December 31, 2007 utilizing this same methodology. At March 31, 2008 and December 31, 2007, the Put was discounted from 4.75% of two times the consolidated book value, or \$4,536 that represented the amount that would have been due if the put was exercisable at each period end. For the three months ended March 31, 2007, the Company had original issue discount expense related to the York Note of \$680.

On March 13, 2008 we entered into an amendment to the Columbus Bank & Trust ("CB&T") loan agreement that eliminated the "excess cash flow" provision of the loan. In addition, the minimum balance in the investment accounts at CB&T was increased from \$10,000 to \$13,000 with no future payments into escrow accounts required. The interest rate was decreased from 400 to 300 basis points above the 30 day LIBOR. The agreement also provides for the potential return of up to \$3,000 of escrow funds if there is no material storm activity as of November 2008. See Note 7 for discussion of other related party transactions with CB&T and Note 10 for a subsequent event related to this loan.

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United Insurance Holdings, LC and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)
(Dollars in thousands)

The Company's loan agreements contain certain covenants including the maintenance of minimum specified financial ratios and balances. We were in compliance with the terms of the CB&T covenants at March 31, 2008. An event of default will occur under the FSBA note if UPCIC: (i) defaults in the payment of the surplus note; (ii) fails to meet at least 2:1 ratio of net premium to surplus ("Minimum Writing Ratio") by December 31, 2007; (iii) fails to submit quarterly filings to the OIR; (iv) fails to maintain at least \$50,000 of surplus during the term of the note, except for certain situations; (v) misuses proceeds of the note; (vi) makes any misrepresentations in the application for the program; or (vii) pays any dividend when principal or interest payments are past due under the note. As of March 31, 2008, UPCIC was in compliance with each of the aforementioned loan covenants except for the writing ratio covenant.

If UPCIC fails to increase its writing ratio for two consecutive quarters prior to December 31, 2007, fails to obtain the 2:1 Minimum Writing Ratio by December 31, 2007, or drops below the 2:1 Minimum Writing Ratio once it is obtained for two consecutive quarters, the interest rate on the surplus note will increase during such deficiency by 25 basis points if the resulting writing ratio is between 1.5:1 and 2:1 and the interest rate will increase by 450 basis points if the writing ratio is below 1.5:1. Since the writing ratio at March 31, 2008 and December 31, 2007 was 1.1:1 and 1.4:1 as calculated by the SBA, respectively, which are below 1.5:1, UPCIC's interest rate in the first quarter of 2008 increased by 450 basis points. UPCIC's interest rate for the second quarter will be 450 basis points above the stated rate because its writing ratio was below 1.5:1 at the end of March 2008. The stated rate used by the FSBA is the 10-year Constant Treasury rate which was 4.11% and 4.58% at March 31, 2008, and December 31, 2007, respectively. In addition, if UPCIC remains in default, the FSBA may at its sole discretion due to the writing deficiency increase the interest rate to 25%, which is the maximum interest rate permitted by law, accelerate the repayment of principal and interest, shorten the term of the note, or call the note and demand full repayment.

(6) COMMITMENTS AND CONTINGENCIES

Our company and its subsidiaries are exposed to certain commitments and contingencies as a result of the nature of our business. They can be summarized as being either assessment related, insured claim activity, and other matters generally arising in the normal course of the insurance business.

We operate in a regulatory environment where certain entities and organizations have the authority to require us to participate in assessments. Currently these entities and organizations include, but are not limited to FIGA, Citizens, and FHCF. During February 2008, Florida's House Insurance Committee held a workshop on a proposal and legislation developed by the Florida Department of Financial Services regarding a significant reduction of capacity in the FHCF, substantially increasing members' co-insurance participation and the reorganization of the FHCF under the Florida Cabinet. However, there have been no changes in the Company's co-insurance participation that occurred in the first quarter of 2008 that would impact the Company. Additionally, the Board of Directors of FIGA held separate meetings to discuss their continued financial challenges in connection with the insolvency of a particular insurance company assumed subsequent to the 2005-2006 hurricane season. Because of the Company's participation in assigned risk plans, it may be exposed to losses that surpass the capitalization of these facilities and/or to additional assessments from these facilities. In addition, while there is availability for recoupments from organizations or premium rate increases, they may not offset each other in financial statements for the same fiscal period.

We are involved in claims and legal actions arising in the ordinary course of business. Revisions to our estimates are based on our analysis of subsequent information that we receive regarding various factors, including: (i) per claim information; (ii) company and industry historical loss experience; (iii) legislative enactments, judicial decisions, legal

developments in the awarding of damages, and (iv) trends in general economic conditions, including the effects of inflation. Management revises its estimates based on the results of its analysis. This process assumes that past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for estimating the ultimate settlement of all claims. There is no precise method for subsequently evaluating the impact of any specific factor on the adequacy of the reserves, because the eventual redundancy or deficiency is affected by multiple factors. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on our consolidated financial position, results of operations, or liquidity.

The company is also subject to changing social, economic, and regulatory conditions. Regulatory authorities as well as legislative bodies in the State of Florida seek to influence and restrict premium rates, require premium refunds to policyholders, restrict the ability of insurers to cancel or non-renew policies, require insurers to continue to write new policies or limit their ability to write new policies. They can also limit insurers' ability to change coverage terms or impose underwriting standards or impose additional regulations regarding agent and broker compensation. All of these items result in an expansion of the overall regulation of insurance products and the insurance industry. The ultimate changes and effects on the Company's business, if any, are uncertain. However, based upon information currently known to management, the effect of regulation is not considered to have a material adverse effect on our consolidated financial statements.

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United Insurance Holdings, LC and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)
(Dollars in thousands)

(7) RELATED PARTY TRANSACTIONS

The Company paid board fees and commissions for premiums produced during the first quarter of 2008 and 2007 to Alpha Insurance, Comegy's Insurance Corner and San of Tampa Bay (insurance agencies owned by one of its directors) totaling \$1,988 and \$2,442, respectively. The commissions paid were determined in accordance with industry rates.

The Company places private reinsurance through Ballantyne, McKean and Sullivan, Ltd., a broker that employs a director of the Company. The reinsurers pay commissions to the broker determined in accordance with industry rates.

The Company has entered into an Investment Management agreement with Synovus Trust Company, N.A. ("Synovus"), whereby Synovus provides discretionary investment management services for the investment accounts of the Company's subsidiaries. The agreement was effective October 8, 2003, and remains in effect until terminated by either party. Synovus Financial Corporation, Synovus' parent, owned 17.2% of the Company at March 31, 2008 and December 31, 2007, respectively. The Company's subsidiaries incurred combined fees under the agreement of \$52 and \$12 for the three months ended March 31, 2008 and 2007, respectively.

During 2008 and 2007, the Company held various secured loan agreements with CB&T. CB&T is a subsidiary of Synovus Financial Corporation. The amount outstanding on the note payable executed in February 2007 was \$21,083 and \$23,833 as of March 31, 2008 and December 31, 2007, respectively. Total interest paid to CB&T totaled \$430 and \$820 for the three month period ended March 31, 2008 and 2007, respectively. The balance in the investment account at CB&T was \$13,055 at March 31, 2008. The interest rates charged and earned were determined in accordance with industry rates. See Note 10 for a subsequent event related to this escrow account.

On March 26, 2008, the Board agreed to forgive certain note receivable from officers in the amount of \$100.

(8) COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) includes unrealized gains and losses; net of the related income tax effect, on debt and equity securities classified as available-for-sale, and is included as a component of members' equity.

	Three Months Ended	
	2008	2007
Unrealized holdings gains or losses arising during year	2,679	336
Tax effect	(1,009)	(215)
Net unrealized change in investments, net of tax effect	1,670	121

(9) DIVIDENDS AND DISTRIBUTIONS

The Company is a legal entity separate and distinct from its subsidiaries. As a holding company, the primary sources of cash needed to meet its obligations are distributions, dividends, and other permitted payments from its subsidiaries. While there are no restrictions on distributions from the Company, dividends from UPCIC have certain restrictions.

In accordance with the UIH Members Agreement, the Company provides cash distributions to each member on an annual basis in order for each member to pay federal income taxes which may be owed by members due to the taxable income attributable to them as members of the Company. Distributions declared in the three months ended March 31, 2008 and 2007 were \$2,000 and zero, respectively. The distribution of \$2,000 was made to members in April 2008, as allowed under the FMG merger agreement dated April 2, 2008.

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United Insurance Holdings, LC and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)
(Dollars in thousands)

(10) SUBSEQUENT EVENTS

On April 2, 2008, we executed a Merger Agreement with FMG Acquisition Corporation ("FMG"). Pursuant to the Merger Agreement, FMG agreed to purchase all of the outstanding membership interests of the Company and we agreed to merge with United Subsidiary in a transaction whereby the Company would be the surviving entity and a wholly-owned subsidiary of FMG.

On May 27, 2008, we entered into a modification agreement to the CB&T agreement which allowed us to utilize the \$13,000 that was then currently held in escrow as a principal reduction to the term loan. The modification also eliminated the requirement to have any funds held in escrow.

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Preliminary Copy

**FMG ACQUISITION CORP.
THIS PROXY IS BEING SOLICITED ON BEHALF OF OUR BOARD OF DIRECTORS**

The undersigned hereby appoints Gordon G. Pratt and Larry G. Swets, Jr., together as proxies and each with full power of substitution, to represent and to vote all shares of common stock of FMG Acquisition Corp. at the special meeting of stockholders of FMG Acquisition Corp. to be held on [], at 10:00 a.m. Eastern Time, and at any adjournment or postponement thereof, hereby revoking any and all proxies heretofore given.

1. *Proposal 1:* to approve the Merger Proposal—the proposed acquisition of all of the issued membership units of United Insurance Holdings, LC, a Florida limited liability company, by FMG Acquisition Corp., a Delaware corporation (the “Acquisition”), pursuant to the Merger Agreement dated as of April 2, 2008, and the transactions contemplated thereby (“Proposal 1” or the “Merger Proposal”).

☐ FOR ☐ AGAINST ☐ ABSTAIN

If you voted “AGAINST” the Merger Proposal and you hold shares of FMG Acquisition Corp. common stock issued as part of the units issued in FMG Acquisition Corp.’s IPO, you may exercise your conversion rights and demand that FMG Acquisition Corp. convert your shares of common stock for a pro rata portion of the trust account by marking the “Exercise Conversion Rights” box below. If you exercise your conversion rights, then you will be exchanging your shares of FMG Acquisition Corp. common stock for cash and will no longer own these shares. You will only be entitled to receive cash for these shares if you affirmatively vote against the Merger Proposal and tender your stock certificate to FMG Acquisition Corp. at or prior to the Special Meeting and the Merger Proposal is approved and consummated. Failure to (a) vote against the Merger Proposal, (b) check the following box, (c) submit this proxy in a timely manner and (d) tender your stock certificates to FMG Acquisition Corp. at or prior to the Special Meeting will result in the loss of your conversion rights.

☐ EXERCISE CONVERSION RIGHTS

2. *Proposal 2:* the First Amendment Proposal—the amendment to FMG Acquisition Corp.’s amended and restated certificate of incorporation, to remove certain provisions containing procedural and approval requirements applicable to FMG Acquisition Corp. prior to the consummation of the business combination that will no longer be operative after the consummation of the Merger since they are specific to blank check companies (“Proposal 2” or the “First Amendment Proposal”).

☐ FOR ☐ AGAINST ☐ ABSTAIN

3. *Proposal 3:* the Second Amendment Proposal—the amendment to FMG Acquisition Corp.’s amended and restated certificate of incorporation, to increase the amount of authorized shares of common stock from 20,000,000 to 50,000,000 (“Proposal 3” or the “Second Amendment Proposal”).

☐ FOR ☐ AGAINST ☐ ABSTAIN

4. *Proposal 4:* the Third Amendment Proposal—to change the name of FMG Acquisition Corp. to United Insurance Holdings Corp. (“Proposal 4” or the “Third Amendment Proposal”).

☐ FOR ☐ AGAINST ☐ ABSTAIN

5. *Proposal 5* : to elect as directors the three persons listed as nominees below (“Proposal 5” or the “Director Proposal”):

Nominees for Directors Whose terms Will Expire in 2010

Gregory C. Branch, Alec L. Poitevint, II and Kent G. Whittemore

INSTRUCTION: To withhold authority to vote for any individual nominee, mark “For All Except” and write that nominee’s name in the space provided below.

☐ FOR

☐ AGAINST

☐ ABSTAIN

☐ FOR ALL EXCEPT

6. *Proposal 6:* to approve the Adjournment Proposal—to adjourn the special meeting to a later date or dates, if necessary, to permit further solicitation and vote of proxies in the event that, based upon the tabulated vote at the time of the special meeting, FMG Acquisition Corp. would not have been authorized to consummate the Merger (“Proposal 6” or the “Adjournment Proposal”).

☐ FOR ☐ AGAINST ☐ ABSTAIN

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This proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this proxy will be voted “**FOR**” Proposals 1, 2, 3, 4, 5 AND 6.

Our Board of Directors believes that the Merger Proposal, the First Amendment Proposal, the Second Amendment Proposal, the Third Amendment Proposal, the Director Proposal and the Adjournment Proposal are fair to, and in the best interests of, all of our stockholders, including those who acquired shares in our IPO. Accordingly, our Board of Directors unanimously recommends that you vote “FOR” Proposal 1, the Merger Proposal; “FOR” Proposal 2, the First Amendment Proposal; “FOR” Proposal 3, the Second Amendment Proposal; “FOR” Proposal 4, the Third Amendment Proposal; “FOR” Proposal 5, the Director Proposal; and “FOR” Proposal 6, the Adjournment Proposal.

In their discretion, the proxies are authorized to vote upon such other matters as may properly come before the special meeting or any adjournments thereof. If you wish to vote in accordance with our Board of Directors’ recommendations, just sign below. You need not mark any boxes.

Dated , 2008

Signature of
Stockholder

Signature of Stockholder (if held jointly)

NOTES:

1. Please sign your name exactly as your name appears hereon. If the shares are owned by more than one person, all owners should sign. Persons signing as executors, administrators, trustees or in similar capacities should so indicate. If a corporation, please sign the full corporate name by the president or other authorized officer. If a partnership, please sign in the partnership name by an authorized person.

2. To be valid, the enclosed form of proxy for the special meeting, together with the power of attorney or other authority, if any, under which it is signed, must be received by [], Eastern Time, on [], 2008 at the offices of our transfer agent, Continental Stock Transfer & Trust Company, 17 Battery Place, New York, New York 10004.

3. Returning the enclosed form of proxy will not prevent you from attending and voting in person at the special meeting or any adjournment or postponement thereof.

**PLEASE COMPLETE, SIGN, DATE AND RETURN THIS PROXY CARD
PROMPTLY TO CONTINENTAL STOCK TRANSFER & TRUST COMPANY**

PART II

INFORMATION NOT REQUIRED IN THE PROSPECTUS

Item 20. Indemnification of Directors and Officers

Our amended and restated certificate of incorporation provides that all of our directors, officers, employees and agents will be entitled to be indemnified by us to the fullest extent permitted by Section 145 of the Delaware General Corporation Law.

Section 145 of the Delaware General Corporation Law concerning indemnification of officers, directors, employees and agents is set forth below.

“Section 145. Indemnification of officers, directors, employees and agents; insurance.

(a) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the corporation) by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust account or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with such action, suit or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the person's conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that the person's conduct was unlawful.

(b) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the corporation to procure a judgment in its favor by reason of the fact that the person is or was a director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust account or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by the person in connection with the defense or settlement of such action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

(c) To the extent that a present or former director or officer of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) of this section, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

(d) Any indemnification under subsections (a) and (b) of this section (unless ordered by a court) shall be made by the corporation only as authorized in the specific case upon a determination that indemnification of the present or former director, officer, employee or agent is proper in the circumstances because the person has met the applicable standard

of conduct set forth in subsections (a) and (b) of this section. Such determination shall be made, with respect to a person who is a director or officer at the time of such determination, (1) by a majority vote of the directors who are not parties to such action, suit or proceeding, even though less than a quorum, or (2) by a committee of such directors designated by majority vote of such directors, even though less than a quorum, or (3) if there are no such directors, or if such directors so direct, by independent legal counsel in a written opinion, or (4) by the stockholders.

(e) Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative or investigative action, suit or proceeding may be paid by the corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the corporation as authorized in this section. Such expenses (including attorneys' fees) incurred by former directors and officers or other employees and agents may be so paid upon such terms and conditions, if any, as the corporation deems appropriate.

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(f) The indemnification and advancement of expenses provided by, or granted pursuant to, the other subsections of this section shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

(g) A corporation shall have power to purchase and maintain insurance on behalf of any person who is or was director, officer, employee or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust account or other enterprise against any liability asserted against such person and incurred by such person in any such capacity, or arising out of such person's status as such, whether or not the corporation would have the power to indemnify such person against such liability under this section.

(h) For purposes of this section, references to "the corporation" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under this section with respect to the resulting or surviving corporation as such person would have with respect to such constituent corporation if its separate existence had continued.

(i) For purposes of this section, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on a person with respect to any employee benefit plan; and references to "serving at the request of the corporation" shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner such person reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner "not opposed to the best interests of the corporation" as referred to in this section.

(j) The indemnification and advancement of expenses provided by, or granted pursuant to, this section shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(k) The Court of Chancery is hereby vested with exclusive jurisdiction to hear and determine all actions for advancement of expenses or indemnification brought under this section or under any bylaw, agreement, vote of stockholders or disinterested directors, or otherwise. The Court of Chancery may summarily determine a corporation's obligation to advance expenses (including attorneys' fees)."

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers, and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment of expenses incurred or paid by a director, officer or controlling person in a successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, we will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to the court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

Paragraph B of Article Eighth of our amended and restated certificate of incorporation provides:

“The Corporation, to the full extent permitted by Section 145 of the GCL, as amended from time to time, shall indemnify all persons whom it may indemnify pursuant thereto. Expenses (including attorneys’ fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit or proceeding for which such officer or director may be entitled to indemnification hereunder shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized hereby.”

Pursuant to the Underwriting Agreement filed as Exhibit 1.1 to our Registration Statement, we have agreed to indemnify the underwriters, and the underwriters have agreed to indemnify us, against certain civil liabilities that may be incurred in connection with this offering, including certain liabilities under the Securities Act.

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Item 21. Exhibits and Financial Statement Schedules

(a)

Exhibit No.	Description
1.1	Agreement and Plan of Merger dated April 2, 2008, by and among FMG Acquisition Corp., United Insurance Holdings, L.C. and United Subsidiary Corp. ***
3.1	Form of Second Amended and Restated Certificate of Incorporation. ***
3.2	Bylaws. **
5.1	Opinion of Ellenoff Grossman & Schole LLP.
10.1	Form of Investment Management Trust Account Agreement between Continental Stock Transfer & Trust Company and the Registrant. *
10.2	Form of Securities Escrow Agreement among the Registrant, Continental Stock Transfer & Trust Company, and the Initial Stockholders. *
10.3	Form of Registration Rights Agreement among the Registrant and Initial Stockholders. *
10.4	Form of Letter Agreement by and between the Registrant and Gordon G. Pratt. **
10.5	Form of Letter Agreement by and between the Registrant and Larry G. Swets, Jr. **
10.6	Form of Letter Agreement by and between the Registrant and FMG Investors LLC. **
10.7	Form of Letter Agreement by and between the Registrant and Thomas D. Sargent. **
10.8	Form of Letter Agreement by and between the Registrant and David E. Sturgess. **
10.9	Form of Letter Agreement by and between the Registrant and James R. Zuhlke. **
10.10	Form of Letter Agreement by and between the Registrant and John Petry. **
10.11	Administrative Services Agreement between the Registrant and Fund Management Group LLC. **
10.12	Subscription Agreement between the Registrant and the Sponsor. **
10.13	Promissory Note, dated May 22, 2007, issued to FMG Investors LLC in the amount of \$100,000**
10.14	Subordinated Revolving Line of Credit Agreement by and between FMG Acquisition Corp. and FMG Investors LLC in the amount of \$250,000.*
10.15	PLA Assumption Agreement, dated December 3, 2003, by and between United Property and Casualty Insurance Company and Citizens Property Insurance Corporation.
10.16	Policy Administration Agreement, as amended, between United Property and Casualty Insurance Company and West Point Underwriters , dated March 1, 2002 .
10.17	Lease Agreement between ARC Group and United Insurance Holdings, L.C., dated December 31, 2002.
10.18	Investment Management Agreement between United Property and Casualty Insurance Company and Synovus Trust Company, dated October 8, 2003.
10.19	First Modification Agreement to Loan Agreement and Loan Agreement between United Insurance Holdings, L.C. and Columbus Bank and Trust Company, dated February 8, 2007.
10.20	Term Promissory Note between United Insurance Holdings, L.C. and Columbus Bank and Trust Company, dated February 8, 2007.
10.21	Pledge and Security Agreement between United Insurance Holdings, L.C. and Columbus Bank and Trust Company, dated February 8, 2007.
10.22	Security Agreement between United Insurance Holdings, L.C. and Columbus Bank and Trust Company, dated February 8, 2007.
10.23	Security Agreement between United Insurance Management, L.C. and Columbus Bank and Trust Company, dated February 8, 2007.
10.24	Policy Administration Agreement between United Property and Casualty Insurance Company and CSC , dated March 11, 2008.
10.25	Form of First Property Catastrophe Excess of Loss Reinsurance contract issued to United Property and Casualty Insurance Company.

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- 10.26 Form of Second Property Catastrophe Excess of Loss Reinsurance contract issued to United Property and Casualty Insurance Company.
- 10.27 Form of Third Property Catastrophe Excess of Loss Reinsurance contract issued to United Property and Casualty Insurance Company.
- 10.28 Form of Fourth Property Catastrophe Excess of Loss Reinsurance contract issued to United Property and Casualty Insurance Company.
- 10.29 Reimbursement Contract issued to United Property and Casualty Insurance Company by The State Board of Administration of the State of Florida (SBA) which administers the Florida Hurricane Catastrophe Fund (FHCF), dated June 1, 2007.
- 10.30 Catastrophe Excess of Loss Treaty issued to United Property and Casualty Insurance Company by Caymaanz Insurance Company, dated June 1, 2007.
- 10.31 Surplus Note between United Property and Casualty Insurance Company and the State Board of Administration of Florida (SBA) dated September 22, 2006.
- 10.32 Form of Interests and Liabilities Agreement to Contract of Reinsurance issued to United Property and Casualty Insurance Company.
- 10.33 Lease Agreement between United Insurance Management, LLC and Osprey S.P. Properties, LLC, dated June 3, 2008.
- 14 Code of Business Conduct and Ethics.**
- 23.1 Consent of Rothstein Kass.
- 23.2 Consent of Ellenoff Grossman & Schole LLP (included in Exhibit 5.1).
- 23.3 Consent of DeMeo, Young, McGrath, CPA.
- 23.4 Consent of Piper Jaffray & Co.
- 24.1 Power of Attorney (included on Signature Page)

* Previously filed on Form 8-K filed with the Securities and Exchange Commission on October 12, 2007

** Previously filed on Form S-1 filed with the Securities and Exchange Commission on June 4, 2007

*** Incorporated by reference to Annex A and B of the proxy statement filed as part of this Registration Statement

(b) Financial Statement Schedules

Schedule I - Summary of Investments - Other Than Investments in Related Parties as of December 31, 2007.

Schedules other than those listed above are omitted for the reason that they are not applicable, not required or included in the Consolidated Financial Statements and the related Notes to Consolidated Financial Statements of United Holdings, L.C. and its subsidiaries.

(c) The fairness opinion of Piper Jaffray & Co. is being furnished as Annex C to this joint proxy statement/prospectus.

Item 22. Undertakings

A. The Company hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than 20 percent change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, as amended, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) To file a post-effective amendment to the registration statement to include any financial statements required at the start of any delayed offering or throughout a continuous offering. Financial statements and information otherwise required by Section 10(a)(3) of the Act need not be furnished, provided, that the registrant includes in the prospectus, by means of a post-effective amendment, financial statements required pursuant to this paragraph (a)(4) and other information necessary to ensure that all other information in the prospectus is at least as current as the date of those financial statements. Notwithstanding the foregoing, with respect to registration statements on Form S-3, a post-effective amendment need not be filed to include financial statements and information required by Section 10(a)(3) of the Act or Rule 3-19 of this chapter if such financial statements and information are contained in periodic reports filed with or furnished to the Commission by the registrant pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934 that are incorporated by reference in the Form S-3.

(5) Each prospectus filed by the registrant pursuant to Rule 424(b)(3) shall be deemed to be part of this registration statement as of the date the filed prospectus was deemed part of and included in this registration statement.

(6) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of this registration statement for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in this registration statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the registration statement relating to the securities in the registration statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such effective date.

(7) For purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(8) The undersigned registrant hereby undertakes as follows: that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), the issuer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reoffering by persons who may be deemed underwriters, in addition to the information called for by the other Items of the applicable form.

(9) The registrant undertakes that every prospectus (i) that is filed pursuant to the paragraph immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Securities Act of 1933 and is used in connection with an offering of securities subject to Rule 415, will be filed as part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(10) The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(11) The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof

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(12) The undersigned registrant hereby undertakes to deliver or cause to be delivered with the prospectus, to each person to whom the prospectus is sent or given, the latest annual report, to security holders that is incorporated by reference in the prospectus and furnished pursuant to and meeting the requirements of Rule 14a-3 or Rule 14c-3 under the Securities Exchange Act of 1934; and, where interim financial information required to be presented by Article 3 of Regulation S-X is not set forth in the prospectus, to deliver, or cause to be delivered to each person to whom the prospectus is sent or given, the latest quarterly report that is specifically incorporated by reference in the prospectus to provide such interim financial information.

B. The Company hereby undertakes:

(1) that prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement, by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form.

(2) that every prospectus: (i) that is filed pursuant to paragraph (1) immediately preceding, or (ii) that purports to meet the requirements of Section 10(a)(3) of the Act and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

C. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such Director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

D. The undersigned registrant hereby undertakes (i) to respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11, or 13 of this Form, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means, and (ii) to arrange or provide for a facility in the United States for the purpose of responding to such requests. The undertaking in subparagraph (i) above includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request.

E. The undersigned registrant hereby undertakes to supply by means of a post-effective amendment all information concerning a transaction and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

SIGNATURES

Pursuant to the requirements of the Securities Act, the registrant has duly caused this Registration Statement on Form S-4 to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Farmington, State of Connecticut, on the 7th day of July, 2008.

FMG ACQUISITION CORP.

By: /s/ Gordon G. Pratt
Gordon G. Pratt
Chairman, Chief
Executive Officer and
President

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Name	Title	Date
/s/ Gordon G. Pratt Gordon G. Pratt,	Chairman, Chief Executive Officer and President (Principal Executive Officer)	July 7, 2008
/s/ Larry G. Swets, Jr. Larry G. Swets, Jr.,	Chief Financial Officer, Executive Vice President, Secretary, Treasurer, and Director (Principal Financial and Accounting Officer)	July 7, 2008
/s/ Thomas D. Sargent Thomas D. Sargent, by Gordon G. Pratt, attorney-in fact	Director	July 7, 2008
/s/ David E. Sturgess David E. Sturgess, by Gordon G. Pratt, attorney-in fact	Director	July 7, 2008
/s/ James R. Zuhlke James R. Zuhlke, by Gordon G. Pratt, attorney-in fact	Director	July 7, 2008

EXHIBIT INDEX

Exhibit No.	Description
1.1	Agreement and Plan of Merger dated April 2, 2008, by and among FMG Acquisition Corp., United Insurance Holdings, L.C. and United Subsidiary Corp. ***
3.1	Form of Second Amended and Restated Certificate of Incorporation. ***
3.2	Bylaws.**
5.1	Opinion of Ellenoff Grossman & Schole LLP.
10.1	Form of Investment Management Trust Account Agreement between Continental Stock Transfer & Trust Company and the Registrant. *
10.2	Form of Securities Escrow Agreement among the Registrant, Continental Stock Transfer & Trust Company, and the Initial Stockholders. *
10.3	Form of Registration Rights Agreement among the Registrant and Initial Stockholders. *
10.4	Form of Letter Agreement by and between the Registrant and Gordon G. Pratt. **
10.5	Form of Letter Agreement by and between the Registrant and Larry G. Swets, Jr. **
10.6	Form of Letter Agreement by and between the Registrant and FMG Investors LLC. **
10.7	Form of Letter Agreement by and between the Registrant and Thomas D. Sargent. **
10.8	Form of Letter Agreement by and between the Registrant and David E. Sturgess. **
10.9	Form of Letter Agreement by and between the Registrant and James R. Zuhlke. **
10.10	Form of Letter Agreement by and between the Registrant and John Petry. **
10.11	Administrative Services Agreement between the Registrant and Fund Management Group LLC. **
10.12	Subscription Agreement between the Registrant and the Sponsor.**
10.13	Promissory Note, dated May 22, 2007, issued to FMG Investors LLC in the amount of \$100,000**
10.14	Subordinated Revolving Line of Credit Agreement by and between FMG Acquisition Corp. and FMG Investors LLC in the amount of \$250,000.*
10.15	PLA Assumption Agreement, dated December 3, 2003, by and between United Property and Casualty Insurance Company and Citizens Property Insurance Corporation.
10.16	Policy Administration Agreement, as amended, between United Property and Casualty Insurance Company and West Point Underwriters , dated March 1, 2002 .
10.17	Lease Agreement between ARC Group and United Insurance Holdings, L.C., dated December 31, 2002.
10.18	Investment Management Agreement between United Property and Casualty Insurance Company and Synovus Trust Company, dated October 8, 2003.
10.19	First Modification Agreement to Loan Agreement and Loan Agreement between United Insurance Holdings, L.C. and Columbus Bank and Trust Company, dated February 8, 2007.
10.20	Term Promissory Note between United Insurance Holdings, L.C. and Columbus Bank and Trust Company, dated February 8, 2007.
10.21	Pledge and Security Agreement between United Insurance Holdings, L.C. and Columbus Bank and Trust Company, dated February 8, 2007.
10.22	Security Agreement between United Insurance Holdings, L.C. and Columbus Bank and Trust Company, dated February 8, 2007.
10.23	Security Agreement between United Insurance Management, L.C. and Columbus Bank and Trust Company, dated February 8, 2007.
10.24	Policy Administration Agreement between United Property and Casualty Insurance Company and CSC , dated March 11, 2008.
10.25	Form of First Property Catastrophe Excess of Loss Reinsurance contract issued to United Property and Casualty Insurance Company.
10.26	

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- Form of Second Property Catastrophe Excess of Loss Reinsurance contract issued to United Property and Casualty Insurance Company.
- 10.27 Form of Third Property Catastrophe Excess of Loss Reinsurance contract issued to United Property and Casualty Insurance Company.
- 10.28 Form of Fourth Property Catastrophe Excess of Loss Reinsurance contract issued to United Property and Casualty Insurance Company.
- 10.29 Reimbursement Contract issued to United Property and Casualty Insurance Company by The State Board of Administration of the State of Florida (SBA) which administers the Florida Hurricane Catastrophe Fund (FHCF), dated June 1, 2007.
- 10.30 Catastrophe Excess of Loss Treaty issued to United Property and Casualty Insurance Company by Caymaanz Insurance Company, dated June 1, 2007.
- 10.31 Surplus Note between United Property and Casualty Insurance Company and the State Board of Administration of Florida (SBA) dated September 22, 2006.
- 10.32 Form of Interests and Liabilities Agreement to Contract of Reinsurance issued to United Property and Casualty Insurance Company.
- 10.33 Lease Agreement between United Insurance Management, LLC and Osprey S.P. Properties, LLC, dated June 3, 2008.
- 14 Code of Business Conduct and Ethics.**
- 23.1 Consent of Rothstein Kass.
- 23.2 Consent of Ellenoff Grossman & Schole LLP (included in Exhibit 5.1).
- 23.3 Consent of DeMeo, Young, McGrath, CPA.
- 23.4 Consent of Piper Jaffray & Co.
- 24.1 Power of Attorney (included on Signature Page)

* Previously filed on Form 8-K filed with the Securities and Exchange Commission on October 12, 2007

** Previously filed on Form S-1 filed with the Securities and Exchange Commission on June 4, 2007

*** Incorporated by reference to Annex A and B of the proxy statement filed as part of this Registration Statement

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

FMG ACQUISITION CORP.,

UNITED SUBSIDIARY CORP.

AND

UNITED INSURANCE HOLDINGS LC

Dated as of April 2, 2008

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AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger (this “**Agreement**”) is made and entered into as of April 2, 2008 by and among United Insurance Holdings LC, a Florida limited liability company (the “**Company**”), FMG Acquisition Corp., a Delaware corporation (“**Parent**”), and United Subsidiary Corp., a Florida corporation and wholly owned subsidiary of Parent (“**Merger Sub**”). Parent, Merger Sub and the Company are sometimes referred to herein as a “**Party**” and collectively as the “**Parties**.”

WITNESSETH:

A. Parent, Company, and Merger Sub intend to effect the merger of Merger Sub with and into the Company (the “**Merger**”), with the Company continuing as the surviving entity in the Merger, as a result of which the entire issued and outstanding membership interest of the Company (the “**Membership Interest**”) will automatically be exchanged into the right to receive the Merger Consideration (as defined herein), without interest, upon the terms and subject to the conditions set forth in this Agreement and in accordance with the Florida Business Corporation Act (the “**FBCA**”) and the Florida Limited Liability Company Act (the “**Florida Act**”), each as amended.

B. The individuals constituting the board of managers or directors of the Company (each a “**Director**” and collectively the “**Board**”) and the members of the Board of Directors of each of Parent and Merger Sub have unanimously approved this Agreement and the Merger and each of them have determined that this Agreement, the Merger and the other transactions contemplated hereby are advisable and in the respective best interests of the Company, Parent and Merger Sub.

C. The Board has resolved to recommend that its members adopt this Agreement, and the Board of Directors of Parent has resolved to recommend that its stockholders adopt this Agreement.

NOW, THEREFORE, in consideration of the premises set forth above, which are incorporated in this Agreement as if fully set forth below, and the representations, warranties, covenants and agreements contained in this Agreement, and intending to be legally bound hereby, the Parties hereto agree as follows:

ARTICLE I

TERMS OF THE MERGER

1.1 The Merger.

Upon the terms and subject to the conditions of this Agreement and in accordance with the Florida Act and the FBCA, at the Effective Time, Merger Sub shall be merged with and into the Company. Upon consummation of the Merger, the separate existence of Merger Sub shall thereupon cease, and the Company, as the surviving company in the Merger (the “**Surviving Company**”), shall continue its limited liability company existence under the laws of the State of Florida as a wholly owned subsidiary of Parent. It is not intended that the Merger shall be a tax free purchase and sale of the Membership Interest for federal, state and local Tax purposes.

1.2 The Closing; Effective Time; Effect.

(a) Unless this Agreement shall have been terminated and the transactions contemplated hereby shall have been abandoned pursuant to Section 7.1 and subject to the satisfaction or waiver of the conditions set forth in Article VI hereof, the closing of the Merger (the “**Closing**”) shall take place by the exchange of original or facsimile or electronic copies of the respective Closing documents at 10:00 a.m. local time no later than the third Business Day after the date that all of the closing conditions set forth in Article VI have been satisfied or waived, unless another time, date or place is agreed upon in writing by the Parties hereto. The date on which the Closing occurs is herein referred to as the “**Closing Date**.”

(b) Subject to the terms and conditions hereof, concurrently with the Closing, the Parties shall file with the Secretary of State of the State of Florida (the “**Secretary of State**”) articles of merger in accordance with the Florida Act and the FBCA (referred to collectively herein as the “**Articles of Merger**”) executed in accordance with the relevant provisions of the Florida Act and the FBCA and shall make all other filings or recordings required under the Florida Act, the FBCA and the General Corporation Law of the State of Delaware, as amended (the “**DGCL**”), in order to effect the Merger. The Merger shall become effective upon the filing of the Articles of Merger or at such other time as is agreed by the Parties hereto and specified in the Articles of Merger. The time when the Merger shall become effective is herein referred to as the “**Effective Time**.”

(c) From and after the Effective Time, except as otherwise expressly set forth herein, the Surviving Company shall possess all properties, rights, privileges, powers and franchises of the Company and Merger Sub, and all of the claims, obligations, liabilities, debts and duties of the Company and Merger Sub shall become the claims, obligations, liabilities, debts and duties of the Surviving Company.

1.3 Exchange of Securities.

At the Effective Time, by virtue of the Merger and without any action on the part of the Company, Merger Sub or the holders of any securities of Merger Sub or the Company:

(a) All of the Membership Interest issued and outstanding immediately prior to the Effective Time (other than Dissenting Membership Interest) shall automatically be converted into the right to receive an aggregate of:

(i) Twenty Five Million Dollars (\$25,000,000) in cash (the “**Cash Consideration**”) payable, without interest, to the holders of Membership Interest of the Company (individually, a “**Member**” and collectively, the “**Members**”) in accordance with the allocation set forth in Exhibit A;

(ii) In addition to Section 1.3(a)(i), Eight Million Seven Hundred Fifty Thousand (8,750,000) shares of Parent common stock, par value \$0.0001 per share (the “**Common Stock**”), issuable to the Members in accordance with the allocation set forth in Exhibit A (the “**Stock Consideration**”) (the Cash Consideration and Stock Consideration, collectively, the “**Initial Consideration**”); and

(iii) In addition to Sections 1.3(a)(i)-(ii) and subject to Section 1.4, up to Five Million Dollars (\$5,000,000) in cash (the “**Additional Consideration**”) payable, without interest, to the Members in accordance with the allocation set forth in Exhibit A.

The Initial Consideration and Additional Consideration, collectively, the “**Merger Consideration**”.

(b) Each issued and outstanding share of common stock, par value \$0.001 per share, of Merger Sub shall be exchanged into membership interests of the Surviving Company, and all such membership interests shall constitute the only outstanding membership interests of the Surviving Company following the Effective Time. From and after the Effective Time, any certificate representing the common stock of Merger Sub shall be deemed for all purposes to represent membership interests of the Surviving Company into which such shares of common stock of Merger Sub represented thereby were exchanged in accordance with the immediately preceding sentence.

(c) All Membership Interest (except the Dissenting Membership Interest) shall, by virtue of the Merger and without any action on the part of the Members, be automatically cancelled and shall cease to exist, and each Member shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration.

(d) It is expressly understood and agreed by the parties that the Merger Consideration shall be reduced on a pro rata basis with respect to those Membership Interests that constitute Dissenting Membership Interests. By way of example, in the event there are Dissenting Membership Interests equal to 3% of all Membership Interests, the Merger Consideration shall be reduced by 3%.

1.4 Additional Consideration. Parent shall pay to the Paying Agent (as defined below) as part of the Exchange Fund (as defined below) for distribution to the Members Two Dollars (\$2.00) in cash for each dollar exceeding the Net Income Target of the Surviving Company during either of the period of (i) July 1, 2008 through June 30, 2009 (“**Period One**”), and (ii) January 1, 2009 through December 31, 2009 (“**Period Two**”). In no event shall the Additional Consideration exceed \$5,000,000 in aggregate. For purposes of this Section 1.4, “**Net Income Target**” shall mean the Net Income of the Surviving Company equal to Twenty Five Million Dollars (\$25,000,000) and “**Net Income**” shall mean the net income achieved by Surviving Company for the applicable period computed according to United States generally accepted accounting principles (“**GAAP**”) applied in a manner consistent with the Company’s past practices (but excluding (i) costs and expenses associated with this Agreement and the Merger and (ii) revenue associated with bonuses paid to the Company under any “take-out” transactions completed before January 1, 2008). The Additional Consideration, if any, shall be payable to the Members within forty five (45) days after the end of Period One and/ or Period Two, respectively, and shall be allocated among the Members as set forth on Exhibit A. For illustration purposes, in the event the Surviving Company achieves a Net Income of \$27,500,000 for Period One, the Additional Consideration shall equal \$5,000,000. For illustration purposes, in the event the Surviving Company does not achieve the Net Income Target for Period One and achieves a Net Income of \$27,500,000 for Period Two, the Additional Consideration shall equal \$5,000,000. For further illustration purposes, in the event the Surviving Company achieves a Net Income of \$25,500,000 for Period One and achieves a Net Income of \$26,000,000 for Period Two, the Additional Consideration shall equal \$3,000,000, of which \$1,000,000 will be paid for Period One and \$2,000,000 for Period Two. For further illustration purposes, in the event the Surviving Company does not achieve the Net Income Target for Period One or Period Two, no Additional Consideration shall be payable to the Members.

1.5 Tender of and Payment.

(a) Paying Agent; Deposit of Exchange Fund. Prior to the Effective Time, Parent and Company shall execute a Paying Agent Agreement designating Continental Stock Transfer & Trust Company as the paying agent for the Merger Consideration (the “**Paying Agent**”). No later than the Effective Time, Parent shall deposit with the Paying Agent the Cash Consideration by wire transfer of immediately available funds and shall deliver to the Paying Agent certificates representing the Stock Consideration, to be held for the benefit of the Members (other than holders of Dissenting Membership Interests). No later than (a) forty five (45) days after the end of Period One, and (b) as soon as practicable (but no later than five (5) days) after the filing of Parent’s Form 10-K with the Securities and Exchange Commission (the “**SEC**”) for Period Two, Parent shall deposit with the Paying Agent Additional Consideration, if any, by wire transfer of immediately available funds (collectively with the Initial Consideration, the “**Exchange Fund**”). The Exchange Fund shall be held by the Paying Agent pursuant to the Paying Agent Agreement. Pursuant to the Paying Agent Agreement, the Paying Agent shall distribute the Exchange Fund to the holders of the Membership Interests pursuant to the allocation set forth in Exhibit A.

(b) Distribution Procedures. Promptly after the Effective Time, Parent and the Surviving Company shall cause the Paying Agent to mail to each Member of record, as of the Effective Time, a letter of transmittal in such form attached to the Paying Agent Agreement which shall set forth instructions for distributing the Merger Consideration in respect of the Membership Interests pursuant to Section 1.3(a) hereof. Upon delivery to the Paying Agent of the letter of transmittal, properly completed and duly executed by each Member in accordance with the instructions thereto, and such other documents as may be reasonably required pursuant to such instructions, the holder of such Membership Interests shall be entitled to receive in exchange therefore its allocable share of the Merger Consideration, to be mailed promptly following the Paying Agent’s receipt of such letter of transmittal. No interest shall be paid or accrued for the Cash Consideration or any Additional Consideration payable hereunder. If payment of the Merger Consideration is to be made to a Person other than the Person in whose name the Membership Interest is registered, it shall be a condition of payment that the letter of transmittal be in proper form for such transfer and that the Person requesting such payment shall have paid all transfer and other Taxes required by reason of the issuance to a Person other than the registered holder of the Membership Interest or such Person shall have established to the satisfaction of the Surviving Company that such Tax either has been paid or is not applicable. Until receipt from a Member of a duly executed letter of transmittal as contemplated by this Section 1.5 (which such letter shall contain such (i) customary representations and warranties, including, but not limited to, such Members’ right, title and interest in their Membership Interest; their acceptance of the terms and conditions of the proposed transaction; and acknowledgement by each Member that any and all rights, preferences, privileges and obligations owed by the Company to the Members, whether contained in the Member’s Agreement or otherwise, shall cease and be of no further force or effect and (ii) the lock-up provisions contained in Exhibit C), each Membership Interest shall be deemed at all times after the Effective Time to represent only the right to receive its allocable share of the Merger Consideration as contemplated by Section 1.3(a) hereof, without interest thereon. The Paying Agent shall accept such letters of transmittal upon compliance with such reasonable terms and conditions as the Paying Agent may impose to effect an orderly exchange thereof in accordance with normal exchange practices.

(c) Transfer Books; No Further Ownership Rights in the Membership Interest. At the Effective Time, the transfer books of the Company shall be closed, and thereafter there shall be no further registration of transfers of Membership Interest on the records of the Company. From and after the Effective Time, the Membership Interest outstanding immediately prior to the Effective Time shall cease to have any rights, except as otherwise provided for herein or by applicable Law.

(d) Termination of Exchange Fund; No Liability. Any portion of the Exchange Fund (including any interest received with respect thereto) that remains undistributed to the Members following the one year anniversary of the end of Period Two shall be delivered to the Surviving Company upon demand, and any Members who have not theretofore complied with this Section 1.5 shall thereafter be entitled to look only to the Surviving Company (subject to abandoned property, escheat or other similar Laws) only as general creditors thereof with respect to the Merger Consideration, payable without any interest thereon. Notwithstanding the foregoing, none of Parent, Merger Sub, the Company, the Surviving Company or the Paying Agent shall be liable to any Person in respect of any cash held in the Exchange Fund delivered to a public official pursuant to any applicable abandoned property, escheat or similar Law. If any Merger Consideration shall not have been collected prior to one year (1) year after the end of Period Two (or immediately prior to such earlier date on which any cash would otherwise escheat to or become the property of any Governmental Authority), any such cash in respect of such unclaimed Merger Consideration shall, to the extent permitted by applicable Law, become the property of Parent, free and clear of all claims or interest of any Person previously entitled thereto.

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(f) Fractional Shares. No certificates or scrip representing fractional shares of Parent Common Stock or book-entry credit of the same shall be issued upon the surrender of the Membership Interest for exchange and such fractional share interests will not entitle the owner thereof to vote or to have any rights of a stockholder of Parent. Notwithstanding any other provision of this Agreement, each Member who exchanged Membership Interest pursuant to the Merger who would otherwise have been entitled to receive a fraction of a share of Common Stock shall receive, in lieu thereof, cash (without interest) in an amount equal to the product of (i) such fractional part of a share of Common Stock multiplied by (ii) the closing price for a share of Common Stock on the over the counter bulletin board, or such other public market on the date of the Effective Time or, if such date is not a Business Day, the Business Day immediately before the date on which the Effective Time occurs.

(g) Withholding Taxes. Parent and the Surviving Company shall be entitled to deduct and withhold, or cause the Paying Agent to deduct and withhold, from the Merger Consideration payable to a Member pursuant to the Merger any such amounts as are required under the Internal Revenue Code of 1986, as amended (the “**Code**”), or any applicable provision of state, local or foreign Tax Law. To the extent that such amounts are so withheld by Parent or the Surviving Company, or caused to be withheld by the Paying Agent, such withheld amounts shall be treated for all purposes of this Agreement as having been paid to the Members in respect of which such deduction and withholding was made by Parent, the Surviving Company or the Paying Agent, as the case may be.

1.6 Dissenting Members.

Notwithstanding any provision of this Agreement to the contrary, to the extent that Members are entitled to appraisal rights under Chapter 608.4352 of the Florida Act, Membership Interest issued and outstanding immediately prior to the Effective Time with respect to which the holder thereof has properly exercised and perfected the right to dissent from the Merger and to be paid fair value in accordance with the Florida Act and as to which, as of the Effective Time, the holder thereof has not failed to timely perfect or shall have not effectively withdrawn or lost dissenters’ rights under the Florida Act (the “**Dissenting Membership Interest**”), shall not be exchanged into or represent a right to receive the Merger Consideration into which Membership Interest are exchanged pursuant to Section 1.3(a) hereof, but the holder thereof shall be entitled only to such rights as are granted by the Florida Act. Notwithstanding the immediately preceding sentence, if any Member who demands appraisal rights with respect to his, her or its Membership Interest under the Florida Act effectively withdraws or loses (through failure to perfect or otherwise) his, her or its appraisal rights, then as of the Effective Time or the occurrence of such event, whichever later occurs, such Member’s Membership Interest shall thereupon be deemed to have been exchanged as of the Effective Time into the right to receive the Merger Consideration as provided in Section 1.3(a) hereof, without interest thereon, and such Membership Interest shall no longer be Dissenting Membership Interest. At the Effective Time, any holder of Dissenting Membership Interest shall cease to have any rights with respect thereto, except the rights provided under the Florida Act and as provided in this Section 1.6. The Company shall give Parent (i) prompt written notice of any notice of intent to demand fair value for any Membership Interest, withdrawals of such notices, and any other instruments served pursuant to the Florida Act and received by the Company, and (ii) the opportunity to direct all negotiations and proceedings with respect to demands for fair value of Membership Interest under the Florida Act. The Company shall not, except with the prior written consent of Parent, voluntarily make any payment with respect to any demands for fair value of Membership Interest or offer to settle or settle any such demands.

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1.7 Articles of Organization and Governing Documents.

At and after the Effective Time and by virtue of the Merger, and until the same have been duly amended, (i) the Articles of Organization of the Company (the “**Articles**”), as in effect immediately prior to the Effective Time, shall be the articles of organization of the Surviving Company and (ii) the Member Agreement, as amended, of the Company (“**Member Agreement**”) shall be amended and restated in its entirety in substantially the form set forth in Exhibit B (the “**Amended Member Agreement**”) and such Amended Member Agreement shall be the governing document of the Surviving Company.

1.8 Managers, Directors and Officers; Lock Up Agreements.

(a) At and after the Effective Time, the board of managers of the Surviving Company and the board of directors of Parent shall each consist of six (6) members and each comprised of three (3) members appointed by Parent (who initially will be Messrs. Gordon G. Pratt, Larry G. Swets, Jr. and James R. Zuhlke) and three (3) members appointed by the Company (who initially will be Messrs. Gregory C. Branch, Alec L. Pointevint, II and Kent G. Whittemore). Mr. Branch shall initially serve as the Chairman of the Board of the Surviving Company and Parent and Mr. Pratt shall initially serve as Vice Chairman of the Board of the Surviving Company and Parent, in each case until their respective successors are duly elected or appointed and qualify. Each of the Parties hereto shall take all necessary action to effectuate the foregoing sentence. At the Effective Time, the board of managers of the Surviving Company and the board of directors of Parent each shall appoint and designate as officers of the Surviving Corporation and Parent respectively: (i) Mr. Donald J. Cronin as President & Chief Executive Officer, (ii) Mr. Nicholas W. Griffin as Chief Financial Officer, and (iii) Mr. Melville Atwood Russell, II as Chief Underwriting Officer. If, at the Effective Time, a vacancy shall exist on the board of directors, board of managers or in any office of the Surviving Company or Parent, such vacancy may thereafter be filled in the manner provided by the Parent Organizational Documents, the Company’s Articles, the Member Agreement or the Law.

(b) Certain officers and directors of Parent set forth below (“**Parent Executives**”), and certain entities set forth below (“**Entity Equity Holders**”) shall enter into “lock-up” agreements substantially in the form set forth in Exhibit C (each an “**Executive Lock Up Agreement**” or “**Entity Lock Up Agreement**”) pursuant to which such Parent Executives or Entity Equity Holders, as the case may be, shall agree, for a period of 90 days from the Effective Time, that such Parent Executives or Entity Equity Holders shall neither, on their own behalf or on behalf of entities, family members or trusts affiliated with or controlled by them, offer, issue, grant any option on, sell or otherwise dispose of any Stock Consideration issued to such Parent Executives and Entity Equity Holders, as the case may be, pursuant to Section 1.3(a) hereinabove, without the prior consent of Parent. Initially, the Parent Executives shall include Messrs. Branch, Pointevint, Whittemore, Cronin, Griffin, Russell and Eugene Hearn and any other new officer or director of Parent. The Entity Equity Holders shall include Synovus Financial Corp. and Minova Enterprises Ltd.

1.9 Other Effects of the Merger.

The Merger shall have all further effects as specified in the applicable provisions of the Florida Act.

1.10 Additional Actions.

If, at any time after the Effective Time, the Surviving Company shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to vest, perfect or confirm of record or otherwise in the Surviving Company its right, title or interest in, to or under any of the rights, properties or assets of Merger Sub or the Company or otherwise carry out this Agreement, the officers and directors of the Surviving Company shall be authorized to execute and deliver, in the name and on behalf of Merger Sub or the Company, all such deeds, bills of sale, assignments and assurances and to take and do, in the name and on behalf of Merger Sub or the Company, all such other actions and things as may be necessary or desirable to vest, perfect or confirm any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Company or otherwise to carry out this Agreement.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The following representations and warranties by the Company to Parent and Merger Sub are qualified by the Company Disclosure Schedule, which sets forth certain disclosures concerning the Company, its subsidiaries (each a “**Company Subsidiary**” and collectively, the “**Company Subsidiaries**”) and its business (the “**Company Disclosure Schedule**”). The Company hereby represents and warrants to Parent and Merger Sub as follows:

2.1 Due Organization and Good Standing.

Each of the Company and the Company Subsidiaries is a corporation or limited liability company duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Each of the Company and the Company Subsidiaries is duly qualified or licensed and in good standing to do business in each jurisdiction in which the character of the property owned, leased or operated by it or the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed and in good standing would not reasonably be expected to have a Company Material Adverse Effect. The Company has heretofore made available to Parent accurate and complete copies of the Company’s Articles and Member Agreement and the certificate of incorporation, articles of organization, by-laws, operating agreements and the equivalent organizational documents of each of the Company Subsidiaries, each as currently in effect. None of the Company or any Company Subsidiary is in violation of any provision of the Articles, certificate of incorporation, Member Agreement, the by-laws or its equivalent organizational documents as the case may be.

For purposes of this Agreement, the term “**Company Material Adverse Effect**” shall mean any occurrence, state of facts, change, event, effect or circumstance that, individually or in the aggregate, has, or would reasonably be expected to have, a material adverse effect on the assets, liabilities, business, results of operations or financial condition of the Company and the Company Subsidiaries, other than any occurrence, state of facts, change, event, effect or circumstance to the extent resulting from (i) political instability, acts of terrorism or war, changes in national, international or world affairs, or other calamity or crisis, including without limitation as a result of changes in the international or domestic markets but only to the extent such events are deemed to have a direct impact on the existing operations of the Company and its future operating prospects, (ii) any change affecting the United States economy generally or the economy of any region in which such entity conducts business that is material to the business of such entity but only to the extent such events are deemed to have a direct impact on the existing operations of the Company and its future operating prospects, (iii) the announcement of the execution of this Agreement, or the pendency of the consummation of the Merger, (iv) any change in GAAP or interpretation thereof after the date hereof, or (v) the execution and performance of or compliance with this Agreement.

2.2 Capitalization.

(a) Except for the Membership Interest held by the Members as set forth in Exhibit A, no Membership Interest are issued and outstanding. All of the outstanding Membership Interest are duly authorized, validly issued, fully paid and non-assessable and not subject to any preemptive or similar rights. None of the outstanding securities of the Company has been issued in violation of any foreign, federal or state securities Laws. Except as set forth above, no Membership Interest, or other equity or voting interests in the Company, or options, warrants or other rights to acquire any such Membership Interest or securities were issued, reserved for issuance or outstanding. The Company has not granted any restricted Membership Interest, warrants or other rights to purchase Membership Interest or entered into any other agreements or commitments to issue any Membership Interest and has not split, combined or reclassified any Membership Interest.

(b) The Company directly or indirectly owns all of the capital stock of, or other equity interests in, the Company Subsidiaries. There are no (i) outstanding options, warrants, puts, calls, convertible securities, preemptive or similar rights, (ii) bonds, debentures, notes or other indebtedness having general voting rights or that are convertible or exchangeable into securities having such rights, or (iii) subscriptions or other rights, agreements, arrangements, contracts or commitments of any character, relating to the issued or unissued Membership Interest of, or other equity interests in, the Company or any of the Company Subsidiaries or obligating the Company or any of the Company Subsidiaries to issue, transfer, deliver or sell or cause to be issued, transferred, delivered, sold or repurchased any options or Membership Interest of, or other equity interest in, the Company or any of the Company Subsidiaries or securities convertible into or exchangeable for such shares or equity interests, or obligating the Company or any of the Company Subsidiaries to grant, extend or enter into any such option, warrant, call, subscription or other right, agreement, arrangement or commitment for such equity interest. There are no outstanding obligations of the Company or any of the Company Subsidiaries to repurchase, redeem or otherwise acquire any Membership Interest, capital stock of, or other equity interests in, the Company or any of the Company Subsidiaries or to provide funds to make any investment (in the form of a loan, capital contribution or otherwise) in any other entity.

(c) There are no stockholders or members agreements, voting trusts or other agreements or understandings to which the Company or any Company Subsidiary is a party with respect to the voting of the Membership Interest or the capital stock or equity interests of any Company Subsidiary.

(d) No Indebtedness of the Company or any of the Company Subsidiaries contains any restriction upon (i) the prepayment of any of such Indebtedness, (ii) the incurrence of Indebtedness by the Company or any of the Company Subsidiaries, or (iii) the ability of the Company or any of the Company Subsidiaries to grant any Encumbrance on its properties or assets. As used in this Agreement, “**Indebtedness**” means (A) all indebtedness for borrowed money or for the deferred purchase price of property or services (other than Expenses and current trade liabilities incurred in the ordinary course of business and payable in accordance with customary practices), (B) any other indebtedness that is evidenced by a note, bond, debenture, credit agreement or similar instrument, (C) all obligations under financing leases, (D) all obligations in respect of acceptances issued or created, (E) all liabilities secured by an Encumbrance on any property and (F) all guarantee obligations.

(e) Since January 1, 2005, the Company has not declared or paid any distribution or dividend in respect of the Membership Interest and has not repurchased, redeemed or otherwise acquired any Membership Interest, and the Board has not authorized any of the foregoing.

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2.3 Subsidiaries.

(a) The Company has provided to Parent true, complete and correct list of all Company Subsidiaries and their respective jurisdictions of organization. Each Company Subsidiary is wholly owned, directly or indirectly, by the Company. All of the capital stock and other equity interests of the Company Subsidiaries are owned, directly or indirectly, by the Company free and clear of any Encumbrance with respect thereto. All of the outstanding shares of capital stock or other equity interests in each of the Company Subsidiaries are duly authorized, validly issued, fully paid and non-assessable and were issued free of preemptive rights and in compliance with applicable Laws. No capital stock or other equity interests of any of the Company Subsidiaries are or may become required to be issued or purchased by reason of any options, warrants, rights to subscribe to, puts, calls or commitments of any character whatsoever relating to, or securities or rights convertible into or exchangeable for, shares of any capital stock of, or other equity interests in, any Company Subsidiary, and there are no contracts, commitments, understandings or arrangements by which any Company Subsidiary is bound to issue additional shares of its capital stock or other equity interests, or options, warrants or rights to purchase or acquire any additional shares of its capital stock or other equity interests or securities convertible into or exchangeable for such shares or interests. Neither the Company nor any Company Subsidiary owns any shares of capital stock or other equity or voting interests in (including any securities exercisable or exchangeable for or convertible into capital stock or other equity or voting interests in) any other Person other than publicly traded securities constituting less than five percent of the outstanding equity of the issuing entity, other than capital stock or other equity interest of the Company Subsidiaries owned by the Company or another Company Subsidiary.

(b) Section 2.3(b) of the Company Disclosure Schedule lists the jurisdiction of domicile of each Company Subsidiary conducting insurance operations and all jurisdictions in which each such Company Subsidiary is licensed to write insurance business. Neither the Company nor any Company Subsidiary is or has been since January 1, 2005 “commercially domiciled” in any jurisdiction other than its jurisdiction of organization or is or since January 1, 2005 otherwise has been treated as domiciled in a jurisdiction other than its jurisdiction of organization. Each of the Company Subsidiaries conducting insurance operations is (i) duly licensed or authorized as an insurance company in its state of organization, (ii) duly licensed or authorized as an insurance company in each other jurisdiction where it is required to be so licensed or authorized and (iii) duly authorized in its jurisdiction of incorporation and each other applicable jurisdiction to write each line of business reported as being written in the Company SAP Statements. All of the Company Permits of such Company Subsidiaries conducting insurance operations are in full force and effect and there is no proceeding or, to the knowledge of the Company, investigation to which the Company or any Company Subsidiary is subject before a Governmental Authority that is pending or, to the knowledge of the Company, threatened that would reasonably be expected to lead to the revocation, amendment, failure to renew, limitation, suspension or restriction of any such Company Permits.

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2.4 Authorization: Binding Agreement.

The Company has all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, including the Merger, (i) have been duly and validly authorized by the Board of the Company, and (ii) no other corporate proceedings on the part of the Company are necessary to authorize the execution and delivery of this Agreement or to consummate the transactions contemplated hereby, other than receipt of the Required Company Vote. The affirmative vote of the Members of the Company holding at least 66 2/3% of the issued and outstanding Membership Interest (the “**Required Company Vote**”) is necessary to approve and adopt this Agreement and to consummate the transactions contemplated hereby (including the Merger). This Agreement has been duly and validly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, except to the extent that enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization and moratorium laws and other laws of general application affecting the enforcement of creditors’ rights generally, and the fact that equitable remedies or relief (including, but not limited to, the remedy of specific performance) are subject to the discretion of the court from which such relief may be sought (collectively, the “**Enforceability Exceptions**”).

2.5 Governmental Approvals.

No consent, approval, waiver, authorization or permit of, or notice to or declaration or filing with (each, a “**Consent**”), any nation or government, any state or other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any governmental or regulatory authority, agency, department, board, commission, administration or instrumentality, any court, tribunal or arbitrator or any self-regulatory organization, other than the Florida Office of Insurance Regulation (each, a “**Governmental Authority**”), on the part of the Company or any of the Company Subsidiaries is required to be obtained or made in connection with the execution, delivery or performance by the Company of this Agreement or the consummation by the Company of the transactions contemplated hereby (including the Merger), other than (i) the filing of the Articles of Merger with the Secretary of State in accordance with the Florida Act, (ii) such filings as may be required in any jurisdiction where the Company or any Company Subsidiary is qualified or authorized to do business as a foreign corporation in order to maintain such qualification or authorization, and (iii) pursuant to Antitrust Laws.

2.6 No Violations.

The execution and delivery by the Company of this Agreement, the consummation by the Company of the Merger and the other transactions contemplated hereby, and compliance by the Company with any of the provisions hereof, will not (i) conflict with or violate any provision of the Articles, Member Agreement, certificate of incorporation, operating agreement, by-laws or equivalent organizational documents of the Company or any of the Company Subsidiaries, (ii) require any Consent under or result in a material violation or breach of, or constitute (with or without due notice or lapse of time or both) a material default (or give rise to any right of termination, cancellation, amendment or acceleration) under, any Company Material Contract to which the Company or any of the Company Subsidiaries is a party or by which the Company’s or any of the Company Subsidiaries’ assets are bound, (iii) result (immediately or with the passage of time or otherwise) in the creation or imposition of any liens, claims, mortgages, pledges, security interests, equities, options, assignments, hypothecations, preferences, priorities, deposit arrangements, easements, proxies, voting trusts or charges of any kind or restrictions (whether on voting, sale, transfer, disposition or otherwise) or other encumbrances or restrictions of any nature whatsoever, whether imposed by agreement, Law or equity, or any conditional sale contract, title retention contract or other contract to give or refrain from giving any of the foregoing (the “**Encumbrances**”) upon any of the properties, rights or assets of the Company or any of the Company Subsidiaries causing a Company Material Adverse Effect, or (iv) subject to obtaining the Consents from Governmental Authorities referred to in Section 2.5 hereof, conflict with, contravene or

violate in any material respect any foreign, federal, state or local Order, statute, law, rule, regulation, ordinance, writ, injunction, arbitration award, directive, judgment, decree, principle of common law, constitution, treaty or any interpretation thereof enacted, promulgated, issued, enforced or entered by any Governmental Authority (each, a “**Law**” and collectively, the “**Laws**”) to which the Company or any of the Company Subsidiaries or any of their respective assets or properties is subject.

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2.7 Company Financial Statements.

(a) As used herein, the term “**Company Financials**” means the Company’s audited consolidated financial statements (including, in each case, any related notes thereto), consisting of the Company’s balance sheets, statements of income and statements of cash flow, as of December 31, 2005, December 31, 2006 and December 31, 2007 and the unaudited consolidated financial statements as of March 31, 2008 and any subsequent quarter. The Company has made or will make available to Parent true and complete copies of the Company Financials. The Company Financials (i) in all material respects accurately reflects or will reflect the Company’s books and records as of the times and for the periods referred to therein, (ii) were prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except for the absence of footnotes and year-end audit adjustments in the case of unaudited Company Financials), (iii) fairly present in all material respects the consolidated financial position of the Company as of the respective dates thereof and the consolidated results of the Company’s operations and cash flows for the periods indicated and (iv) to the extent required for inclusion in the Proxy Statement, comply in all material respects with the Securities Act of 1933, as amended (the “**Securities Act**”), Regulation S-X and the published general rules and regulations of the SEC.

(b) The Company has disclosed to Parent and the Company’s outside auditors and the Board (i) all significant deficiencies or material weaknesses in the design or operation of the Company’s internal controls over financial reporting that are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information and (ii) any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal controls over financial reporting.

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(c) None of the Company, any Company Subsidiary, or any manager, director, officer, or to the Company's knowledge, any auditor or accountant of the Company or any Company Subsidiary or any employee of the Company or any Company Subsidiary has received any complaint, allegation, assertion or claim, whether or not in writing, regarding the accounting or auditing practices, procedures, methodologies or methods of the Company or any Company Subsidiary or their respective internal accounting controls, including any complaint, allegation, assertion or claim that the Company or any Company Subsidiary has engaged in questionable accounting or auditing practices. No attorney representing the Company or any Company Subsidiary, whether or not employed by the Company or any Company Subsidiary, has reported evidence of any violation of consumer protection, insurance (including regulations and Orders promulgated by the Florida Office of Insurance Regulation) or securities Laws, breach of fiduciary duty or similar violation by the Company or any of its officers, Directors, employees or agents to the Board or any committee thereof or to any Director or executive officer of the Company.

(d) As used herein, the term "**Company SAP Statements**" means the statutory statements of the Company and each of the Company Subsidiaries as filed with the Florida Office of Insurance Regulation for the years ended December 31, 2005, December 31, 2006 and December 31, 2007 and any such quarterly statutory statements filed subsequent to the date hereof. The Company has made available to Parent true and complete copies of the Company SAP Statements filed as of the date of this Agreement with respect to the Company and with respect to the Company Subsidiaries required to file such Company SAP Statements. The Company and each of the Company Subsidiaries has filed or submitted, or will file or submit, all Company SAP Statements required to be filed with or submitted to the Florida Office of Insurance Regulation on forms prescribed or permitted by the Florida Office of Insurance Regulation. The Company SAP Statements were, and any Company SAP Statements filed after the date hereof will be, prepared in all material respects in conformity with statutory accounting principles ("**SAP**") consistently applied for the periods covered thereby, and the Company SAP Statements present, and any Company SAP Statements filed after the date hereof will present, in all material respects the statutory financial position of the Company and such Company Subsidiaries as of the respective dates thereof and the results of operations of the Company and such Company Subsidiaries for the respective periods then ended. The Company SAP Statements complied, and the Company SAP Statements filed after the date hereof will comply, in all material respects with all applicable Laws when filed, and no deficiency has been asserted with respect to any Company SAP Statements filed prior to the date hereof by the Florida Office of Insurance Regulation or any other Governmental Authority. The annual statutory balance sheets and income statements included in the Company SAP Statements as of the date hereof have been, where required by applicable Law, audited by Thomas, Howell & Ferguson, P.A. and the Company has made available to Parent true and complete copies of all audit opinions related thereto. Except as indicated therein, all assets that are reflected as admitted assets on the Company SAP Statements comply in all material respects with all applicable Laws. The Company and Company Subsidiaries use only prescribed (and no permitted) practices in the preparation of the Company SAP Statements.

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(e) The policy reserves and other actuarial amounts carried on the Company SAP Statements of the Company and each Company Subsidiary, as of the respective dates of such Company SAP Statements, (i) were in compliance in all material respects with the requirements for reserves established by the Florida Office of Insurance Regulation, (ii) have been computed in all material respects in accordance with the requirements for reserves established by the Florida Office of Insurance Regulation, (iii) were determined in all material respects in accordance with generally accepted actuarial principles in effect at such time, consistently applied and prepared in accordance with applicable SAP, (iv) were computed on the basis of methodologies consistent in all material respects with those used in computing the corresponding reserves in prior fiscal years, except as otherwise noted in the Company SAP Statements, (v) have been computed on the basis of assumptions consistent with those used to compute the corresponding items in such financial statements, (vi) were fairly stated in all material respects in accordance with sound actuarial principles, and (vii) include provisions for all actuarial reserves and related items which ought to be established in accordance with applicable Laws and in accordance, in all material respects, with prudent insurance practices generally followed in the insurance industry. To the knowledge of the Company, there are no facts or circumstances that could reasonably necessitate any material change in such reserves above those reflected in the Company SAP Statements (other than increases or decreases consistent with past experience, computed in a manner consistent with past practice, and resulting from the ordinary course of business).

(f) Except for assessments of state mandated funds and associations, no claim or assessment is pending or, to the knowledge of the Company, threatened against any Company Subsidiary.

2.8 Absence of Certain Changes.

(a) Except as consented to in writing by Parent (and excluding the Merger), since December 31, 2007, the Company and the Company Subsidiaries have conducted their respective businesses in the ordinary course of business consistent with past practice and there has not occurred any action that would constitute a breach of Section 4.1 if such action were to occur or be taken after the date of this Agreement.

(b) Since December 31, 2007, there has not been any fact, change, effect, occurrence, event, development or state of circumstances that has had or would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect.

2.9 Absence of Undisclosed Liabilities.

Except as and to the extent reflected or reserved against in the Company Financials, neither the Company nor any of the Company Subsidiaries has incurred any liabilities or obligations of the type required to be reflected on a balance sheet in accordance with GAAP that is not adequately reflected or reserved on or provided for in the Company Financials, other than liabilities of the type required to be reflected on a balance sheet in accordance with GAAP that have been incurred since March 31, 2008 in the ordinary course of business.

2.10 Compliance with Laws.

Neither the Company nor any of the Company Subsidiaries is in conflict with, or in default or violation of, nor since January 1, 2005 has it received any notice of any conflict with, or default or violation of, (A) any applicable Law by which it or any property or asset of the Company or any Company Subsidiary is bound or affected, or (B) any Company Material Contract to which the Company or any Company Subsidiary is a party or by which the Company or any Company Subsidiary or any property, asset or right of the Company or any Company Subsidiary is bound or affected, except, in each case, for any such conflicts, defaults or violations that would not reasonably be expected to be material to the Company or any of its Subsidiaries. Notwithstanding the generality of the foregoing, (x) the Company and each Company Subsidiary and, to the knowledge of the Company, their respective agents, have marketed, sold and issued insurance products in compliance in all material respects with all Laws applicable to the business of the Company and such Company Subsidiary and in the respective jurisdictions in which such products have been sold, (y) since January 1, 2005, the Company and each Company Subsidiary have given or made all required notices, submissions, reports or other filings under applicable Law, including insurance holding company statutes, and (z) all contracts, agreements, arrangements and transactions in effect between the Company, any Company Subsidiary and any affiliate are in compliance in all material respects with the requirements of all applicable insurance holding company statutes. There is no pending or, to the knowledge of the Company, threatened proceeding or investigation to which the Company or a Company Subsidiary is subject before any Governmental Authority regarding whether the Company or any of the Company Subsidiaries has violated in any material respect (and none of the Company or any Company Subsidiary has received notice since January 1, 2005 of any material violation of or noncompliance with any Law applicable to the Company or any Company Subsidiary, or directing the Company or any Company Subsidiary to take any remedial action with respect to such applicable Law or otherwise, and no material deficiencies of the Company or any Company Subsidiary have been asserted to the Company or any Company Subsidiary by any Governmental Authority with respect to possible violations of) any applicable Laws. Since January 1, 2005, the Company and the Company Subsidiaries have filed all material reports, statements, documents, registrations, filings or submissions required to be filed with any insurance regulatory authority or Governmental Authority, and all such reports, registrations, filings and submissions are in compliance (and complied at the relevant time) with applicable Law and no material deficiencies have been asserted by any such Governmental Authority since January 1, 2005 with respect to any reports, statements, documents, registrations, filings or submissions required to be filed with respect to the Company or the Company Subsidiaries with any Governmental Authority that have not been remedied. Since January 1, 2005, the businesses of the Company and each Company Subsidiary are and have been conducted in compliance in all material respects with any applicable Laws.

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2.11 Regulatory Agreements; Permits.

(a) There are no (1) written agreements, consent agreements, memoranda of understanding, commitment letters, cease and desist orders, or similar undertakings to which the Company or any Company Subsidiary is a party, on the one hand, and any Governmental Authority is a party or addressee, on the other hand, (2) Orders or directives of or supervisory letters from a Governmental Authority specifically with respect to the Company or any Company Subsidiary, or (3) resolutions or policies or procedures adopted by the Company or a Company Subsidiary at the request of a Governmental Authority, that (A) limit in any material respect the ability of the Company or any of the Company Subsidiaries to issue insurance policies, (B) in any manner impose any requirements on the Company or any of the Company Subsidiaries in respect of risk-based capital requirements that materially add to or otherwise materially modify in any respect the risk-based capital requirements imposed under applicable Laws, (C) require the Company or any of its affiliates to make capital contributions, purchase surplus notes or make loans to a Company Subsidiary, or (D) in any manner relate to the ability of the Company or any of the Company Subsidiaries to pay dividends or otherwise materially restrict the conduct of business of the Company or any of the Company Subsidiaries in any respect.

(b) The Company and the Company Subsidiaries hold all permits, licenses, franchises, grants, authorizations, consents, exceptions, variances, exemptions, orders and other governmental authorizations, certificates, consents and approvals necessary to lawfully conduct their businesses as presently conducted and contemplated to be conducted, and to own, lease and operate their assets and properties (collectively, the “**Company Permits**”), all of which are in full force and effect, and no suspension or cancellation of any of the Company Permits is pending or, to the knowledge of the Company, threatened, except where the failure of any Company Permits to have been in full force and effect, or the suspension or cancellation of any of the Company Permits, would not reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. Section 2.11(b) of the Company Disclosure Schedule sets forth each Company Permit. The Company and the Company Subsidiaries are not in violation in any material respect of the terms of any Company Permit.

(c) No investigation, review or market conduct examination by any Governmental Authority with respect to the Company or any Company Subsidiary is pending or, to the knowledge of the Company, threatened, nor does the Company have knowledge of any Governmental Authority’s intention to conduct any such investigation or review.

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2.12 Litigation.

There is no private, regulatory or governmental inquiry, action, suit, proceeding, litigation, claim, arbitration or investigation (each, an “**Action**”) pending before any arbitrator, agency, court or tribunal, foreign or domestic, or, to the knowledge of the Company, threatened against the Company, any of the Company Subsidiaries or any of their respective properties, rights or assets or any of their respective managers, officers or directors (in their capacities as such) that would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. There is no decree, directive, order, writ, judgment, stipulation, determination, decision, award, injunction, temporary restraining order, cease and desist order or other order by, or any capital plan, supervisory agreement or memorandum of understanding with any Governmental Authority (each, an “**Order**”) binding against the Company, any of the Company Subsidiaries or any of their respective properties, rights or assets or any of their respective managers, officers or directors (in their capacities as such) that would prohibit, prevent, enjoin, restrict or materially alter or delay any of the transactions contemplated by this Agreement (including the Merger), or that would reasonably be expected to have, individually or in the aggregate, a Company Material Adverse Effect. The Company and the Company Subsidiaries are in material compliance with all Orders. There is no material Action that the Company or any of the Company Subsidiaries has pending against other parties.

2.13 Restrictions on Business Activities.

There is no agreement or Order binding upon the Company or any of the Company Subsidiaries that has or could reasonably be expected to have the effect of prohibiting, preventing, restricting or impairing in any respect any business practice of the Company or any of the Company Subsidiaries as their businesses are currently conducted, any acquisition of property by the Company or any of the Company Subsidiaries, the conduct of business by the Company or any of the Company Subsidiaries as currently conducted, or restricting in any material respect the ability of the Company or any of the Company Subsidiaries from engaging in business as currently conducted or from competing with other parties.

2.14 Material Contracts.

(a) Section 2.14 of the Company Disclosure Schedule sets forth a list of, and the Company has made available to Parent, true, correct and complete copies of, each written contract, agreement, commitment, arrangement, lease, license, permit or plan and each other instrument to which the Company or any Company Subsidiary is a party or by which the Company or any Company Subsidiary is bound as of the date hereof (each, a “**Company Material Contract**”) that:

(i) is described in the Company SAP Statements and the Company Financials for the year ended December 31, 2007;

(ii) contains covenants that materially limit the ability of the Company or any Company Subsidiary (or which, following the consummation of the Merger, could materially restrict the ability of the Surviving Company or any of its affiliates) (A) to compete in any line of business or with any Person or in any geographic area or to sell, supply, price, develop or distribute any service, product or asset, including any non-competition covenants, exclusivity restrictions, rights of first refusal or most-favored pricing clauses or (B) to purchase or acquire an interest in any other entity, except, in each case, for any such contract that may be canceled without any penalty or other liability to the Company or any Company Subsidiary upon notice of 60 days or less;

(iii) involves any joint venture, partnership, limited liability or other similar agreement or arrangement relating to the formation, creation, operation, management or control of any partnership or joint venture that is material to the business of the Company and the Company Subsidiaries, taken as a whole;

(iv) involves any exchange traded, over-the-counter or other swap, cap, floor, collar, futures contract, forward contract, option or other derivative financial instrument or contract, based on any commodity, security, instrument, asset, rate or index of any kind or nature whatsoever, whether tangible or intangible, including currencies, interest rates, foreign currency and indices;

(v) relates to indebtedness (whether incurred, assumed, guaranteed or secured by any asset) having an outstanding principal amount in excess of \$50,000;

(vi) was entered into after January 1, 2005 or has not yet been consummated, and involves the acquisition or disposition, directly or indirectly (by merger or otherwise), of assets or capital stock or other equity interests of another Person;

(vii) by its terms calls for aggregate payments by the Company or the Company Subsidiaries under such contract of more than \$50,000 per year;

(viii) with respect to any material acquisition, pursuant to which the Company or any Company Subsidiary has (A) any continuing indemnification obligations or (B) any “earn-out” or other contingent payment obligations;

(ix) involves any managers, directors or executive officers of the Company or any Company Subsidiary that cannot be cancelled by the Company (or the applicable Company Subsidiary) within 60 days’ notice without liability, penalty or premium;

(x) obligates the Company or any Company Subsidiary to provide indemnification or a guarantee in excess of \$50,000;

(xi) obligates the Company or any Company Subsidiary to make any capital commitment or expenditure (including pursuant to any joint venture);

(xii) relates to the development, ownership, licensing or use of any Intellectual Property material to the business of the Company or any of its subsidiaries, other than “shrink wrap,” “click wrap,” and “off the shelf” software agreements and other agreements for software commercially available on reasonable terms to the public generally with license, maintenance, support and other fees of less than \$50,000 per year (collectively, “**Off-the-Shelf Software Agreements**”); or

(xiii) provides for any confidentiality or standstill arrangements.

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(b) With respect to each Company Material Contract: (i) the Company Material Contract is legal, valid, binding and enforceable in all material respects against the Company or the Company Subsidiary party thereto and, to the Company's knowledge, the other party thereto, and in full force and effect; (ii) except as set forth in Section 2.14 of the Disclosure Schedule, the consummation of the transactions contemplated by the Agreement will not affect the terms, validity or enforceability of the Company Material Contract against the Surviving Company or such Company Subsidiary and, to the Company's knowledge, the other party thereto; (iii) neither the Company nor any of the Company Subsidiaries is in breach or default in any material respect, and no event has occurred that with the passage of time or giving of notice or both would constitute such a breach or default by the Company or any of the Company Subsidiaries, or permit termination or acceleration by the other party, under the Company Material Contract; and (iii) to the Company's knowledge, no other party to the Company Material Contract is in breach or default in any material respect, and no event has occurred that with the passage of time or giving of notice or both would constitute such a breach or default by such other party, or permit termination or acceleration by the Company or any of the Company Subsidiaries, under such Company Material Contract.

2.15 Intellectual Property.

(a) Section 2.15(a) of the Company Disclosure Schedule contains a list of (A) all registered Intellectual Property, Intellectual Property that is the subject of a pending application for registration, and material unregistered Intellectual Property, in each case that is, owned by the Company or any of the Company Subsidiaries and (B) all material Intellectual Property, other than Off-the-Shelf Software Agreements, licensed, used or held for use by the Company or any of the Company Subsidiaries in the conduct of its business ("**Licensed Intellectual Property**"). Except where failure to own, license or otherwise possess such rights has not had and would not reasonably be expected to result in a Company Material Adverse Effect, each of the Company and the Company Subsidiaries has (i) all right, title and interest in and to all Company Intellectual Property owned by it, (the "**Company Intellectual Property**") free and clear of all Encumbrances, other than Permitted Encumbrances and (ii) all necessary proprietary rights in and to all of its Licensed Intellectual Property, free and clear of all Encumbrances, other than Permitted Encumbrances. Neither the Company nor any of the Company Subsidiaries has received any notice alleging that it has infringed, diluted or misappropriated, or, by conducting its business as proposed, would infringe, dilute or misappropriate, the Intellectual Property rights of any Person, and to the knowledge of the Company there is no valid basis for any such allegation. Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will impair or materially alter the Company's or any Company Subsidiary's rights to any Company Intellectual Property or Licensed Intellectual Property. To the knowledge of the Company, there is no unauthorized use, infringement or misappropriation of the Company Intellectual Property or Licensed Intellectual Property by any third party. All of the rights within the Company Intellectual Property and Licensed Intellectual Property are valid, enforceable and subsisting, and there is no Action that is pending or, to the Company's knowledge, threatened that challenges the rights of the Company or any of the Company Subsidiaries in respect of any Company Intellectual Property or Licensed Intellectual Property or the validity, enforceability or effectiveness thereof. The Company Intellectual Property and the Licensed Intellectual Property constitute all material Intellectual Property used in or necessary for the operation by the Company and the Company Subsidiaries of their respective businesses as currently conducted. Neither the Company nor any of the Company Subsidiaries is in breach or default in any material respect (or would with the giving of notice or lapse of time or both be in such breach or default) under any license to use any of the Licensed Intellectual Property.

(b) For purposes of this Agreement, “**Intellectual Property**” means (A) United States, international and foreign patents and patent applications, including divisionals, continuations, continuations-in-part, reissues, reexaminations and extensions thereof and counterparts claiming priority therefrom; utility models; invention disclosures; and statutory invention registrations and certificates; (B) United States and foreign registered, pending and unregistered trademarks, service marks, trade dress, logos, trade names, corporate names and other source identifiers, domain names, Internet sites and web pages; and registrations and applications for registration for any of the foregoing, together with all of the goodwill associated therewith; (C) United States and foreign registered and unregistered copyrights, and registrations and applications for registration thereof; rights of publicity; and copyrightable works; (D) all inventions and design rights (whether patentable or unpatentable) and all categories of trade secrets as defined in the Uniform Trade Secrets Act, including business, technical and financial information; and (E) confidential and proprietary information, including know-how.

2.16 Employee Benefit Plans.

(a) Section 2.16(a) of the Company Disclosure Schedule lists, with respect to the Company and the Company Subsidiaries and any trade or business (whether or not incorporated) that is treated as a single employer with the Company and the Company Subsidiaries within the meaning of Section 414(b), (c), (m) or (o) of the Code (an “**ERISA Affiliate**”), (i) all employee benefit plans (as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”)), (ii) loans to managers, officers and directors other than advances for expense reimbursements incurred in the ordinary course of business and any securities option, securities stock purchase, phantom securities, securities appreciation right, equity-related, supplemental retirement, severance, sabbatical, medical, dental, vision care, disability, employee relocation, cafeteria benefit (Code Section 125) or dependent care (Code Section 129), life insurance or accident insurance plans, programs, agreements or arrangements, (iii) all bonus, pension, retirement, profit sharing, savings, deferred compensation or incentive plans, programs, policies, agreements or arrangements, (iv) other fringe, perquisite, or employee benefit plans, programs, policies, agreements or arrangements and (v) any current or former employment, consulting, change of control, retention or executive compensation, termination or severance plans, programs, policies, agreements or arrangements, written or otherwise, as to which unsatisfied liabilities or obligations (contingent or otherwise) remain for the benefit of, or relating to, any present or former employee, consultant, manager or director, or which could reasonably be expected to have any liabilities or obligations (together, the “**Benefit Plans**”).

(b) Any Company Benefit Plan intended to be qualified under Section 401(a) of the Code has either obtained from the Internal Revenue Service (“**IRS**”) a current favorable determination letter as to its qualified status under the Code, including all amendments to the Code effected by the Tax Reform Act of 1986, or has applied to the IRS for such a determination letter prior to the expiration of the requisite period under applicable Treasury Regulations or IRS pronouncements in which to apply for such determination letter and to make any amendments necessary to obtain a favorable determination or has been established under a standardized prototype plan for which an IRS opinion letter has been obtained by the plan sponsor and is valid as to the adopting employer.

(c) There has been no “prohibited transaction,” as such term is defined in Section 406 of ERISA and Section 4975 of the Code, by the Company or, to the knowledge of the Company, by any trusts created thereunder, any trustee or administrator thereof or any other Person, with respect to any Company Benefit Plan. Each Company Benefit Plan has been administered in accordance with its terms and in material compliance with the requirements prescribed by any and all applicable Laws (including ERISA and the Code), and the Company and each ERISA Affiliate have performed in all material respects all obligations required to be performed by them under, are not in any respect in default under or violation of, and have no knowledge of any default or violation by any other party to, any of the Company Benefit Plans. All contributions and premiums required to be made by the Company or any ERISA Affiliate to any Company Benefit Plan have been made on or before their due dates, including any legally permitted extensions. No Action has been brought, or to the knowledge of the Company is threatened, against or with respect to any such Company Benefit Plan, including any audit or inquiry by the IRS, United States Department of Labor (the “**DOL**”) or other Governmental Authority (other than as would not result in a Company Material Adverse Effect). To the knowledge of the Company, each Company Benefit Plan that is a “nonqualified deferred compensation plan” within the meaning of Section 409A of the Code and any awards thereunder, in each case that is subject to Section 409A of the Code, has been operated in good faith compliance, in all material respects, with Section 409A of the Code since January 1, 2005.

(d) Except as otherwise provided in this Agreement, the consummation of the transactions contemplated by this Agreement will not, either alone or in combination with any other event or events, (i) entitle any current or former employee, manager, director or consultant of the Company or any of the Company Subsidiaries to any payment (whether of severance pay, unemployment compensation, golden parachute, bonus or otherwise), (ii) accelerate, forgive indebtedness, vest, distribute, or increase benefits or obligation to fund benefits with respect to any employee or director of the Company or any of the Company Subsidiaries, or (iii) accelerate the time of payment or vesting of Company Options, or increase the amount of compensation due any such employee, director or consultant.

(e) No amounts payable under any of the Company Benefit Plans or any other contract, agreement or arrangement with respect to which the Company or any of the Company Subsidiaries may have any liability will not be deductible for federal income Tax purposes by virtue of Section 162(m) or Section 280G of the Code. None of the Company Benefit Plans contains any provision requiring a gross-up pursuant to Section 280G or 409A of the Code or similar Tax provisions.

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(f) No Company Benefit Plan maintained by the Company or any of the Company Subsidiaries provides benefits, including death or medical benefits (whether or not insured), with respect to current or former employees of the Company or any of the Company Subsidiaries after retirement or other termination of service (other than (i) coverage mandated by applicable Laws, (ii) death benefits or retirement benefits under any “employee pension benefit plan,” as that term is defined in Section 3(2) of ERISA, or (iii) benefits, the full direct cost of which is borne by the current or former employee (or beneficiary thereof)).

(g) Neither the Company nor any ERISA Affiliate has any liability with respect to any (i) employee pension benefit plan (within the meaning of Section 3(2) of ERISA) which is subject to Part 3 of Subtitle B of Title I of ERISA, Title IV of ERISA or Section 412 of the Code, (ii) “multiemployer plan” as defined in Section 3(37) of ERISA or (iii) “multiple employer plan” within the meaning of Sections 4063 and 4064 of ERISA or Section 413(c) of the Code.

(h) Neither the Company nor any of its ERISA Affiliates has (i) used the services or workers provided by third party contract labor suppliers, temporary employees, “leased employees” (as that term is defined in Section 414(n) of the Code), or individuals who have provided services as independent contractors to an extent that would reasonably be expected to result in the disqualification of any of the Company Benefit Plans or the imposition of penalties or excise taxes with respect to the Company Benefit Plans by the IRS or the DOL.

2.17 Taxes and Returns.

(a) The Company has or will have timely filed, or caused to be timely filed, all material federal, state, local and foreign Tax returns and reports required to be filed by it or the Company Subsidiaries (taking into account all available extensions) (collectively, “**Tax Returns**”), which such Tax Returns are true, accurate, correct and complete, and has paid, collected or withheld, or caused to be paid, collected or withheld set forth on such Tax Returns, all material Taxes required to be paid, collected or withheld, other than such Taxes for which adequate reserves in the Company Financials have been established in accordance with GAAP. Section 2.17 of the Company Disclosure Schedule sets forth each jurisdiction where the Company and each Company Subsidiary files or is required to file a Tax Return. There are no claims, assessments, audits, examinations, investigations or other proceedings pending against the Company or any of the Company Subsidiaries in respect of any Tax, and neither the Company nor any of the Company Subsidiaries has been notified in writing of any proposed Tax claims or assessments against the Company or any of the Company Subsidiaries (other than, in each case, claims or assessments for which adequate reserves in the Company Financials have been established in accordance with GAAP or are immaterial in amount). There are no material liens with respect to any Taxes upon any of the Company’s or its Subsidiaries’ assets, other than (i) Taxes, the payment of which is not yet due, or (ii) Taxes or charges being contested in good faith by appropriate proceedings and for which adequate reserves in the Company Financials have been established in accordance with GAAP. Neither the Company nor any of the Company Subsidiaries has any outstanding waivers or extensions of any applicable statute of limitations to assess any material amount of Taxes. There are no outstanding requests by the Company or any of the Company Subsidiaries for any extension of time within which to file any Tax Return or within which to pay any Taxes shown to be due on any Tax Return. There are no Encumbrances for material amounts of Taxes on the assets of the Company or any of the Company Subsidiaries, except for statutory liens for current Taxes not yet due and payable or Taxes that are being contested in good faith and for which adequate reserves in the Company Financials have been established in accordance with GAAP.

(b) Neither the Company nor any of the Company Subsidiaries has constituted either a “distributing corporation” or a “controlled corporation” (within the meaning of Section 355(a)(1)(A) of the Code) in a distribution of securities (to any Person or entity that is not a member of the consolidated group of which the Company is the common parent corporation) qualifying for, or intended to qualify for, Tax-free treatment under Section 355 of the Code (i) within the two-year period ending on the date hereof or (ii) in a distribution which could otherwise constitute part of a “plan” or “series of related transactions” (within the meaning of Section 355(e) of the Code) in conjunction with the Merger.

(c) Neither the Company nor any of the Company Subsidiaries is or (i) has been at any time within the five-year period ending on the date hereof a United States real property holding corporation within the meaning of Section 897(c)(2) of the Code and (ii) has ever been a member of any consolidated, combined, unitary or affiliated group of corporations for any Tax purposes other than a group of which the Company is or was the common parent corporation.

(d) Neither the Company nor any of the Company Subsidiaries has made any change in accounting method or received a ruling from, or signed an agreement with, any taxing authority that would reasonably be expected to have a Company Material Adverse Effect following the Closing.

(e) As of the date hereof, neither the Company nor any of the Company Subsidiaries is being audited by any taxing authority or has been notified by any Tax authority that any such audit is contemplated or pending.

(f) Neither the Company nor any of the Company Subsidiaries participated in, or sold, distributed or otherwise promoted, any “reportable transaction,” as defined in Treasury Regulation section 1.6011-4.

(g) Neither the Company nor any of the Company Subsidiaries has taken any action that would reasonably be expected to give rise to (i) a “deferred intercompany transaction” within the meaning of Treasury Regulation section 1.1502-13 or an “excess loss account” within the meaning of Treasury Regulation section 1.1502-19, or (ii) the recognition of a deferred intercompany transaction.

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(h) Since December 31, 2005, neither the Company nor any of the Company Subsidiaries have (i) changed any Tax accounting methods, policies or procedures except as required by a change in Law, (ii) made, revoked, or amended any material Tax election, (iii) filed any amended Tax Returns or claim for refund, or (iv) entered into any closing agreement affecting or otherwise settled or compromised any material Tax liability or refund.

(i) For purposes of this Agreement, the term “**Tax**” or “**Taxes**” shall mean any tax, custom, duty, governmental fee or other like assessment or charge of any kind whatsoever, imposed by any Governmental Authority (including any federal, state, local, foreign or provincial income, gross receipts, property, sales, use, net worth, premium, license, excise, franchise, employment, payroll, alternative or added minimum, ad valorem, transfer or excise tax) together with any interest, addition or penalty imposed thereon.

2.18 Finders and Investment Bankers.

Except for Raymond James & Associates, Inc., the fees of which will be borne by the Company, no broker, finder or investment banker is entitled to any brokerage, finder’s or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of the Company.

2.19 Title to Properties; Assets.

(a) Section 2.19(a) of the Company Disclosure Schedule contains a correct and complete list of all real property and interests in real property leased or subleased by the Company or any of the Company Subsidiaries from or to any Person (collectively, the “**Company Real Property**”). The list set forth in Section 2.19(a) of the Company Disclosure Schedule contains, with respect to each of the Company Real Properties, all existing leases, subleases, licenses or other occupancy contracts to which the Company or any of the Company Subsidiaries is a party or by which the Company or any of the Company Subsidiaries is bound, and all amendments, modifications, extensions and supplements thereto (collectively, the “**Tenant Leases**”), the terms of which have been complied with by the Company and any Company Subsidiary in all material respects. The Company Real Property set forth in Section 2.19(a) of the Company Disclosure Schedule comprises all of the real property necessary and/ or currently used in the operations of the business of the Company and the Company Subsidiaries. The Company does not own any real property. Except as would not have a Company Material Adverse Effect, the Company or a Company Subsidiary has good and valid title to all of its personal property, assets and rights, free and clear of all Encumbrances other than Permitted Encumbrances.

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(b) A correct and complete copy of each Tenant Lease has been furnished to Parent prior to the date hereof. The Company or the Company Subsidiary party thereto has a valid, binding and enforceable leasehold interest under each of the Tenant Leases, free and clear of all Encumbrances other than Permitted Encumbrances, and each of the Tenant Leases is in full force and effect. Neither the Company or any of the Company Subsidiaries nor, to the knowledge of the Company, any other party to any Tenant Lease is in breach of or in default under, in any material respect, any of the Tenant Leases. The Company and the Company Subsidiaries enjoy peaceful and undisturbed possession under all such Tenant Leases, have not received notice of any material default, delinquency or breach on the part of the Company or any Company Subsidiary, and there are no existing material defaults (with or without notice or lapse of time or both) by the Company or any Company Subsidiary or, to the knowledge of the Company, any other party thereto. For purposes of this Agreement, the term “**Permitted Encumbrances**” means (i) Encumbrances with respect to Taxes either not yet due or being contested in good faith in appropriate proceedings (and for which adequate reserves in the Company Financials have been established in accordance with GAAP); and (ii) mechanics’, materialmen’s or similar statutory Encumbrances for amounts not yet due or being contested in good faith in appropriate proceedings; (iii) the terms and conditions of the lease creating the leaseholds.

2.20 Employee Matters.

(a) There are no Actions pending or, to the knowledge of the Company, threatened involving the Company or any of the Company Subsidiaries and any of their employees or former employees, including any harassment, discrimination, retaliatory act or similar claim. There has been: (i) no labor union organizing or attempting to organize any employee of the Company or any of the Company Subsidiaries into one or more collective bargaining units; and (ii) no labor dispute, strike, work slowdown, work stoppage or lock out or other collective labor action by or with respect to any employees of the Company or any of the Company Subsidiaries pending or, to the Company’s knowledge, threatened against the Company or any of the Company Subsidiaries. Neither the Company nor any of the Company Subsidiaries is a party to, or bound by, any collective bargaining agreement or other agreement with any labor organization applicable to the employees of the Company or any of the Company Subsidiaries and no such agreement is currently being negotiated.

(b) The Company and the Company Subsidiaries (i) are in compliance in all material respects with all applicable Laws respecting employment and employment practices, terms and conditions of employment, health and safety and wages and hours, including Laws relating to discrimination, disability, labor relations, hours of work, payment of wages and overtime wages, pay equity, immigration, workers compensation, working conditions, employee scheduling, occupational safety and health, family and medical leave, and employee terminations, and have not received written notice, or to the knowledge of the Company any other form of notice, that there is any unfair labor practice charge or complaint against the Company or any of the Company Subsidiaries pending, (ii) are not liable for any material arrears of wages or any material penalty for failure to comply with any of the foregoing, and (iii) are not liable for any material payment to any trust or other fund or to any Governmental Authority, with respect to unemployment compensation benefits, social security or other benefits or obligations for employees (other than routine payments to be made in the ordinary course of business and consistent with past practice). Except as would not result in any material liability to the Company or any Company Subsidiary, there are no complaints, lawsuits, arbitrations, administrative proceedings, or other Actions pending or, to the knowledge of the Company, threatened against the Company or any Company Subsidiary brought by or on behalf of any applicant for employment, any current or former employee, any Person alleging to be a current or former employee, any class of the foregoing, or any Governmental Authority, relating to any such Law or regulation, or alleging breach of any express or implied contract of employment, wrongful termination of employment, or alleging any other discriminatory, wrongful or tortious conduct in connection with the employment relationship.

2.21 Environmental Matters.

(a) Neither the Company nor any of the Company Subsidiaries is the subject of any federal, state, local or foreign Order, judgment or claim, and neither the Company nor any of the Company Subsidiaries has received any notice or claim, or entered into any negotiations or agreements with any Person, that would impose a material liability or obligation under any Environmental Law;

(b) To the knowledge of the Company, the Company and the Company Subsidiaries are in compliance with all applicable Environmental Laws;

(c) Neither the Company nor any of the Company Subsidiaries has manufactured, treated, stored, disposed of, arranged for or permitted the disposal of, generated, handled or released any Hazardous Substance, or owned or operated any property or facility, in a manner that has given or would reasonably be expected to give rise to any liability under all applicable Environmental Laws; and

(d) Each of the Company and the Company Subsidiaries holds and is in compliance with all Company Permits required to conduct its business and operations under all applicable Environmental Laws.

(e) Neither the Company, any Company Subsidiary nor any of their respective properties are subject to any Order, judgment or written claim asserted or arising under any Environmental Law.

“Environmental Laws” means any Law relating to (a) the protection, preservation or restoration of the environment (including air, water vapor, surface water, groundwater, drinking water supply, surface land, subsurface land, plant and animal life or any other natural resource), or (b) the exposure to, or the use, storage, recycling, treatment, generation, transportation, processing, handling, labeling, production, release or disposal of Hazardous Substances, in each case as in effect at the date hereof.

“Hazardous Substance” means any substance listed, defined, designated or classified as hazardous, toxic, radioactive or dangerous or as a pollutant or contaminant under any Environmental Law. Hazardous Substances include any substance to which exposure is regulated by any Governmental Authority or any Environmental Law, including (a) petroleum or any derivative or byproduct thereof, toxic mold, asbestos or asbestos containing material or polychlorinated biphenyls and (b) all substances defined as Hazardous Substances, Oils, Pollutants or Contaminants in the National and Hazardous Substances Contingency Plan, 40 C.F.R. Section 300.5.

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2.22 Transactions with Affiliates.

Section 2.22 of the Company Disclosure Schedule sets forth a true, correct and complete list of the contracts or arrangements that are in existence as of the date of this Agreement under which there are any existing or future liabilities or obligations between the Company or any of the Company Subsidiaries, on the one hand, and, on the other hand, any (i) present manager, officer or director of either the Company or any of its subsidiaries, or (ii) record or beneficial owner of more than 5% of the outstanding Company Capital Stock as of the date hereof (each, an “**Affiliate Transaction**”).

2.23 Insurance Matters.

(a) Examinations. The Company has made available to Parent copies of all draft and final financial examination reports and market conduct examination reports of state insurance departments with respect to any Company Subsidiary that have been issued since January 1, 2005.

(b) Policy Materials. To the extent required under applicable Laws, all policies, binders, slips or other agreements of insurance and other agreements and materials that are issued or used in connection with the Company or Company Subsidiaries’ business, including applications, brochures and marketing materials, premium rates and reinsurance agreements, are, in all material respects, on forms approved by applicable insurance regulatory authorities or filed and not objected to by such authorities within the period provided for objection, and, in either case, not subsequently disapproved or required to be withdrawn or retired from issuance or use which have not been so withdrawn or retired. Any rates or rating plans of the Company or Company Subsidiaries required to be filed with or approved by any applicable Governmental Authority have in all material respects been so filed or approved and the rates applied by each of the Company or the Company Subsidiaries to the contracts of insurance conform in all material respects to the relevant filed or approved rates.

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(c) Agents and Producers. No Person performing the duties of insurance producer, reinsurance intermediary, agency, agent, managing general agent, wholesaler or broker with respect to the Company or any of the Company Subsidiaries who has generated more than two percent of the Company's premium revenues as reflected in the Company Financial Statements (collectively, "**Company Producers**") has indicated to the Company or any Company Subsidiary that such Company Producer will be unable or unwilling to continue its relationship as a Company Producer with the Company or any Company Subsidiary within 12 months after the date hereof. To the knowledge of the Company, at the time any Company Producer wrote, sold, or produced business, or performed such other act for or on behalf of the Company or any Company Subsidiary that may require a license under applicable Insurance Laws, such Company Producer was duly licensed and appointed as required by applicable Insurance Law, in the particular jurisdiction in which such Company Producer wrote, sold, produced, solicited, or serviced such business, and each of the agency agreements and appointments between the Company Producers, including as subagents under the Company's affiliated insurance agency, and the Company and any Company Subsidiary, is valid, binding and in full force and effect in accordance with its terms. To the knowledge of the Company, no Company Producer has been since January 1, 2005, or is currently, in material violation (or with or without notice or lapse of time or both, would be in violation) of any term or provision of any Law applicable to the writing, sale or production of insurance or other business of the Company or any Company Subsidiary. The contracts and other agreements pursuant to which Company Producers act on behalf of the Company or any Company Subsidiary are valid, binding and in full force and effect in accordance with their terms, and none of the parties to such contracts and agreements are in default thereunder in any material respect. The Company has made available to Parent a true and complete copy of each standard form agency agreement used by the Company or any Company Subsidiary.

(d) Reinsurance. Section 2.23(d) of the Company Disclosure Schedule sets forth a list of all ceded reinsurance treaties and agreements, including retrocessional agreements, to which the Company or any Company Subsidiary is a party or under which the Company or any Company Subsidiary has any material existing rights, obligations or liabilities (the "**Company Reinsurance Agreements**"). Copies of all Company Reinsurance Agreements that are in effect on the date of this Agreement have been made available to Parent. Neither the Company nor any Company Subsidiary, nor, to the knowledge of the Company, any other party to a reinsurance treaty, binder or other agreement to which the Company or any Company Subsidiary is a party, is in default in any material respect as to any provision thereof. The Company has no knowledge that the financial condition of any party to any Company Reinsurance Agreement is impaired to the extent that a default thereunder may be reasonably anticipated. The Company Subsidiaries are entitled under applicable Law to take full credit on the applicable Company SAP Statement with respect to any Company Reinsurance Agreement pursuant to which such subsidiary has ceded reinsurance. Neither the Company nor any Company Subsidiary have received any notice from any party to any reinsurance agreement or treaty of any dispute or default with respect to such reinsurance agreement or treaty. Assuming no default by any party other than any subsidiary of the Company, all such Company Reinsurance Agreements are in full force and effect to the respective dates noted thereon. There are no entities, other than the Company and the Company Subsidiaries, that have rights to access coverage under any such Company Reinsurance Agreements.

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(e) Finite Risk Insurance or Reinsurance. With respect to any Company Reinsurance Agreement for which the Company or any Company Subsidiary is taking credit on its most recent statutory financial statements or has taken credit on any statutory financial statements from and after January 1, 2005, (i) there has been no separate written or oral agreement between the Company or any Company Subsidiary and the assuming reinsurer that would under any circumstances reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under any such Company Reinsurance Agreement, other than inuring contracts that are explicitly defined in any such Company Reinsurance Agreement, (ii) for each such Company Reinsurance Agreement under which the Company or any Company Subsidiary has or may have recoverables, and for which risk transfer is not reasonably considered to be self-evident, documentation concerning the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment, as required by Statement of Statutory Accounting Principles No. 62 (“**SSAP No. 62**”), is available for review by the domiciliary state insurance departments for the Company and the Company Subsidiaries, (iii) each of the Company and the Company Subsidiaries complies and has complied in all material respects from and after January 1, 2005 with all of the requirements set forth in SSAP No. 62 and (iv) each of the Company and the Company Subsidiaries has and has had from and after January 1, 2001 appropriate controls in place to monitor the use of reinsurance and comply with the provisions of SSAP No. 62.

(f) Actuarial Reports. Prior to the date of this Agreement, the Company has made available to Parent a true and complete copy of all actuarial reports prepared by independent actuaries, with respect to the Company or any Company Subsidiary since January 1, 2005, and all attachments, addenda, supplements and modifications thereto (the “**Company Actuarial Analyses**”). There have been no actuarial reports of a similar nature covering any of the entities referred to in those reports in respect of any period subsequent to the latest period covered in such actuarial reports. The information and data furnished by the Company or any Company Subsidiary to its independent actuaries in connection with the preparation of any Company Actuarial Analysis was accurate in all material respects for the periods covered in such reports. Each Company Actuarial Analysis was based upon an accurate inventory of policies in force for the Company and the Company Subsidiaries, as the case may be, at the relevant time of preparation and was prepared in conformity with generally accepted actuarial principles in effect at such time, consistently applied (except as may be noted therein).

(g) Policy Dividends. There are no insurance policies issued, reinsured or assumed by the Company or any of the Company Subsidiaries that are currently in force under which the Company or any of the Company Subsidiaries may be required to pay dividends to the holders thereof.

2.24 Insurance.

The Company and each Company Subsidiary is covered by valid and currently effective insurance policies issued in favor of the Company or one or more of the Company Subsidiaries that are customary for companies of similar size in the industry and locales in which the Company and the Company Subsidiaries operate. Section 2.24 of the Company Disclosure Schedule sets forth a true, correct and complete list of all material insurance policies issued in favor of the Company or any Company Subsidiary, or pursuant to which the Company or any Company Subsidiary is a named insured or otherwise a beneficiary, as well as any historic incurrence-based policies still in force. With respect to each such insurance policy, (i) the policy is in full force and effect and all premiums due thereon have been paid, (ii) neither the Company nor any Company Subsidiary is in any material respect, in breach of or default under, and neither the Company nor any Company Subsidiary have taken any action or failed to take any action which, with notice or the lapse of time or both, would constitute such a breach or default, or permit termination or modification of, any such policy, and (iii) to the knowledge of the Company, no insurer on any such policy has been declared insolvent or placed in receivership, conservatorship or liquidation, and no notice of cancellation or termination has been received with respect to any such policy.

2.25 Books and Records.

All of the books and records of the Company and the Company Subsidiaries are complete and accurate in all material respects and have been maintained in the ordinary course and in accordance with applicable Laws and standard industry practices with regard to the maintenance of such books and records.

2.26 Information Supplied.

None of the information supplied or to be supplied by Company or its Members for inclusion or incorporation by reference in the Proxy Statement will, at the date the Proxy Statement is first mailed to Parent's stockholders or at the time of the Special Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. None of the information supplied or to be supplied by Company or its Members for inclusion in the Registration Statement shall, at the time such document is filed, at the time amended or supplemented, or at the time the Registration Statement is declared effective by the SEC, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Notwithstanding the foregoing, Company and its Members make no representation, warranty or covenant with respect to any information supplied by the Parent which is contained in the Registration Statement or Proxy Statement.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF PARENT AND MERGER SUB

The following representations and warranties by Parent and Merger Sub to the Company are qualified by the Parent Disclosure Schedule, which sets forth certain disclosures concerning Parent and Merger Sub (the "**Parent Disclosure Schedule**"). Parent and Merger Sub hereby jointly and severally represent and warrant to the Company as follows:

3.1 Due Organization and Good Standing.

Each of Parent and Merger Sub is a corporation duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization and has all requisite corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Each of Parent and Merger Sub is duly qualified to do business in each jurisdiction where the nature of its business or its ownership or leasing of properties its properties make such qualification necessary. Parent has heretofore made available to Company accurate and complete copies of Parent's Certificate of Incorporation, as amended (the "**Certificate of Incorporation**") and bylaws (the "**Parent Organization Documents**") and the equivalent organizational documents of Merger Sub (the "**Merger Sub Organizational Documents**", each as currently in effect. Neither Parent nor Merger Sub is in violation of any provision of the Certificate of Incorporation, by-laws ors its equivalent organizational documents as the case may be.

3.2 Capitalization.

(a) The authorized capital stock of Parent consists of 20,000,000 shares of Common Stock and 1,000,000 shares of preferred stock, par value \$0.0001 per share. As of the date hereof, (i) 5,858,625 shares of Common Stock were issued and outstanding and no shares of preferred stock were issued and outstanding, and (ii) 7,199,344 shares of Common Stock are authorized but unissued. As of the date hereof, warrants issued pursuant to the Warrant Agreement, dated as of October 4, 2007 between Parent and Continental Stock Transfer & Trust Company (the “**IPO Warrant Agreement**”) to purchase 4,733,625 shares of Common Stock (the “**IPO Warrants**”) were issued and outstanding. As of the date hereof, options to purchase 450,000 shares of Common Stock and 450,000 warrants (convertible into 450,000 shares of Common Stock), in the aggregate, were issued and outstanding (collectively, the “**Option Securities**”). Except as set forth above, no shares of capital stock or other voting securities of Parent are issued, reserved for issuance or outstanding. All outstanding shares of Common Stock are duly authorized, validly issued, fully paid and nonassessable and not subject to or issued in violation of any purchase option, right of first refusal, preemptive right, subscription right or any similar right under any provision of the DGCL, the Certificate of Incorporation, Parent’s by-laws or any contract to which Parent is a party.

(b) Except for the IPO Warrants, the Option Securities and 1,250,000 warrants sold in a private placement immediately prior to the IPO, and other than the conversion rights set forth in the Prospectus, there are no (i) outstanding options, warrants, puts, calls, convertible securities, preemptive or similar rights, (ii) bonds, debentures, notes or other indebtedness having general voting rights or that are convertible or exchangeable into securities having such rights, or (iii) subscriptions or other rights, agreements, arrangements, contracts or commitments of any character, relating to the issued or unissued Common Stock or obligating Parent to issue, transfer, deliver or sell or cause to be issued, transferred, delivered, sold or repurchased any options or Common Stock or securities convertible into or exchangeable for such shares, or obligating the Company to grant, extend or enter into any such option, warrant, call, subscription or other right, agreement, arrangement or commitment for such common stock. Other than the conversion rights set forth in the Prospectus, there are no outstanding obligations of Parent to repurchase, redeem or otherwise acquire any shares of Common Stock of Parent or Merger Sub.

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3.3 Merger Sub.

- (a) All the outstanding shares of common stock in Merger Sub have been validly issued and are fully paid and nonassessable and owned by Parent, free and clear of all Encumbrances.
- (b) Except for 100% of the common stock of Merger Sub, Parent does not as of the date hereof own, directly or indirectly, any capital stock, membership interest, partnership interest, joint venture interest or other equity interest in any Person.
- (c) Since the date of its formation, Merger Sub has not carried on any business or conducted any operations other than the execution of this Agreement, and the performance of its obligations hereunder.

3.4 Authorization; Binding Agreement.

Parent and Merger Sub have all requisite corporate power and authority to execute and deliver this Agreement and to consummate the transactions contemplated hereby. The execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, including the Merger, (i) have been duly and validly authorized by the Board of Directors of Parent and Merger Sub, and (ii) no other corporate proceedings on the part of Parent or Merger Sub are necessary to authorize the execution and delivery of this Agreement or to consummate the transactions contemplated hereby, other than receipt of the Required Parent Vote (as defined below). The affirmative vote of the stockholders of Parent holding at least a majority of the issued and outstanding Common Stock of Parent (the “**Required Parent Vote**”) is necessary to approve and adopt this Agreement and to consummate the transactions contemplated hereby (including the Merger), provided, further, that stockholders of Parent holding thirty percent (30%) or more of the shares of Common Stock sold in Parent’s initial public offering shall not have voted against the Merger and exercised their conversion rights under the Certificate of Incorporation to convert their shares of Common Stock into a cash payment from the Trust Fund. This Agreement has been duly and validly executed and delivered by each of Parent and Merger Sub and (assuming the due authorization, execution and delivery hereof by the Company) constitutes the legal, valid and binding obligation of each of Parent and Merger Sub, enforceable against each of Parent and Merger Sub in accordance with its terms, subject to the Enforceability Exceptions.

3.5 Governmental Approvals.

No Consent of or with any Governmental Authority on the part of Parent or Merger Sub is required to be obtained or made in connection with the execution, delivery or performance by Parent or Merger Sub of this Agreement or the consummation by Parent or Merger Sub of the transactions contemplated hereby (including the Merger) other than (i) the filing of the Articles of Merger with the Secretary of State in accordance with the Florida Act, (ii) such filings as may be required with the SEC and foreign and state securities Laws administrators, (iii) pursuant to Antitrust Laws, (iv) the filing of the Proxy Statement and Registration Statement with the SEC, and (v) those consents, approvals, authorizations, waivers, permits, filings or notices set forth in Section 3.5 of the Parent Disclosure Schedule, which schedule includes all such consents, approvals, authorizations, waivers, permits, filings or notices with the Florida Office of Insurance Regulation, and (vi) those Consents that, if they were not obtained or made, would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

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For purposes of this Agreement, “**Parent Material Adverse Effect**” shall mean any occurrence, state of facts, change, event, effect or circumstance that, individually or in the aggregate, has, or would reasonably be expected to have, a material adverse effect on the assets, liabilities, business, results of operations or financial condition of Parent and Merger Sub on an aggregate basis, other than any occurrence, state of facts, change, event, effect or circumstance to the extent resulting from (i) political instability, acts of terrorism or war, changes in national, international or world affairs, or other calamity or crisis, including without limitation as a result of changes in the international or domestic markets but only to the extent such events are deemed to have a direct impact on the existing operations of Parent and Merger Sub and their future operating prospects, (ii) any change affecting the United States economy generally or the economy of any region in which such entity conducts business that is material to the business of such entity, (iii) the announcement of the execution of this Agreement, or the pendency of the consummation of the Merger, (iv) any change in GAAP or interpretation thereof after the date hereof, or (v) the execution and performance of or compliance with this Agreement.

3.6 No Violations.

The execution and delivery by Parent and Merger Sub of this Agreement and the consummation by Parent and Merger Sub of the transactions contemplated hereby (including the Merger) and compliance by Parent and Merger Sub with any of the provisions hereof will not (i) conflict with or violate any provision of the certificate of incorporation or by-laws or other governing instruments of Parent or Merger Sub, (ii) require any Consent under or result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default (or give rise to any right of termination, cancellation or acceleration) under, any note, bond, mortgage, indenture, contract, lease, license, agreement or instrument to which Parent or Merger Sub is a party or by which its assets are bound, (iii) result (immediately or with the passage of time or otherwise) in the creation or imposition of any Encumbrance upon any of the properties, rights or assets of Parent or Merger Sub or (iv) subject to obtaining the Consents from Governmental Authorities referred to in Section 3.5 hereof, and the waiting periods referred to therein have expired, and any condition precedent to such consent, approval, authorization or waiver has been satisfied, conflict with, contravene or violate in any respect any Law to which Parent or Merger Sub or any of their respective assets or properties is subject, except, in the case of clauses (ii), (iii) and (iv) above, for any deviations from the foregoing that would not reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

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3.7 SEC Filings and Parent Financial Statements.

(a) Parent has filed all forms, reports, schedules, statements and other documents required to be filed or furnished by the Company with the SEC since October 4, 2007 under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”) or the Securities Act, together with any amendments, restatements or supplements thereto, and will file all such forms, reports, schedules, statements and other documents required to be filed subsequent to the date of this Agreement. Section 3.7 of the Parent Disclosure Schedule lists and Parent has delivered to the Company copies in the form filed with the SEC of all of the following, except to the extent available in full without redaction on the SEC’s web site through EDGAR for at least two (2) days prior to the date of this Agreement: (i) Parent’s Annual Reports on Form 10-K for each fiscal year of Parent beginning with the first year Parent was required to file such a form, (ii) Parent’s Quarterly Reports on Form 10-QSB for each fiscal quarter that Parent was required to file a Quarterly Report on Form 10-QSB in each of the fiscal years of Parent referred to in clause (i) above, (iii) all proxy statements relating to Parent’s meetings of stockholders (whether annual or special) held, and all information statements relating to stockholder consents, since the beginning of the first fiscal year referred to in clause (i) above, (iv) its Current Reports on Form 8-K filed since the beginning of the first fiscal year referred to in clause (i) above, (v) all other forms, reports, registration statements and other documents (other than preliminary materials if the corresponding definitive materials have been provided to the Company pursuant to this Section 3.7) filed by Parent with the SEC since the beginning of the first fiscal year referred to in clause (i) above (the forms, reports, registration statements and other documents referred to in clauses (i), (ii), (iii), (iv) and (v) above, whether or not available through EDGAR, are, collectively, the “**Parent SEC Reports**”) and (vi) all certifications and statements required by (x) Rule 13a-14 or 15d-14 under the Exchange Act, or (y) 18 U.S.C. §1350 (Section 906) of the Sarbanes-Oxley Act of 2002 (the “**Sarbanes-Oxley Act**”) with respect to any report referred to in clause (i) or (ii) above (collectively, the “**Certifications**”). The Parent SEC Reports (x) were prepared in all material respects in accordance with the requirements of the Securities Act and the Exchange Act, as the case may be, and the rules and regulations thereunder and (y) did not at the time they were filed with the SEC (except to the extent that information contained in any Parent SEC Report has been revised or superseded by a later filed Parent SEC Report) contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The Certifications are each true and correct. Parent and Merger Sub maintain disclosure controls and procedures required by Rule 13a-15(e) or 15d-15(e) under the Exchange Act; such controls and procedures are effective to ensure that all material information concerning Parent and Merger Sub is made known on a timely basis to the individuals responsible for the preparation of Parent’s filings with the SEC and other public disclosure documents. Each director and executive officer of Parent has filed with the SEC on a timely basis all statements required by Section 16(a) of the Exchange Act and the rules and regulations thereunder since the date of Parent’s formation. As used in this Section 3.7, the term “file” shall be broadly construed to include any manner in which a document or information is furnished, supplied or otherwise made available to the SEC.

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(b) The financial statements and notes contained or incorporated by reference in the Parent SEC Reports (“**Parent Financials**”) fairly present the financial condition and the results of operations, changes in stockholders’ equity, and cash flow of Parent and Merger Sub as at the respective dates of and for the periods referred to in such financial statements, all in accordance with (i) GAAP and (ii) Regulation S-X or Regulation S-B, as applicable, subject, in the case of interim financial statements, to normal recurring year-end adjustments (the effect of which will not, individually or in the aggregate, be materially adverse) and the omission of notes to the extent permitted by Regulation S-X or Regulation S-B, as applicable. No financial statements other than those of Parent and Merger Sub are required by GAAP to be included in the consolidated financial statements of Parent. Section 3.7 of the Parent Disclosure Schedule contains a description of all non-audit services performed by the Parent’s auditors for Parent and Merger Sub since the date of Parent’s formation and the fees paid for such services; further, all such non-audit services were approved by the Board of Directors of Parent. Parent has no off-balance sheet arrangements.

(c) Neither Parent nor Merger Sub, or any manager, director, officer or employee of Parent or Merger Sub has received any complaint, allegation, assertion or claim, whether or not in writing, regarding the accounting or auditing practices, procedures, methodologies or methods of Parent or Merger Sub or their respective internal accounting controls, including any complaint, allegation, assertion or claim that Parent or Merger Sub has engaged in questionable accounting or auditing practices. No attorney representing Parent or Merger Sub, whether or not employed by Parent or Merger Sub, has reported evidence of any violation of consumer protection, insurance or securities Laws, breach of fiduciary duty or similar violation by Parent or any of its officers, Directors, employees or agents to the Board or any committee thereof or to any Director or executive officer of Parent.

(d) Merger Sub has never been subject to the reporting requirements of Sections 13(a) and 15(d) of the Exchange Act.

3.8 Absence of Undisclosed Liabilities.

Except as and to the extent reflected or reserved against in the Parent Financials, neither the Parent nor Merger Sub has incurred any liabilities or obligations of the type required to be reflected on a balance sheet in accordance with GAAP that is not adequately reflected or reserved on or provided for in the Parent Financials, other than liabilities of the type required to be reflected on a balance sheet in accordance with GAAP that have been incurred since December 31, 2007 in the ordinary course of business.

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3.9 Information Supplied.

None of the information supplied or to be supplied by Parent or Merger Sub for inclusion or incorporation by reference in the Proxy Statement will, at the date it is first mailed to Parent's stockholders or at the time of the Special Meeting, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading. The Proxy Statement will comply as to form in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder, except that no representation is made by Parent with respect to statements made or incorporated by reference therein based on information supplied by the Company in writing for inclusion or incorporation by reference in the Proxy Statement. None of the information supplied or to be supplied by Parent or Merger Sub for inclusion in the Registration Statement shall, at the time such document is filed, at the time amended or supplemented, or at the time the Registration Statement is declared effective by the SEC, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Registration Statement will comply as to form in all material respects with the provisions of the Securities Act. Notwithstanding the foregoing, Parent makes no representation, warranty or covenant with respect to any information supplied by the Company which is contained in the Registration Statement or Proxy Statement.

3.10 Absence of Certain Changes.

(a) Except as set forth in the Parent Disclosure Schedule or as consented to in writing by Company (and excluding the Merger), since October 4, 2007, Parent and Merger Sub have conducted their respective businesses in the ordinary course of business consistent with past practice and there has not occurred any action that would constitute a breach of Section 4.6 if such action were to occur or be taken after the date of this Agreement.

(b) Since October 4, 2007, there has not been any fact, change, effect, occurrence, event, development or state of circumstances that has had or would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect.

3.11 Taxes and Returns.

(a) Except as set forth on the Parent Disclosure Schedule, Parent has or will have timely filed, or caused to be timely filed, all Tax Returns and has paid, collected or withheld, or caused to be paid, collected or withheld, all material Taxes required to be paid, collected or withheld, other than such Taxes for which adequate reserves, as disclosed in the Parent SEC Reports, have been established in accordance with GAAP. Section 3.11 of the Parent Disclosure Schedule sets forth each jurisdiction where the Parent and Merger Sub files or is required to file a Tax Return. There are no material liens with respect to any Taxes upon any of the Parent's or Merger Sub's assets, other than (i) Taxes, the payment of which is not yet due, or (ii) Taxes or charges being contested in good faith by appropriate proceedings. Neither Parent nor Merger Sub has any outstanding waivers or extensions of any applicable statute of limitations to assess any material amount of Taxes. There are no outstanding requests by Parent or Merger Sub for any extension of time within which to file any Tax Return or within which to pay any Taxes shown to be due on any Tax Return.

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(b) Neither Parent nor Merger Sub has made any change in accounting method or received a ruling from, or signed an agreement with, any taxing authority that would reasonably be expected to have a Parent Material Adverse Effect following the Closing.

(c) As of the date hereof, neither Parent nor Merger Sub is being audited by any taxing authority or has been notified by any Tax authority that any such audit is contemplated or pending.

(d) Since their respective dates of incorporation, neither Parent nor Merger Sub has (i) changed any Tax accounting methods, policies or procedures except as required by a change in Law, (ii) made, revoked, or amended any material Tax election, (iii) filed any amended Tax Returns or claim for refund, or (iv) entered into any closing agreement affecting or otherwise settled or compromised any material Tax liability or refund.

3.12 Employee Benefit Plans.

Parent does not maintain, and has no liability under, any Benefit Plan, and neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (i) result in any payment (including severance, unemployment compensation, golden parachute, bonus or otherwise) becoming due to any director or employee of Parent, or (ii) result in the acceleration of the time of payment or vesting of any such benefits.

3.13 Employee Matters.

Neither Parent nor Merger Sub has ever had any current or former employees.

3.14 Material Contracts.

(a) Except as set forth in the Parent SEC Reports filed prior to the date hereof or in the Prospectus, or on Schedule 3.14 hereto, there are no contracts, agreements, leases, mortgages, indentures, notes, bonds, liens, license, permit, franchise, purchase orders, sales orders or other understandings, commitments or obligations (including without limitation outstanding offers or proposals) of any kind, whether written or oral, to which Parent is a party or by or to which any of the properties or assets of Parent may be bound, subject or affected, which either (i) creates or imposes a liability greater than \$50,000, or (ii) may not be cancelled by Parent on less than 60 days' or less prior notice (the **"Parent Material Contracts"**). All Parent Material Contracts have been made available to the Company, and are set forth in Section 3.14(a) of the Parent Disclosure Schedule other than those that are exhibits to the Parent SEC Reports.

(b) With respect to each Parent Material Contract: (i) the Parent Material Contract was entered into at arms' length and in the ordinary course of business; (ii) the Parent Material Contract is legal, valid and enforceable in all material respects (except as such enforcement may be limited by the Enforceability Exceptions); (iii) neither Parent nor Merger Sub is in breach or default in any material respect, and no event has occurred that with the passage of time or giving of notice or both would constitute such a breach or default by Parent or Merger Sub, or permit termination or acceleration by the other party, under the Parent Material Contract; and (iv) to the Parent's knowledge, no other party to the Parent Material Contract is in breach or default in any material respect, and no event has occurred that with the passage of time or giving of notice or both would constitute such a breach or default by such other party, or permit termination or acceleration by Parent or Merger Sub, under any Parent Material Contract.

3.15 Litigation.

There is no Action pending before any arbitrator, agency, court or tribunal, foreign or domestic, or, to the knowledge of Parent, threatened against Parent, Merger Sub, any of their respective subsidiaries or any of their respective properties, rights or assets or, any of their respective officers, directors, partners, managers or members (in their capacities as such) that would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect. There is no Order against Parent, Merger Sub, any of their respective subsidiaries or any of their respective properties, rights or assets or any of their respective officers, directors, partners, managers or members (in their capacities as such) that would prohibit, prevent, enjoin, restrict or materially alter or delay any of the transactions contemplated by this Agreement (including the Merger), or that would reasonably be expected to have, individually or in the aggregate, a Parent Material Adverse Effect. There is no material Action that Parent or Merger Sub has pending against other parties.

3.16 Transactions with Affiliates.

Other than as set forth in the Parent SEC Reports, there are no contracts or arrangements that are in existence as of the date of this Agreement under which there are any existing or future liabilities or obligations between Parent or Merger Sub, on the one hand, and on the other hand, any (i) director, officer, employee or affiliate of either Parent or Merger Sub, or (ii) record or beneficial owner of more than 5% of the Parent's outstanding Common Stock as of the date hereof.

3.17 Trust Fund.

(a) Since October 11, 2007, Parent has had at least \$37,452,930 in the trust fund established by Parent for the benefit of its public stockholders (the "**Trust Fund**"), invested in U.S. government securities in a trust account at Deutsche Bank Trust Company Americas (the "**Trust Account**"), held in trust by Continental Stock Transfer & Trust Company (the "**Trustee**") pursuant to the Investment Management Trust Account Agreement, dated as of October 4, 2007, between Parent and Trustee (the "**Trust Agreement**"). Upon consummation of the Merger and notice thereof to the Trustee and disbursement from the Trust Account by the Trustee, the Trust Account will terminate and the Trustee shall thereupon be obligated to release as promptly as practicable to Parent the Trust Fund held in the Trust Account and, after taking into account any funds paid to stockholders of Parent holding shares of Common Stock sold in Parent's initial public offering who shall have voted against the Merger and demanded that Parent convert their shares of Common Stock into cash pursuant to the Certificate of Incorporation, which Trust Fund will be free of any Encumbrances whatsoever, and will be available for use in the businesses of Parent and the Company.

(b) As of the Effective Time, those obligations of Parent to dissolve or liquidate within a specified time period as contained in the Certificate of Incorporation will terminate, and effective as of the Effective Time Parent shall have no obligation whatsoever to dissolve and liquidate the assets of Parent by reason of the consummation of the Merger, and following the Effective Time no Parent stockholder shall be entitled to receive any amount from the Trust Account except to the extent such stockholder votes against the approval of this Agreement and demands, contemporaneous with such vote, that Parent convert such stockholder's shares of Common Stock into cash pursuant to the Certificate of Incorporation.

3.18 Investment Company Act.

Parent is not an "investment company" or a person directly or indirectly "controlled" by or acting on behalf of an "investment company", in each case within the meaning of the Investment Company Act of 1940, as amended.

3.19 Finders and Investment Bankers.

Except for Pali Capital, Inc. and Piper Jaffray, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated hereby based upon arrangements made by or on behalf of Parent or Merger Sub.

3.20 Disclaimer.

Parent and Merger Sub each acknowledges and agrees that, other than to the extent set forth in, or otherwise relied on for use in, the Proxy Statement or Registration Statement, neither the Company nor any other person is making any representations or warranties in connection with, or will have or be subject to any claim, liability, or indemnification obligation (under Section 5.3 hereof or otherwise) to Parent, Merger Sub, or any other person resulting from, any projections, forecasts, or any other information made available to Parent or Merger Sub in certain data rooms or in management presentations (formal or informal) or in any other manner prior to the execution of this Agreement, unless any such information is expressly included in a representation or warranty contained in Article II hereof.

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ARTICLE IV

COVENANTS

4.1 Conduct of Business of the Company.

(a) Unless Parent shall otherwise consent in writing (such consent not to be unreasonably withheld), during the period from the date of this Agreement to the Effective Time, except as expressly contemplated by this Agreement or as set forth on Section 4.1 of the Company Disclosure Schedule (i) the Company and the Company Subsidiaries shall conduct their business, in all material respects in the ordinary course of business consistent with past practice and (ii) the Company shall use its commercially reasonable efforts consistent with the foregoing to preserve intact, in all material respects, its business organization, to keep available the services of its and the Company Subsidiaries' managers, directors, officers, key employees, Company Producers and consultants, to maintain, in all material respects, existing relationships with all Persons with whom it and the Company Subsidiaries do significant business, and to preserve the possession, control and condition of its and the Company Subsidiaries' assets.

(b) Without limiting the generality of the foregoing clause (a), except as set forth on Section 4.1 of the Company Disclosure Schedule, during the period from January 1, 2008 to the Effective Time, neither the Company nor any of the Company Subsidiaries has or will (except as specifically contemplated by the terms of this Agreement), without the prior written consent of Parent (such consent not to be unreasonably withheld):

(A) amend, waive or otherwise change, in any respect, its articles of organization, Member Agreement, certificate of incorporation, operating agreement or by-laws (or comparable governing instruments);

(B) authorize for issuance, issue, grant, sell, pledge, dispose of or propose to issue, grant, sell, pledge or dispose of any Membership Interest, or any options, warrants, commitments, subscriptions or rights of any kind to acquire or sell Membership Interest, any shares of capital stock or other securities or equity interests, including any securities convertible into or exchangeable for Membership Interest or equity interest of any class and any other equity-based awards;

(C) split, combine, recapitalize or reclassify any of its equity interests or issue any other securities in respect thereof, or declare, pay or set aside any distribution or other dividend (whether in cash, equity or property or any combination thereof) in respect of its equity interests, or directly or indirectly redeem, purchase or otherwise acquire or offer to acquire any of its capital equity or other securities or equity interests, provided, however, the Company may declare, pay or set aside any (i) distributions in an amount equal to the Company's accrual for Taxes as computed consistently with past practices and presented on the Company Financials dated December 31, 2007, (ii) distributions not to exceed \$2,000,000 in the aggregate and (iii) distributions to Directors of the Company in an amount not to exceed \$500,000 in the aggregate; provided, however, that the Company shall notify Parent within seven (7) days of such distributions;

(D) incur, create, assume, prepay or otherwise become liable for any indebtedness (directly, contingently or otherwise), make a loan or advance to or investment in any third party, or guarantee or endorse any indebtedness, liability or obligation of any Person;

(E) increase the wages, salaries or compensation exceeding 10% of current wages, salaries or compensation of any of its current or former consultants, officers, managers, directors or employees, or increase bonuses for the foregoing individuals exceeding 120% in the aggregate of the aggregate bonuses paid for fiscal year 2006 (provided, however, that the Company shall notify Parent within seven (7) days of such increase), or increase other benefits of any of the foregoing individuals, or enter into, establish, amend or terminate any Company Benefit Plan or any other employment, consulting, retention, change in control, collective bargaining, bonus or other incentive compensation, profit sharing, health or other welfare, stock option or other equity or equity-related, pension, retirement, consulting, vacation, severance, separation, termination, deferred compensation, fringe, perquisite, or other compensation or benefit plan, policy, program, agreement, trust, fund or other arrangement with, for or in respect of any current or former consultant, officer, manager, director or employee, in each case other than as required by applicable Law or pursuant to the terms of any Company Benefit Plan in effect on the date of this Agreement;

(F) make or rescind any material election relating to Taxes, settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes, file any amended Tax Return or claim for refund, or make any change in its accounting or Tax policies or procedures, in each case except as required by applicable Law or GAAP;

(G) transfer or license to any Person or otherwise extend, materially amend or modify, permit to lapse or fail to preserve any of the Company Intellectual Property or Licensed Intellectual Property, other than nonexclusive licenses in the ordinary course of business consistent with past practice, or disclose to any Person who has not entered into a confidentiality agreement any trade secrets;

(H) terminate or waive or assign any material right under any Company Material Contract or enter into any (i) contract involving amounts potentially exceeding \$50,000 or (ii) that would be a Company Material Contract or (iii) with a term longer than one year that cannot be terminated without payment of a material penalty and upon notice of 60 days or less;

(I) fail to maintain its books, accounts and records in all material respects in the ordinary course of business consistent with past practice;

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(J) establish any subsidiary or enter into any new line of business;

(K) fail to use commercially reasonable efforts to keep in force insurance policies or replacement or revised policies providing insurance coverage with respect to the assets, operations and activities of the Company and the Company Subsidiaries in an amount and scope of coverage as are currently in effect;

(L) revalue any of its material assets or make any change in accounting methods, principles or practices, except as required by GAAP and approved by the Company's outside auditors;

(M) waive, release, assign, settle or compromise any claim, action or proceeding (including any suit, action, claim, proceeding or investigation relating to this Agreement or the transactions contemplated hereby, including the Merger), other than waivers, releases, assignments, settlements or compromises that involve only the payment of monetary damages (and not the imposition of equitable relief on, or the admission of wrongdoing by, the Company or any of the Company Subsidiaries) not in excess of \$50,000 individually or in the aggregate, or otherwise pay, discharge or satisfy any claims, liabilities or obligations other than in the ordinary course of business consistent with past practice, unless such amount has been reserved in the Company Financial Statements;

(N) close or materially reduce the Company's or any Company Subsidiary's activities, or effect any layoff or other Company-initiated personnel reduction or change, at any of the Company's or any Company Subsidiary's facilities;

(O) acquire, including by merger, consolidation, acquisition of stock or assets, or any other form of business combination, any corporation, partnership, limited liability company, other business organization or any division thereof, or any material amount of assets;

(P) make capital expenditures in excess of \$150,000;

(Q) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

(R) voluntarily incur any material liability or obligation (whether absolute, accrued, contingent or otherwise) other than in the ordinary course of business consistent with past practice;

(S) sell, lease, license, transfer, exchange or swap, mortgage or otherwise pledge or encumber (including securitizations), or otherwise dispose of any material portion of its properties, assets or rights;

(T) enter into any agreement, understanding or arrangement with respect to the voting of the Membership Interest or the capital equity of any Company Subsidiary;

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(U) take any action that would reasonably be expected to delay or impair the obtaining of any consents or approvals of any Governmental Authority to be obtained in connection with this Agreement;

(V) enter into, amend, waive or terminate (other than terminations in accordance with their terms) any Affiliate Transaction; or

(W) enter into any new reinsurance transaction as assuming or ceding insurer (i) which does not contain market cancellation, termination and commutation provisions or (ii) which adversely changes the existing reinsurance profile of the Company and the Company Subsidiaries on a consolidated basis outside of the ordinary course of business consistent with past practice;

(X) alter or amend in any material respect any existing underwriting, claims handling, loss control, investment, actuarial, financial reporting or accounting practices, guidelines or policies (including compliance policies) or any material assumption underlying an actuarial practice or policy, except as may be required by GAAP, applicable SAP, any Governmental Authority or applicable Law, or

(Y) authorize or agree to do any of the foregoing actions.

(c) In the event the Company enters into any reinsurance agreement or a new lease for its office space, the Company shall: (i) notify Parent in writing that it has done so and (ii) provide a copy of the reinsurance agreement or lease, as applicable, together with any analysis or comments of the Company on such agreement or lease. Within three business days after confirming receipt of same, Parent may send the Company a written objection to the reinsurance contract and lease, at which point the Parties shall negotiate in good faith for ten days to resolve such Parent objections, at which time if the Parties are unable to resolve Parent's objections, Parent may terminate the Agreement as provided in Section 7.1(d). If Parent does not provide Company with written notice of its intent to terminate the Agreement pursuant to Section 7.1(d) within ten days of receiving notice of an agreement or lease described above, then Parent shall be deemed to have waived any objection to such agreement or lease and its related right to terminate the Agreement pursuant to Section 7.1(d). In the event Parent sends no such objection, Parent shall be deemed to have approved such agreement(s) or such lease.

4.2 Access and Information: Confidentiality.

(a) Between the date of this Agreement and the Effective Time, each Party shall give the other Party, and shall direct its accountants and legal counsel to give, the other Party and its Representatives, at reasonable times and upon reasonable intervals and notice, access to all offices and other facilities and to all employees, properties, contracts, agreements, commitments, books and records of or pertaining to such Party and its subsidiaries (including Tax Returns, internal work papers, client files, client contracts and director service agreements) and such financial and operating data and other information, all of the foregoing as the requesting Party or its Representatives may reasonably request regarding such Party's business, assets, liabilities, employees and other aspects (including unaudited quarterly financial statements, including a consolidated quarterly balance sheet and income statement, in the form such financial statements have been delivered to the other Party prior to the date hereof) and instruct such Party's Representatives to cooperate with the requesting Party in its investigation (including by reading available independent public accountant's work papers), and a copy of each material report, schedule and other document filed or received pursuant to the requirements of applicable securities Laws; provided that the requesting Party shall conduct any such activities in such a manner as not to interfere unreasonably with the business or operations of the Party providing such information.

(b) All information obtained by the Company or any Company Subsidiary, on one hand, and Parent or Merger Sub, on the other hand, pursuant to this Agreement shall be kept confidential in accordance with and subject to the Confidentiality Agreement, dated November 20, 2007, between Parent and the Company (the “**Confidentiality Agreement**”).

4.3 No Solicitation.

(a) For purposes of this Agreement, “**Acquisition Proposal**” means (other than the Merger) any inquiry, proposal or offer, or any indication of interest in making an offer or proposal, from any Person or group at any time relating to a merger, reorganization, recapitalization, consolidation, share exchange, business combination or similar transaction, including any single or multi-step transaction or series of related transactions involving the Company, the Company Subsidiaries or Parent on the one hand and any third party on the other hand or acquisition or purchase of assets of the Company and the Company Subsidiaries or Parent representing 50% or more of such Person’s assets or business.

(b) From and after the date hereof, in order to induce the Company and the Parent to continue to commit to expend management time and financial resources in furtherance of the transactions contemplated hereby, from the date hereof until the earlier of (i) the date that is seven months from the date hereof or (ii) the date that is six months from the date of filing the Registration Statement (the “**Exclusivity Period**”), neither the Company, any Company Subsidiary nor the Parent shall, directly or indirectly, and shall not, directly or indirectly, authorize or permit any officer, manager, director, employee, accountant, consultant, legal counsel, financial advisor, agent or other representative of such Person (collectively, the “**Representatives**”) to, (i) solicit, encourage, assist, initiate or facilitate the making, submission or announcement of any Acquisition Proposal, (ii) furnish any non-public information regarding the Company, any Company Subsidiary, the Parent or the Merger to any Person or group (other than a Party to this Agreement or their Representatives) in connection with or in response to an Acquisition Proposal, (iii) engage or participate in discussions or negotiations with any Person or group with respect to, or that could be expected to lead to, an Acquisition Proposal, (iv) withdraw, modify or qualify, or propose publicly to withdraw, modify or qualify, in a manner adverse to Parent, the approval of this Agreement or the Merger or the Board’s recommendation that holders of Membership Interest adopt this Agreement, (v) approve, endorse or recommend, or publicly propose to approve, endorse or recommend, any Acquisition Proposal, (vi) discuss, negotiate or enter into any letter of intent, agreement in principle, acquisition agreement or other similar agreement related to any Acquisition Proposal, or (vii) release any third party from, or waive any provision of, any confidentiality agreement to which the Company, any Company Subsidiary or Parent is a party (except as permitted pursuant to Section 4.2(a) hereof). Without limiting the foregoing, each Party agrees that it shall be responsible for the actions of its Representatives that would constitute a violation of the restrictions set forth in this Section 4.3 if done by such Party. Each Party shall promptly inform its Representatives of the obligations undertaken in this Section 4.3.

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(c) Each Party shall notify the other Party hereto as promptly as practicable (and in any event within 48 hours) orally and in writing of the receipt by such Party or any of its Representatives of (i) any bona fide inquiries, proposals or offers, requests for information or requests for discussions or negotiations regarding or constituting any Acquisition Proposal or any bona fide inquiries, proposals or offers, requests for information or requests for discussions or negotiations that could be expected to result in an Acquisition Proposal, and (ii) any request for non-public information relating to such Party, specifying in each case the material terms and conditions thereof (including a copy thereof if in writing) and the identity of the party making such inquiry, proposal, offer or request for information. Each Party shall keep the other Party hereto promptly informed of the status of any such inquiries, proposals, offers or requests for information. From and after the date of this Agreement, each Party shall immediately cease and cause to be terminated any solicitations, discussions or negotiations with any parties with respect to any Acquisition Proposal and shall direct, and use its reasonable best efforts to cause, its Representatives to cease and terminate any such solicitations, discussions or negotiations.

4.4 Takeover Laws.

Notwithstanding any other provision in this Agreement, if any “fair price”, “business combination”, “moratorium”, “control share acquisition” or similar anti-takeover Law (collectively, “**Takeover Law**”) may become, or may purport to be, applicable to the transactions contemplated by this Agreement, the Company and the members of its Board will grant such approvals and take such actions as are necessary so that the transactions contemplated by this Agreement may be consummated as promptly as practicable on the terms and conditions contemplated hereby and otherwise act to eliminate the effect of any Takeover Law on any of the transactions contemplated by this Agreement.

4.5 Member Litigation.

The Company shall give Parent the opportunity to participate in, subject to a customary joint defense agreement, any Member litigation against the Company or its managers, directors or officers relating to the Merger or any other transactions contemplated hereby; provided, however, that no settlement of any such litigation shall be agreed to without Parent’s consent.

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4.6 Conduct of Business of Parent.

(a) Unless the Company shall otherwise consent in writing (such consent not to be unreasonably withheld), during the period from the date of this Agreement to the Effective Time, except as specifically contemplated by the terms of this Agreement, (i) Parent and Merger Sub shall conduct their business in, and shall not take any action other than in, the ordinary course of business consistent with past practice, (ii) Parent shall use commercially reasonable efforts to continue to maintain, in all material respects, its assets, properties, rights and operations in accordance with present practice in a condition suitable for their current use, (iii) Parent shall use commercially reasonable efforts consistent with the foregoing to conduct the business of Parent in compliance with applicable Laws in all material respect, including without limitation the timely filing of all reports, forms or other documents with the SEC required to be filed with the SEC by Parent pursuant to the Securities Act, the Exchange Act and the Sarbanes-Oxley Act, and to preserve intact the business organization of Parent.

(b) Without limiting the generality of the foregoing clause (a), during the period from the date of this Agreement to the Effective Time, neither Parent or Merger Sub will (except as specifically contemplated by this Agreement), without the prior written consent of the Company (such consent not to be unreasonably withheld):

(i) authorize for issuance, issue, grant, sell, pledge, dispose of or propose to issue, grant, sell, pledge or dispose of any shares of, or any options, warrants, commitments, subscriptions or rights of any kind to acquire or sell Common Stock (including upon exercise of any outstanding option, warrant or similar right to acquire such Common Stock), any shares of capital stock or other securities or equity interests, including any securities convertible into or exchangeable for Common Stock or equity interest of any class and any other equity-based awards or alter in any way its outstanding securities or make any changes in outstanding shares of capital stock or its capitalization, whether by means of a reclassification, recapitalization, stock split or combination, exchange or readjustment of shares, stock dividend or otherwise or agree to register under the Securities Act any capital stock of Parent or Merger Sub, except as contemplated in the Prospectus;

(ii) declare, pay or set aside any dividend;

(iii) incur, create, assume, prepay or otherwise become liable for any indebtedness (directly, contingently or otherwise), make a loan or advance to or investment in any third party, or guarantee or endorse any indebtedness, liability or obligation of any Person or subject any of its assets, properties or rights, or any part thereof to any mortgage, pledge, security interest, encumbrance, claim, charge, lien (statutory or other), or other limitation or restriction, except as contemplated in the Prospectus;

(iv) make any change in any Parent Organizational Documents or Merger Sub Organizational Documents (other than as contemplated by the Proxy);

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(v) redeem, retire, purchase or otherwise acquire, directly or indirectly, any shares of the capital stock, membership interests or other ownership interests of Parent or Merger Sub;

(vi) acquire, lease or sublease any material tangible assets, raw material or properties (including real property);

(vii) enter into any Benefit Plan or any employment, severance, or change of control agreement;

(viii) contractually commit to make capital expenditures for any period following the Effective Time;

(ix) make or rescind any material election relating to Taxes, settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes, file any amended Tax Return or claim for refund, or make any change in its accounting or Tax policies or procedures, in each case except as required by applicable Law or GAAP;

(x) enter into any agreement or contract that would be a Parent Material Contract;

(xi) fail to maintain its books, accounts and records in all material respects in the ordinary course of business consistent with past practice;

(xii) establish any subsidiary (other than as contemplated hereby) or enter into any new line of business;

(xiii) fail to use commercially reasonable efforts to keep in force insurance policies or replacement or revised policies providing insurance coverage with respect to the assets, operations and activities of the Parent and the Merger Sub in an amount and scope of coverage as are currently in effect;

(xiv) revalue any of its material assets or make any change in accounting methods, principles or practices, except as required by GAAP and approved by the Parent's outside auditors;

(xv) waive, release, assign, settle or compromise any claim, action or proceeding (including any suit, action, claim, proceeding or investigation relating to this Agreement or the transactions contemplated hereby, including the Merger), other than waivers, releases, assignments, settlements or compromises that involve only the payment of monetary damages (and not the imposition of equitable relief on, or the admission of wrongdoing by, the Parent or Merger Sub) not in excess of \$50,000 individually or in the aggregate, or otherwise pay, discharge or satisfy any claims, liabilities or obligations other than in the ordinary course of business consistent with past practice, unless such amount has been reserved in the Parent financial statements included in the Parent SEC Reports;

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(xvi) acquire, including by merger, consolidation, acquisition of stock or assets, or any other form of business combination, any corporation, partnership, limited liability company, other business organization or any division thereof, or any material amount of assets;

(xvii) make capital expenditures in excess of \$150,000;

(xviii) adopt a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;

(xix) voluntarily incur any material liability or obligation (whether absolute, accrued, contingent or otherwise) other than in the ordinary course of business consistent with past practice;

(xx) sell, lease, license, transfer, exchange or swap, mortgage or otherwise pledge or encumber (including securitizations), or otherwise dispose of any material portion of its properties, assets or rights;

(xxi) take any action that would reasonably be expected to delay or impair the obtaining of any consents or approvals of any Governmental Authority to be obtained in connection with this Agreement;

(xxii) enter into, amend, waive or terminate (other than terminations in accordance with their terms) any Affiliate Transaction; or

(xxiii) authorize or agree to do any of the foregoing actions.

ARTICLE V

ADDITIONAL COVENANTS OF THE PARTIES

5.1 Notification of Certain Matters.

Each of Parent and the Company shall give prompt notice to the other (and, if in writing, furnish copies of) if any of the following occurs after the date of this Agreement: (i) there has been a material failure on the part of the Party providing the notice to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; (ii) receipt of any notice or other communication in writing from any third party alleging that the Consent of such third party is or may be required in connection with the transactions contemplated by this Agreement, (including the Merger); (iii) receipt of any notice or other communication from any Governmental Authority in connection with the transactions contemplated by this Agreement (including the Merger); (iv) the discovery of any fact or circumstance that, or the occurrence or non-occurrence of any event the occurrence or non-occurrence of which, would reasonably be expected to cause or result in any of the conditions to the Merger set forth in Article VI not being satisfied or the satisfaction of those conditions being materially delayed; or (v) the commencement or threat, in writing, of any Action against any Party or any of its affiliates, or any of their respective properties or assets, or, to the knowledge of the Company or Parent, as applicable, any officer, director, partner, member or manager, in his or her capacity as such, of the Company or Parent, as applicable, or any of their affiliates with respect to the consummation of the Merger. No such notice to any Party shall constitute an acknowledgement or admission by the Party providing notice regarding whether or not any of the conditions to Closing or to the consummation of the Merger have been satisfied or in determining whether or not any of the representations, warranties or covenants contained in this Agreement have been breached.

5.2 Reasonable Best Efforts.

(a) Subject to the terms and conditions of this Agreement, prior to the Effective Time, each Party shall use reasonable best efforts, and shall cooperate fully with the other Parties, to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable Laws and regulations to consummate the Merger and the other transactions contemplated by this Agreement (including the receipt of all Requisite Regulatory Approvals), and to comply as promptly as practicable with all requirements of Governmental Authorities applicable to the transactions contemplated by this Agreement. In furtherance and not in limitation of the foregoing, to the extent required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and any other Laws that are designed to prohibit, restrict or regulate actions having the purpose or effect of monopolization or restraint of trade (“**Antitrust Laws**”), each Party hereto agrees to make required filing or application under Antitrust Laws, as applicable, with respect to the transactions contemplated hereby as promptly as practicable, to supply as promptly as reasonably practicable any additional information and documentary material that may be requested pursuant to Antitrust Laws and to take all other actions necessary, proper or advisable to cause the expiration or termination of the applicable waiting periods under Antitrust Laws as soon as practicable, including by requesting early termination of the waiting period provided for under the Antitrust Laws. In furtherance and not in limitation of the foregoing, to the extent required by the Florida Office of Insurance Regulation, each Party hereto agrees to make required filing or application required by the Florida Office of Insurance Regulation with respect to the transactions contemplated hereby, which shall include filing a Form A, as promptly as practicable (but no later than 30 days after the date of this Agreement) and to supply as promptly as reasonably practicable any additional information and documentary material that may be requested by the Florida Office of Insurance Regulation.

(b) Each of Parent and Merger Sub, on the one hand, and the Company, on the other hand, shall, in connection with the efforts referenced in Section 5.2(a) to obtain all requisite approvals and authorizations for the transactions contemplated by this Agreement under any Antitrust Law, use its reasonable best efforts to: (i) cooperate in all respects with each other in connection with any filing or submission and in connection with any investigation or other inquiry, including any proceeding initiated by a private party; (ii) keep the other Party reasonably informed of any communication received by such Party from, or given by such Party to, the Federal Trade Commission (the “**FTC**”), the Antitrust Division of the Department of Justice (the “**DOJ**”) or any other U.S. or foreign Governmental Authority and of any communication received or given in connection with any proceeding by a private party, in each case regarding any of the transactions contemplated hereby; and (iii) permit the other Party and its outside counsel to review any communication given by it to, and consult with each other in advance of any meeting or conference with, the FTC, the DOJ or any other Governmental Authority or, in connection with any proceeding by a private party, with any other Person, and to the extent permitted by the FTC, the DOJ or such other applicable Governmental Authority or other Person, give the other Party the opportunity to attend and participate in such meetings and conferences.

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(c) In furtherance and not in limitation of the covenants of the Parties contained in Section 5.2(a) and Section 5.2(b), (i) as soon as reasonably practicable following the date of this Agreement, the Company and Parent shall cooperate in all respects with each other and use (and shall cause their respective subsidiaries to use) their respective reasonable best efforts to prepare and file with the relevant insurance regulators requests for approval of the transactions contemplated by this Agreement (including the Merger) and shall use all reasonable efforts to have such insurance regulators approve the transactions contemplated by this Agreement, and (ii) each of Parent and Merger Sub, on the one hand, and the Company, on the other hand, shall give prompt written notice if such Party receives any notice from any insurance regulator in connection with the transactions contemplated by this Agreement, and, in the case of any such written notice, shall promptly furnish the other Party with a copy thereof. If an insurance regulator requires that a hearing be held in connection with its approval of the transactions contemplated hereby, each Party shall use its reasonable best efforts to arrange for such hearing to be held promptly. At Parent's request, the Company shall obtain from applicable regulatory authorities written assurances in form reasonably satisfactory to Parent with respect to the applicability to the Company and/or any of the Company Subsidiaries of orders, decrees or pronouncements of such regulatory authorities.

(d) In furtherance and not in limitation of the covenants of the Parties contained in Section 5.2(a), Section 5.2(b) and Section 5.2(c), if any objections are asserted with respect to the transactions contemplated hereby under any Antitrust Law or any other applicable Law or if any suit is instituted (or threatened to be instituted) by the FTC, the DOJ or any other applicable Governmental Authority or any private party challenging any of the transactions contemplated hereby as violative of any Antitrust Law or any other applicable Law or which would otherwise prevent, materially impede or materially delay the consummation of the transactions contemplated hereby, each of Parent, Merger Sub and the Company shall use its reasonable best efforts to resolve any such objections or suits so as to permit consummation of the transactions contemplated by this Agreement, including in order to resolve such objections or suits which, in any case if not resolved, could reasonably be expected to prevent, materially impede or materially delay the consummation of the transactions contemplated hereby (including the Merger).

(e) In the event that any administrative or judicial action or proceeding is instituted (or threatened to be instituted) by a Governmental Authority or private party challenging the Merger or any other transaction contemplated by this Agreement, or any other agreement contemplated hereby, each of Parent, Merger Sub and the Company shall cooperate in all respects with each other and use its respective reasonable best efforts to contest and resist any such action or proceeding and to have vacated, lifted, reversed or overturned any decree, judgment, injunction or other order, whether temporary, preliminary or permanent, that is in effect and that prohibits, prevents or restricts consummation of the transactions contemplated by this Agreement.

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(f) Prior to the Effective Time, the Company shall use its commercially reasonable efforts to obtain any Consents of third parties with respect to any contracts to which the Company or any Company Subsidiary is a party as may be necessary or appropriate for the consummation of the transactions contemplated hereby or required by the terms of any contract as a result of the execution, performance or consummation of the transactions contemplated hereby (including the Merger).

(g) Notwithstanding anything to the contrary contained in this Agreement, nothing in this Agreement shall obligate Parent, Merger Sub or any of their respective affiliates to take any action or commit to take any action, or consent or agree to any condition, restriction or undertaking requested or imposed by any Governmental Authority, whether in connection with obtaining any Requisite Regulatory Approval or otherwise, if, in the good faith determination of Parent, such action, condition, restriction or undertaking, individually or in the aggregate, with all other such actions, conditions, restrictions or undertakings, would materially adversely affect the benefits, taken as a whole, that Parent reasonably expects to derive from the transactions contemplated by this Agreement (a “**Burdensome Condition**”); including, without limitation, that any requirement that Parent, the Surviving Company or any of its or their subsidiaries (i) provide or commit to provide additional capital to the Company or any Company Subsidiary or (ii) provide any surplus maintenance, guarantee, keep-well or similar agreements or commitments that are more burdensome than currently required of the Company by such Governmental Authority shall each be deemed to be a Burdensome Condition.

(h) Notwithstanding anything herein to the contrary, neither Parent nor the Company shall be required to agree to any term, condition or modification with respect to obtaining any Consents in connection with the Merger and consummation of the transactions contemplated by this Agreement that would result in, or would be reasonably likely to result in, (i) either individually or in the aggregate, a Company Material Adverse Effect or a Parent Material Adverse Effect or (ii) Parent, Merger Sub, the Company or Company Subsidiaries having to cease, sell or otherwise dispose of any assets or business (including the requirement that any such assets or business be held separate).

5.3 Indemnification.

(a) Indemnification by the Company. From the date of this Agreement through the Closing Date, the Company shall indemnify and hold harmless each of Parent, Merger Sub, their affiliates and each of their respective successors and assigns, and their respective officers, directors, employees and agents (each, a “**Parent Indemnified Party**”) from and against any liabilities, claims (including claims by third parties), demands, judgments, losses, costs, damages or expenses whatsoever (including reasonable attorneys’, consultants’ and other professional fees and disbursements of every kind, nature and description) (collectively, “**Damages**”) that such Parent Indemnified Party may sustain, suffer or incur and that result from, arise out of or relate to (i) any breach by the Company or any Company Subsidiary of any of their representations, warranties, covenants or agreements contained in this Agreement, and/ or (ii) any fraud committed by or the willful breach of this Agreement by the Company or any Company Subsidiary.

(b) Indemnification by Parent and Merger Sub. From the date of this Agreement through the Closing Date, Parent and Merger Sub shall jointly and severally indemnify and hold harmless the Company, its successors and assigns, and their respective managers, officers, directors, employees and agents (each, a “**Company Indemnified Party**”) from and against any Damages that such Company Indemnified Party may sustain, suffer or incur and that result from, arise out of or relate to (i) any breach by either Parent or Merger Sub of any of their representations, warranties, covenants or agreements contained in this Agreement, and/ or (ii) any fraud committed by or the willful breach of this Agreement by Parent or Merger Sub.

(c) Indemnification Procedures. A Person seeking indemnification under this Section 5.3 (the “**Indemnitee**”) must give timely written notice to the Person from whom indemnification is sought (the “**Indemnitor**”) as soon as practical after the Indemnitee becomes aware of any condition or event that gives rise to Damages for which indemnification is sought under this Section 5.3. The failure of the Indemnitee to give timely notice shall not affect the Indemnitee’s rights to indemnification hereunder except to the extent that the Indemnitor demonstrates that it was materially prejudiced by such failure. In the event a claim or demand is made by a party against an Indemnitee, the Indemnitee shall promptly notify the Indemnitor of such claim or demand, specifying the nature and the amount (the “**Claim Notice**”). The Indemnitor shall notify the Indemnitee within fifteen (15) days after receipt of the Claim Notice whether the Indemnitor will undertake, conduct, and control, through counsel of its own choosing (subject to the consent of Indemnitee, such consent not to be unreasonably withheld or delayed) and at its expense, the settlement or defense thereof, and Indemnitee shall cooperate with Indemnitor in connection therewith, provided that if Indemnitor undertakes such defense: (i) Indemnitor shall not thereby permit to exist any Encumbrance or other adverse charge upon any asset of Indemnitee or settle such action without first obtaining the consent of Indemnitee, except for settlements solely covering monetary matters for which Indemnitor has acknowledged responsibility for payment; (ii) Indemnitor shall permit Indemnitee (at Indemnitee’s sole cost and expense) to participate in such settlement or defense through counsel chosen by Indemnitee; and (iii) Indemnitor shall agree promptly to reimburse Indemnitee for the full amount of any loss resulting from such claim and all related expenses incurred by Indemnitee, except for those costs expressly assumed by the Indemnitee hereunder. The Indemnitee agrees to preserve and provide access to all evidence that may be useful in defending against such claim and to provide reasonable cooperation in the defense thereof or in the prosecution of any action against a third party in connection therewith. The Indemnitor’s defense of any claim or demand shall not constitute an admission or concession of liability therefor or otherwise operate in derogation of any rights Indemnitor may have against Indemnitee or any third party. So long as Indemnitor is reasonably contesting any such claim in good faith, Indemnitee shall not pay or settle any such claim. If Indemnitor does not notify Indemnitee within fifteen (15) days after receipt of Indemnitee’s Claim Notice that it elects to undertake the defense thereof, Indemnitee shall have the right to contest, settle or compromise the claim in the exercise of its exclusive discretion at the expense of the Indemnitor (provided that the Indemnitor shall not be required to pay Indemnitee’s expenses for the defense, settlement or compromise of claims which are not covered by Indemnitor’s obligations this Section 5.3).

(d) Limitations on Indemnification. The Parties' rights to indemnification hereunder are subject to the following limitations:

(i) The maximum aggregate amount of Damages that may be recovered from the Company on the one hand or the Parent and Merger Sub on the other hand pursuant to this Section 5.3 shall not exceed \$1,000,000.

(ii) Any claim for indemnification hereunder may not be pursued and is hereby irrevocably waived upon and after the Closing Date.

(iii) The Company and its Members may only seek indemnification hereunder against Parent and Merger Sub and Parent and Merger Sub may only seek indemnification hereunder against the Company. The Parties hereby irrevocably waive in perpetuity any and all claims for indemnification hereunder against the officers, directors and affiliated entities of the other Party hereto, as well as any and all claims for indemnification hereunder against the Trust Fund and all other entities controlled by Parent, Company or their officers and directors.

(e) Exclusive Remedy. The rights of the Parties for indemnification relating to this Agreement or the transactions contemplated hereby shall be strictly limited to those contained in this Section 5.3, and, except as specifically set forth in Section 9.10, such indemnification rights shall be the exclusive remedies of the Parties with respect to any matter arising under or in connection with this Agreement. To the maximum extent permitted by applicable Law, the Parties hereby waive all other rights and remedies with respect to any matter arising under or in connection with this Agreement, whether under any applicable Law, at common law or otherwise. Neither Company nor any of its affiliates, successors or permitted assigns, make any representation, warranty or covenant to Parent or Merger Sub or any of their affiliates, successors or permitted assigns, except as set forth in this Agreement. Consequently, neither Parent nor Merger Sub nor any of their affiliates, successors or permitted assigns may bring or otherwise maintain any claim, action or remedy against the Company or any of its affiliates, successors or permitted assigns, and no recourse shall be brought against any of them, by virtue of any claim or allegation of any representation, warranty or covenant not set forth in this Agreement.

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5.4 Public Announcements.

Parent and the Company agree that no public release or announcement concerning this Agreement or the Merger shall be issued by either Party or any of their affiliates without the prior consent of the other Party (which consent shall not be unreasonably withheld or delayed), except as such release or announcement may be required by applicable Law or the rules or regulations of any securities exchange, in which case the applicable Party shall use reasonable best efforts to allow the other Party reasonable time to comment on such release or announcement in advance of such issuance; provided, however, that either Parent or the Company may make any public statement in response to specific questions by the press, analysts, investors or those attending industry conferences or financial analyst conference calls, so long as any such statements are not inconsistent with previous public releases or announcements made by Parent or the Company in compliance with this Agreement.

5.5 Company Producers.

As promptly as practical following the date of this Agreement, and in any event within ten (10) Business Days, and in compliance with applicable Law, Parent and the Company shall develop a joint plan for the communication by the Company regarding the transactions contemplated by this Agreement (including the Merger) with the Company Producers. Each Party must get the written consent of the other Party (such consent not to be unreasonably withheld, conditioned or delayed) prior to initiating any communication with any Company Producers regarding the transactions contemplated by this Agreement (including the Merger).

5.6 Registration Statement.

(a) Simultaneously with the date of this Agreement or, if such date is impractical, promptly thereafter (but no later than thirty (30) days after the date of this Agreement), Parent shall file with the SEC a registration statement on Form S-4 (or other appropriate form) for the purpose of registering the Stock Consideration to be issued in the Merger (the **“Registration Statement”**), which shall include proxy materials for the purpose of , among other things, soliciting proxies from current holders of Parent Common Stock to approve and adopt this Agreement and the transactions contemplated hereby (the **“Proxy Statement”**). Parent, with the assistance of the Company, shall promptly respond to any SEC comments on the Registration Statement and shall use reasonable best efforts to cause such Registration Statement to be declared effective by the SEC as soon after filing as practicable. Parent shall bear all expenses of the Registration Statement, including fees and expenses, if any, of a counsel or other advisors. In connection with the Registration Statement, each Member will furnish to Parent in writing such information with respect to the name and address of such Member and such other information as may be reasonably required for use in connection with the Registration Statement.

(b) Parent shall make all necessary filings with respect to the Merger and the transactions contemplated thereby under the Securities Act and the Exchange Act and applicable “blue sky” laws and the rules and regulations thereunder. Parent will advise the Company, promptly after it receives notice thereof, of the time when the Registration Statement has been declared effective by the SEC or any supplement or amendment to the Registration Statement or Proxy Statement has been filed, or any request by the SEC for amendment of the Registration Statement or Proxy Statement or comments thereon and responses thereto or requests by the SEC for additional information. No amendment or supplement to the Registration Statement or Proxy Statement shall be filed without the approval of the Company, which approval shall not be unreasonably withheld. If at any time prior to the Effective Time, any information relating to Parent or the Company, or any of their respective affiliates, officers or directors, should be discovered by Parent or the Company that should be set forth in an amendment or supplement to the Registration Statement or Proxy Statement, so that such documents would not include any misstatement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the party which discovers such information shall promptly notify the other Party hereto and an appropriate amendment or supplement describing such information shall be promptly filed with the SEC and, to the extent

required by law, disseminated to the stockholders of the Parent.

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5.7 Reservation of Stock Consideration. Parent hereby agrees there shall be, or Parent shall cause to be, reserved for issuance and/ or delivery such number of shares of Common Stock as shall be required for issuance and delivery of the Stock Consideration. The Company covenants that it will authorize or cause to be authorized such number of shares of Common Stock as shall from time to time sufficient to issue the Stock Consideration.

5.8 Special Meetings; Proxy.

As promptly as practicable following the execution of this Agreement, Parent, acting through its board of directors, shall, in accordance with applicable Law:

(a) duly call, give notice of, convene and hold a special meeting of its stockholders (the “**Special Meeting**”) for the purposes of considering and taking action upon the approval and adoption of this Agreement and the Merger, including adjourning such meeting for up to thirty (30) Business Days to obtain such approval. Parent shall (i) use reasonable best efforts to solicit the approval of this Agreement by the stockholders of Parent and (ii) include in the Proxy Statement (x) the board of directors’ declaration of the advisability of this Agreement and its recommendation to the stockholders of Parent that they adopt this Agreement and approve the Merger and (y) all other requests or approvals necessary to consummate the transactions contemplated by this Agreement.¹ Notwithstanding the foregoing, Parent may adjourn or postpones the Special Meeting as and to the extent required by applicable Law. Parent shall use its commercially reasonable efforts to cause the Proxy Statement to be mailed to its stockholders as promptly as practicable after the Registration Statement, of which the Proxy Statement is a part, is declared effective by the SEC. The Company shall cooperate and assist Parent and its counsel in preparing the Proxy Statement and acknowledges that a substantial portion of the Proxy Statement shall include disclosure regarding the Company, any Company Subsidiary and their respective management, operations and financial condition. The Company shall make its, and cause each Company Subsidiary to make its, managers, directors, officers and employees available to Parent and its counsel in connection with the drafting of the Proxy Statement and responding in a timely manner to comments from the SEC. Prior to the filing of the Proxy Statement with the SEC and each amendment thereto, the Company shall confirm in writing to Parent and its counsel that it has reviewed the Proxy Statement (and each amendment thereto) and approved any information provided by the Company and its Members. If, prior to the Effective Time, any event occurs with respect to the Company or any Company Subsidiary, or any change occurs with respect to other information supplied by the Company or any Company Subsidiary for inclusion in the Proxy Statement, the Company shall promptly notify Parent of such event, and the Company and Parent shall cooperate in the prompt filing with the SEC of any necessary amendment or supplement to the Proxy Statement and, as required by Law, in disseminating the information contained in such amendment or supplement to Parent’s stockholders.

¹ Consider including charter amendment changing name

(b) promptly transmit any amendment or supplement to its stockholders, if at any time prior to the Special Meeting there shall be discovered any information that should be set forth in an amendment or supplement to the Proxy Statement.

ARTICLE VI

CONDITIONS

6.1 Conditions to Each Party's Obligations.

The obligations of each Party to consummate the Merger shall be subject to the satisfaction or waiver (where permissible), at or prior to the Effective Time, of the following conditions:

(a) Stockholder Approval. The Required Parent Vote shall have been obtained in accordance with the DGCL and the stockholders of Parent holding thirty percent (30%) or more of the shares of Common Stock sold in Parent's initial public offering shall not have voted against the Merger and exercised their conversion rights under Parent's Certificate of Incorporation, as amended, to convert their shares of Common Stock into a cash payment from the Trust Fund.

(b) Antitrust Laws. The applicable waiting period (and any extension thereof) under any Antitrust Laws shall have expired or been terminated.

(c) Requisite Regulatory Approvals and Consents. All authorizations, approvals and permits required to be obtained from or made with any Governmental Authority in order to consummate the transactions contemplated by this Agreement (the "**Requisite Regulatory Approvals**"), and all Consents from third parties that are required in connection with the transactions contemplated by this Agreement, shall have been obtained or made, including, without limitation, the consent of Columbus Bank and Trust Company.

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(d) No Law. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) or Order that is then in effect and has the effect of making the Merger illegal or otherwise preventing or prohibiting consummation of the Merger.

(e) Effective Registration Statement. The Registration Statement shall have been declared effective by the SEC and no stop order suspending the effectiveness of the Registration Statement shall be in effect and no proceedings for that purpose shall be pending before or threatened by the SEC.

(f) Company Member Approval. This Agreement and the transactions contemplated hereby shall have been duly approved by the Required Company Vote.

6.2 Conditions to Obligations of Parent and Merger Sub.

The obligations of Parent and Merger Sub to consummate the Merger are subject to the satisfaction or waiver by Parent, at or prior to the Effective Time, of the following additional conditions:

(a) Representations and Warranties. Each of the representations and warranties of the Company and any Company Subsidiary set forth in this Agreement that are qualified by materiality shall be true and correct and those not so qualified shall be true and correct in all material respects as of the date of this Agreement and as of the Effective Time as though made as of the Effective Time (except to the extent that any of such representations and warranties expressly speaks only as of an earlier date, in which case such representation and warranty that is qualified by materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, as of such earlier date).

(b) Agreements and Covenants. The Company shall have performed, in all material respects, all of its obligations and complied with, in all material respects, all of its agreements and covenants to be performed or complied with by it under this Agreement at or prior to the Effective Time.

(c) Officer Certificate. The Company shall have delivered to Parent a certificate, dated the Closing Date, signed by the chief executive officer or chief financial officer of the Company, certifying in such capacity as to the satisfaction of the conditions specified in Sections 6.2(a), 6.2(b) and 6.2(e).

(d) Secretary's Certificate. The Company shall have delivered to Parent a true copy of the resolutions of the Board of the Company authorizing the execution of this Agreement and the consummation of the Merger and transactions contemplated herein, certified by the Secretary of the Company or similar officer.

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(e) Company Material Adverse Effect. No Company Material Adverse Effect shall have occurred since the date of this Agreement.

(f) Burdensome Condition. The Requisite Regulatory Approvals shall not have included or contained, or resulted in the imposition of, any Burdensome Condition.

(g) Required Company Vote and Dissenting Membership Interest. The Required Company Vote shall have been obtained. No more than ten percent (10%) of the outstanding Membership Interest shall constitute Dissenting Membership Interest.

(h) Legal Opinion. Parent shall have received an opinion of the Company's counsel, Foley & Lardner or Myers & Fuller, P.A., in form and substance reasonably satisfactory to Parent, addressed to Parent and Merger Sub, and dated as of the Closing Date.

(i) Lock Up Agreements. Parent shall have received Executive Lock Up Agreements and Entity Lock Up Agreements from each Parent Executive and Entity Equity Holder set forth in Section 1.8(b).

(j) Conversion. The stockholders of Parent holding thirty percent (30%) or more of the shares of Common Stock sold in Parent's initial public offering shall not have voted against the Merger and exercised their conversion rights under Parent's Certificate of Incorporation, as amended, to convert their shares of Common Stock into a cash payment from the Trust Fund.

(k) Board of Directors. The officers and the Board of Directors of Parent and the Surviving Corporation shall be constituted as set forth in Section 1.8 hereof, effective as of the Effective Time.

(l) Waiver of Right of First Refusal.

(i) The Company shall have waived, in writing, its right of first option to purchase all of the Membership Interests being sold pursuant hereto, including, without limitation, its rights pursuant to Section 5.3 of the Member's Agreement of the Company (the "**Member's Agreement**"); and

(ii) All Members, including, without limitation, the holders of Dissenting Membership Interests, shall each have waived, in writing, their respective rights of first option to purchase all of the Membership Interests being sold pursuant hereto, including, without limitation, its rights pursuant to Section 5.4 of the Member's Agreement of the Company or the relevant provision in the Member's Agreement shall not be applicable with respect to the Merger or the transactions contemplated in connection therewith and such non-applicability has been agreed to in writing by such percentage of Membership Interests as is necessary to amend such provision of the Member's Agreement.

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(m) Waiver of Chairman Purchase Right. The Chairman of the Company shall have waived its right to purchase Membership Interests pursuant to Section 8.1 of the Member's Agreement.

6.3 Conditions to Obligations of the Company.

The obligations of the Company to consummate the Merger are subject to the satisfaction or waiver by the Company, at or prior to the Effective Time, of the following additional conditions:

(a) Representations and Warranties. Each of the representations and warranties of the Parent and Merger Sub set forth in this Agreement that are qualified by materiality shall be true and correct and those not so qualified shall be true and correct in all material respects as of the date of this Agreement and as of the Effective Time as though made as of the Effective Time (except to the extent that any of such representations and warranties expressly speaks only as of an earlier date, in which case such representation and warranty that is qualified by materiality shall be true and correct, and those not so qualified shall be true and correct in all material respects, as of such earlier date).

(b) Agreements and Covenants. Each of Parent and Merger Sub shall have performed, in all material respects, its obligations and complied with, in all material respects, its agreements and covenants to be performed or complied with by it under this Agreement at or prior to the Effective Time, including, without limitation, the resignation from the Board of Parent of those persons currently on the Board of Parent who are not named as directors following the Effective Time in the Proxy Statement.

(c) Officer Certificate. Parent shall have delivered to the Company a certificate, dated the Closing Date, signed by the chief executive officer or chief financial officer of Parent, certifying in such capacity as to the satisfaction of the conditions specified in Sections 6.3(a) and 6.3(b).

(d) Secretary's Certificate. The Parent shall have delivered to the Company a true copy of the resolutions of the Board of Directors of the Parent authorizing the execution of this Agreement and the consummation of the Merger and transactions contemplated herein, certified by the Secretary of the Company or similar officer.

(e) Parent Material Adverse Effect. No Parent Material Adverse Effect shall have occurred since the date of this Agreement.

(f) Legal Opinion. The Company shall have received an opinion of the Parent's and Merger Sub's counsel, Ellenoff Grossman & Schole, LLP, in form and substance reasonably satisfactory to the Company, addressed to the Company, and dated as of the Closing Date.

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(g) Board of Directors. The officers and the Board of Directors of Parent and the Surviving Corporation shall be constituted as set forth in Section 1.8 hereof, effective as of the Effective Time.

6.4 Frustration of Conditions.

Neither Parent nor the Company may rely on the failure of any condition set forth in this Article VI to be satisfied if such failure was caused by such Party's failure to comply with or perform any of its covenants or obligations set forth in this Agreement.

ARTICLE VII

TERMINATION AND ABANDONMENT

7.1 Termination.

This Agreement may be terminated and the Merger and the other transactions contemplated hereby may be abandoned at any time prior to the Effective Time, notwithstanding any approval of the matters presented in connection with the Merger by the stockholders of Parent and Members of the Company (the date of any such termination, the "**Termination Date**"), as follows:

(a) by mutual written consent of each of the Company and Parent, as duly authorized by the Board of Directors of Parent and the Board of the Company;

(b) by written notice by either Parent or the Company if the Closing conditions set forth in Section 6.1 have not been satisfied by the Company or Parent, as the case may be (or waived by Parent or the Company as the case may be) by the date that is the earlier of (A) six months from filing of the Registration Statement or (B) seven months from date of the Agreement; provided, however, that the right to terminate this Agreement under this Section 7.1(b) shall not be available to Parent or the Company due to failure by Parent or Merger Sub, on one hand, or the Company or any Company Subsidiary, on the other hand, to fulfill any obligation under this Agreement;

(c) by written notice by either Parent or the Company, if any Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Order or Law that is, in each case, then in effect and is final and nonappealable and has the effect of permanently restraining, enjoining or otherwise preventing or prohibiting the transactions contemplated by this Agreement (including the Merger); provided, however, that the right to terminate this Agreement under this Section 7.1(c) shall not be available to any Party whose failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, any such Order or Law to have been enacted, issued, promulgated, enforced or entered;

(d) by written notice by Parent, if after following the procedures set forth in Section 4.1(c), Parent and Company are unable to resolve Parent's objections to the reinsurance contract and lease.

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(e) by written notice by Parent, if there has been a breach by the Company of any of its representations, warranties, covenants or agreements contained in this Agreement, or if any representation or warranty of the Company shall have become untrue or inaccurate, in either case that would result in a failure of a condition set forth in Section 6.2 (a “**Terminating Company Breach**”);

(f) by written notice by the Company, if there has been a breach by Parent or Merger Sub of any of its representations, warranties, covenants or agreements contained in this Agreement, or if any representation or warranty of Parent or Merger Sub shall have become untrue or inaccurate, in either case that would result in a failure of a condition set forth in Section 6.3 (a “**Terminating Parent Breach**”);

(g) by written notice by either Parent or Company, if, at the Special Meeting (including any adjournment or postponement thereof at which this Agreement is voted upon), the Required Parent Vote is not obtained; provided, however, that the right to terminate this Agreement under this Section 7.1(f) shall not be available to Parent where the failure to obtain the Required Parent Vote shall have resulted from Parent’s breach of this Agreement;

(h) by written notice by either Parent or Company, if the stockholders of Parent holding thirty percent (30%) or more of the shares of Common Stock sold in Parent’s initial public offering shall have voted against the Merger and exercised their conversion rights under Parent’s Certificate of Incorporation, as amended, to convert their shares of Common Stock into a cash payment from the Trust Fund;

(i) by written notice by either Parent or Company if the Required Company Vote is not obtained, provided, that in the event of termination pursuant to this subsection, Company shall be obligated to pay Parent for all costs, expenses and fees incurred in connection with the transactions contemplated hereby, up to a maximum of \$500,000 cash within three (3) business days of the date of such written notice from either Parent or Company;

(j) by written notice by either Parent or Company in the event more than five percent (5%) of Membership Interests are Dissenting Membership Interests;

(k) by written notice by Parent if the Closing conditions set forth in Section 6.2 have not been satisfied by the Company (or waived by Parent) by the date that is the earlier of (A) six months from filing of the Registration Statement or (B) seven months from date of the Agreement; provided, however, that the right to terminate this Agreement under this Section 7.1(k) shall not be available to Parent if Parent is in material breach of any representation, warranty or covenant contained in this Agreement; or

(l) by written notice by Company if the Closing conditions set forth in Section 6.3 have not been satisfied by Parent (or waived by Company) by the date that is the earlier of (A) six months from filing of the Registration Statement or (B) seven months from date of the Agreement; provided, however, that the right to terminate this Agreement under this Section 7.1(l) shall not be available to Company if Company is in material breach of any representation, warranty or covenant contained in this Agreement.

7.2 Effect of Termination.

In the event of the termination of this Agreement pursuant to Section 7.1, this Agreement shall forthwith become void, and there shall be no liability on the part of any Party hereto or any of their respective affiliates or the directors, officers, partners, members, managers, employees, agents or other representatives of any of them, and all rights and obligations of each Party hereto shall cease, except (i) as set forth in this Section 7.2 and in Section 7.3 and Article VIII and (ii) subject to Section 5.3, nothing herein shall relieve any Party from liability for any fraud or willful breach of this Agreement prior to termination. Without limiting the foregoing, Section 4.2(b), Section 5.3, this Section 7.2, Section 7.3 and Article VIII shall survive the termination of this Agreement.

7.3 Fees and Expenses.

(a) Except as otherwise set forth in this Agreement, including this Section 7.3, all Expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring such expenses, whether or not the Merger or any other related transaction is consummated. As used in this Agreement, “**Expenses**” shall include all out-of-pocket expenses (including all fees and expenses of counsel, accountants, investment bankers, financing sources, experts and consultants to a Party hereto and its affiliates) incurred by a Party or on its behalf in connection with or related to the authorization, preparation, negotiation, execution or performance of this Agreement, the preparation, printing, filing or mailing of the Proxy Statement and Registration Statement, the solicitation of the Required Parent Vote and all other matters related to the consummation of the Merger. Each Party shall, upon the request of the other Party, disclose the costs that such Party has incurred or anticipates to incur with respect to the Merger and the transactions contemplated herein.

(b) Notwithstanding the foregoing Section 7.3(a), Parent will reimburse the Company, up to and not to exceed \$25,000, for audit expenses relating to the audit of 2007 Company Financials that exceed the amount of expense the Company incurred for its 2006 audit by Thomas Howell Ferguson.

7.4 Amendment.

This Agreement may be amended by the Parties hereto by action taken by or on behalf of their respective boards of directors and managers at any time prior to the Effective Time. This Agreement may only be amended pursuant to a written agreement signed by each of the Parties hereto.

7.5 Waiver.

At any time prior to the Effective Time, subject to applicable Law, any Party hereto may in its sole discretion (i) extend the time for the performance of any obligation or other act of any other Party hereto, (ii) waive any inaccuracy in the representations and warranties by such other Party contained herein or in any document delivered pursuant hereto and (iii) waive compliance by such other Party with any agreement or condition contained herein. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the Party or Parties to be bound thereby. Notwithstanding the foregoing, no failure or delay by the Company, Parent or Merger Sub in exercising any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise of any other right hereunder.

ARTICLE VIII

TRUST FUND WAIVER

8.1 Trust Fund Waiver. Reference is made to the final prospectus of Parent, dated October 4, 2007 (the “**Prospectus**”). The Company understands that, except for a portion of the interest earned on the amounts held in the Trust Fund, Parent may disburse monies from the Trust Fund only: (a) to its public stockholders in the event of the redemption of their shares or the dissolution and liquidation of Parent, (b) to Parent and the underwriters listed in the Prospectus (with respect to such underwriters’ deferred underwriting compensation only) after Parent consummates a business combination (as described in the Prospectus) or (c) as consideration to the sellers of a target business with which Parent completes a business combination. The Company agrees that the Company does not now have, and shall not at any time prior to the Closing have, any claim to, or make any claim against, the Trust Fund or any asset contained therein, regardless of whether such claim arises as a result of, in connection with or relating in any way to, the business relationship between the Company, on the one hand, and Parent, on the other hand, this Agreement, or any other agreement or any other matter, and regardless of whether such claim arises based on contract, tort, equity or any other theory of legal liability. The Company hereby irrevocably waives any and all claims it may have, now or in the future (in each case, however, prior to the consummation of a business combination), and will not seek recourse against, the Trust Fund for any reason whatsoever in respect thereof. In the event that the Company commences any action or proceeding based upon, in connection with, relating to or arising out of any matter relating to Parent, which proceeding seeks, in whole or in part, relief against the Trust Fund or the public stockholders of Parent, whether in the form of money damages or injunctive relief, Parent shall be entitled to recover from the Company the associated legal fees and costs in connection with any such action. This Section 8.1 shall not limit any covenant or agreement of the Parties that by its terms contemplates performance after the Effective Time.

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ARTICLE IX

MISCELLANEOUS

9.1 Survival.

The respective representations and warranties of the Company and Parent contained herein or in any certificates or other documents delivered prior to or at the Closing shall terminate at the Effective Time. Any indemnity claim arising under Section 5.3 hereof shall expire and be waived in perpetuity as of the Effective Time. None of the covenants set forth in Article IV and Section 5.2 shall survive the Effective Time. The Confidentiality Agreement shall survive termination of this Agreement in accordance with its terms.

9.2 Notices.

All notices, consents, waivers and other communications hereunder shall be in writing and shall be deemed to have been duly given when delivered in person, by facsimile, receipt confirmed, or on the next Business Day when sent by reliable overnight courier to the respective Parties at the following addresses (or at such other address for a Party as shall be specified by like notice):

(i) if to the Company, to:

United Insurance Holdings LC
700 Central Avenue
Suite 302
St. Petersburg, Florida 33701
Attention: Gregory C. Branch, Chairman
Facsimile: _____

with a copy to (but which shall not constitute notice to the Company):

Attention: _____
Facsimile: _____

(ii) if to Parent or Merger Sub, to:

FMG Acquisition Corp.
Four Forest Park
Second Floor
Farmington, Connecticut 06032
Attention: Gordon G. Pratt, Chairman
Facsimile: (860) 674-1163

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with a copy to (but which shall not constitute notice to Parent or Merger Sub):

Ellenoff Grossman & Schole, LLP
370 Lexington Avenue
New York, New York 10017
Attention: Douglas Ellenoff, Esq.
Facsimile: (212) 370-7889

9.3 Binding Effect; Assignment.

This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and permitted assigns. This Agreement shall not be assigned by operation of Law or otherwise without the prior written consent of the other Parties, and any assignment without such consent shall be null and void, except that Parent and Merger Sub may assign any or all of their rights and obligations hereunder to any direct or indirect wholly owned subsidiary of Parent; provided that no such assignment shall relieve the assigning Party of its obligations hereunder.

9.4 Governing Law; Jurisdiction.

This Agreement shall be governed by, construed and enforced in accordance with the Laws of the State of Delaware without regard to the conflict of laws principles thereof. All Actions arising out of or relating to this Agreement shall be heard and determined exclusively in any state or federal court located in New York, New York. The Parties hereto hereby (A) submit to the exclusive jurisdiction of any Delaware state or federal court for the purpose of any Action arising out of or relating to this Agreement brought by any Party hereto and (B) irrevocably waive, and agree not to assert by way of motion, defense or otherwise, in any such Action, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the Action is brought in an inconvenient forum, that the venue of the Action is improper, or that this Agreement or the transactions contemplated hereby may not be enforced in or by any of the above-named courts. Each of Parent, Merger Sub and the Company agrees that a final judgment in any action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Each of Parent, Merger Sub and the Company irrevocably consents to the service of the summons and complaint and any other process in any other action or proceeding relating to the transactions contemplated by this Agreement, on behalf of itself or its property, by personal delivery of copies of such process to such Party. Nothing in this Section 9.4 shall affect the right of any Party to serve legal process in any other manner permitted by Law.

9.5 Waiver of Jury Trial.

Each of the Parties hereto hereby waives to the fullest extent permitted by applicable Law any right it may have to a trial by jury with respect to any Action directly or indirectly arising out of, under or in connection with this Agreement or the transactions contemplated hereby. Each of the Parties hereto (A) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such other party would not, in the event of any Action, seek to enforce that foregoing waiver and (B) acknowledges that it and the other Parties hereto have been induced to enter into this Agreement by, among other things, the mutual waivers and certifications in this Section 9.5.

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9.6 Counterparts.

This Agreement may be executed and delivered (including by facsimile transmission) in one or more counterparts, and by the different Parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

9.7 Interpretation.

The article and section headings contained in this Agreement are solely for the purpose of reference, are not part of the agreement of the Parties and shall not in any way affect the meaning or interpretation of this Agreement. As used in this Agreement, (i) the term “**Person**” shall mean and include an individual, a partnership, a joint venture, a corporation, a limited liability company, a trust, an association, an unincorporated organization, a Governmental Authority and any other entity, (ii) unless otherwise specified herein, the term “**affiliate**,” with respect to any Person, shall mean and include any Person, directly or indirectly, through one or more intermediaries controlling, controlled by or under common control with such Person, (iii) the term “**subsidiary**” of any specified Person shall mean any corporation a majority of the outstanding voting power of which, or any partnership, joint venture, limited liability company or other entity a majority of the total equity interests of which, is directly or indirectly (either alone or through or together with any other subsidiary) owned by such specified Person, (iv) the term “**knowledge**,” when used with respect to the Company, shall mean the actual knowledge after due inquiry of Don Cronin, Nick Griffin, Eugene Hearn, Gregory C. Branch, Alec L. Pointevint, II and Melville Atwood Russell, II, and, when used with respect to Parent, shall mean the knowledge of the executive officers of Parent after due inquiry, and (v) the term “**Business Day**” means any day on which the principal offices of the SEC in Washington, D.C. are open to accept filings, or, in the case of determining a date when any payment is due, any day on which banks are not required or authorized to close in the City of New York. Whenever the words “include,” “includes” or “including” are used in this Agreement, they shall be deemed to be followed by the words “without limitation.” The words “hereof,” “herein,” “hereby” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. The Parties have participated jointly in the negotiation and drafting of this Agreement. Consequently, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any provision of this Agreement.

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9.8 Entire Agreement.

This Agreement and the documents or instruments referred to herein, including any exhibits attached hereto and the Company Disclosure Schedule referred to herein, which exhibits and Company Disclosure Schedule are incorporated herein by reference and the Confidentiality Agreement embody the entire agreement and understanding of the Parties hereto in respect of the subject matter contained herein. There are no restrictions, promises, representations, warranties, covenants or undertakings, other than those expressly set forth or referred to herein. This Agreement and such other agreements supersede all prior agreements and the understandings among the Parties with respect to such subject matter.

9.9 Severability.

In case any provision in this Agreement shall be held invalid, illegal or unenforceable in a jurisdiction, such provision shall be modified or deleted, as to the jurisdiction involved, only to the extent necessary to render the same valid, legal and enforceable, and the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby nor shall the validity, legality or enforceability of such provision be affected thereby in any other jurisdiction. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in a mutually acceptable manner in order that the Merger be consummated as originally contemplated to the fullest extent possible.

9.10 Specific Performance.

The Parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed by the Company or the Parent or the Merger Sub in accordance with their specific terms or were otherwise breached. Accordingly, the Parties further agree that prior to the termination of this Agreement pursuant to Article VI, each Party shall be entitled to seek an injunction or restraining order to prevent breaches of this Agreement and to seek to enforce specifically the terms and provisions hereof, this being in addition to any other right or remedy to which such Party may be entitled under this Agreement, at law or in equity.

9.11 Third Parties.

Nothing contained in this Agreement or in any instrument or document executed by any party in connection with the transactions contemplated hereby shall create any rights in, or be deemed to have been executed for the benefit of, any Person that is not a party hereto or thereto or a successor or permitted assign of such a party other than Sections 1.4 and 5.3 hereof (which is intended to be for the benefit of the Persons covered thereby and may be enforced by such Persons). Without limiting the foregoing, Section 1.4 hereof is intended to be for the benefit of the Members and may be brought by any Members or their representatives.

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[SIGNATURE PAGE FOLLOWS]

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IN WITNESS WHEREOF, the Parties hereto have caused this Agreement and Plan of Merger to be signed and delivered by their respective duly authorized officers as of the date first above written.

UNITED INSURANCE HOLDINGS LC

By:

Name:

Title:

FMG ACQUISITION CORP.

By:

Name:

Title:

UNITED SUBSIDIARY CORP.

By:

Name:

Title:

[SIGNATURE PAGE TO AGREEMENT AND PLAN OF MERGER]

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ANNEX B

**SECOND AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
FMG ACQUISITION CORP.**

FMG Acquisition Corp., a Delaware corporation (the "Corporation"), does hereby certify as follows:

1. The name of the Corporation is FMG Acquisition Corp. The date of filing of its original Certificate of Incorporation with the Secretary of State was May 22, 2007 under the name of FMG Acquisition Corp. The date of filing of its Amended and Restated Certificate of Incorporation with the Secretary of State was October 4, 2007 under the name of FMG Acquisition Corp.
2. This Second Amended and Restated Certificate of Incorporation of FMG Acquisition Corp., in the form attached hereto as Exhibit A, has been duly adopted in accordance with the provisions of Sections 228, 242 and 245 of the Delaware General Corporation Law by the directors and stockholders of the Corporation.
3. This Second Amended and Restated Certificate of Incorporation restates, integrates and amends the Amended and Restated Certificate of Incorporation of the Corporation.
4. This Second Amended and Restated Certificate of Incorporation shall be effective on the date of filing with the Secretary of State of the State of Delaware.
5. The text of the Amended and Restated Certificate of Incorporation of the Corporation is hereby amended and restated to read in its entirety as set forth on Exhibit A attached hereto and incorporated herein by reference.

IN WITNESS WHEREOF, the Corporation has caused this Second Amended and Restated Certificate of Incorporation to be duly executed on its behalf by an authorized officer on this ____ day of _____, 2008.

FMG ACQUISITION CORP.

By:

Name: Donald J. Cronin
Title: Chief Executive Officer

EXHIBIT A

**SECOND AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
FMG ACQUISITION CORP.**

FIRST: The name of the corporation is United Insurance Holdings Corp. (the “Corporation”).

SECOND: The address of the Corporation’s registered office in the State of Delaware is National Registered Agents, Inc., 160 Greentree Drive, Suite 101, Dover, Delaware 19904, County of Kent. The name of the Corporation’s registered agent at such address is National Registered Agents, Inc.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which corporations may be organized under the Delaware General Corporation Law, as amended from time to time (the “DGCL”). In addition to the powers and privileges conferred upon the Corporation by law and those incidental thereto, the Corporation shall possess and may exercise all the powers and privileges which are necessary or convenient to the conduct, promotion or attainment of the business or purposes of the Corporation.

FOURTH: The total number of shares of all classes of capital stock which the Corporation shall have authority to issue is 51,000,000, of which 50,000,000 shares shall be Common Stock of the par value of \$.0001 per share and 1,000,000 shares shall be Preferred Stock of the par value of \$.0001 per share.

A. Preferred Stock. The Board of Directors is expressly granted authority to issue shares of the Preferred Stock, in one or more series, and to fix for each such series such voting powers, full or limited, and such designations, preferences and relative, participating, optional or other special rights and such qualifications, limitations or restrictions thereof as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issue of such series (a “Preferred Stock Designation”) and as may be permitted by the DGCL. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, without a separate vote of the holders of the Preferred Stock, or any series thereof, unless a vote of any such holders is required pursuant to any Preferred Stock Designation.

B. Common Stock. Except as otherwise required by law or as otherwise provided in any Preferred Stock Designation, the holders of the Common Stock shall exclusively possess all voting power and each share of Common Stock shall have one vote.

FIFTH: The Corporation's existence shall be perpetual.

SIXTH: The Board of Directors shall be divided into two classes: Class A and Class B. The number of directors in each class shall be as nearly equal as possible. Commencing at the first Annual Meeting of Stockholders, and at each annual meeting thereafter, directors elected to succeed those directors whose terms expire shall be elected for a term of office to expire at the second succeeding annual meeting of stockholders after their election. Except as the DGCL may otherwise require, in the interim between annual meetings of stockholders or special meetings of stockholders called for the election of directors and/or the removal of one or more directors and the filling of any vacancy in that connection, newly created directorships and any vacancies in the Board of Directors, including unfilled vacancies resulting from the removal of directors for cause, may be filled by the vote of a majority of the remaining directors then in office, although less than a quorum (as defined in the Corporation's Bylaws), or by the sole remaining director. All directors shall hold office until the expiration of their respective terms of office and until their successors shall have been elected and qualified. A director elected to fill a vacancy resulting from the death, resignation or removal of a director shall serve for the remainder of the full term of the director whose death, resignation or removal shall have created such vacancy and until his successor shall have been elected and qualified.

SEVENTH: The following provisions are inserted for the management of the business and for the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

- A. Election of directors need not be by ballot unless the by-laws of the Corporation so provide.
 - B. The Board of Directors shall have the power, without the assent or vote of the stockholders, to make, alter, amend, change, add to or repeal the by-laws of the Corporation.
 - C. The directors in their discretion may submit any contract or act for approval or ratification at any annual meeting of the stockholders or at any meeting of the stockholders called for the purpose of considering any such act or contract, and any contract or act that shall be approved or be ratified by the vote of the holders of a majority of the stock of the Corporation which is represented in person or by proxy at such meeting and entitled to vote thereat (provided that a lawful quorum of stockholders be there represented in person or by proxy) shall be as valid and binding upon the Corporation and upon all the stockholders as though it had been approved or ratified by every stockholder of the Corporation, whether or not the contract or act would otherwise be open to legal attack because of directors' interests, or for any other reason.
 - D. In addition to the powers and authorities hereinbefore or by statute expressly conferred upon them, the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation; subject, nevertheless, to the provisions of the statutes of Delaware, of this Certificate of Incorporation, and to any by-laws from time to time made by the stockholders; provided, however, that no by-law so made shall invalidate any prior act of the directors which would have been valid if such by-law had not been made.
-

EIGHTH: A. A director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for any breach of fiduciary duty by such director as a director, except for liability (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, or (iv) for any transaction from which the director derived an improper personal benefit. If the DGCL is amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the DGCL, as so amended. Any repeal or modification of this paragraph A by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation with respect to events occurring prior to the time of such repeal or modification.

B. The Corporation, to the full extent permitted by Section 145 of the DGCL, as amended from time to time, shall indemnify all persons whom it may indemnify pursuant thereto. Expenses (including attorneys' fees) incurred by an officer or director in defending any civil, criminal, administrative, or investigative action, suit or proceeding for which such officer or director may be entitled to indemnification hereunder shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized hereby.

NINTH: Whenever a compromise or arrangement is proposed between this Corporation and its creditors or any class of them and/or between this Corporation and its stockholders or any class of them, any court of equitable jurisdiction within the State of Delaware may, on the application in a summary way of this Corporation or of any creditor or stockholder thereof or on the application of any receiver or receivers appointed for this Corporation under Section 291 of Title 8 of the Delaware Code or on the application of trustees in dissolution or of any receiver or receivers appointed for this Corporation under Section 279 of Title 8 of the Delaware Code order a meeting of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, to be summoned in such manner as the said court directs. If a majority in number representing three fourths in value of the creditors or class of creditors, and/or of the stockholders or class of stockholders of this Corporation, as the case may be, agree to any compromise or arrangement and to any reorganization of this Corporation as a consequence of such compromise or arrangement, the said compromise or arrangement and the said reorganization shall, if sanctioned by the court to which the said application has been made, be binding on all the creditors or class of creditors, and/or on all the stockholders or class of stockholders, of this Corporation, as the case may be, and also on this Corporation.

TENTH: The Corporation hereby elects not to be governed by Section 203 of the DGCL.

ANNEX C

March 20, 2008

Board of Directors
FMG Acquisition Corp.
Four Forest Park
Second Floor
Farmington, CT 06032

Dear Members of the Board of Directors:

We understand that FMG Acquisition Corp. (“Parent” or “You”) will enter into an Agreement and Plan of Merger, on or about April 2, 2008, with United Insurance Holdings LC, a Florida limited liability company (the “Company”) and United Acquisition Corp., a Florida corporation and wholly-owned subsidiary of Parent (“Merger Sub”) (the “Agreement”).

Pursuant to the Agreement, Parent, the Company, and Merger Sub intend to effect the merger of Merger Sub with and into the Company (the “Merger”), with the Company continuing as the surviving entity in the Merger, as a result of which the entire issued and outstanding membership interest of the Company (the “Membership Interest”) will automatically be exchanged into the right to receive the Consideration (as defined herein), without interest, upon the terms and subject to the conditions set forth in the Agreement. Upon consummation of the Merger, the separate existence of Merger Sub shall thereupon cease and the Company, as the surviving entity in the Merger (the “Surviving Company”), shall continue its limited liability company existence as a wholly-owned subsidiary of Parent.

All of the Membership Interest (other than Dissenting Membership Interest (as defined in the Agreement)) shall automatically be converted into the right to receive an aggregate of: (i) Twenty Five Million Dollars (\$25,000,000) in cash (the “Cash Consideration”) payable, without interest, to the holders of Membership Interest of the Company (individually, a “Member” and collectively, the “Members”); plus, Eight Million Seven Hundred Fifty Thousand (8,750,000) shares of Parent common stock, par value \$0.0001 per share (the “Common Stock”), issuable to the Members in accordance with the allocation set forth in Exhibit A to the Agreement (the “Stock Consideration”) (the Cash Consideration and Stock Consideration, collectively, the “Initial Consideration”); plus, up to Five Million Dollars (\$5,000,000) in cash (the “Additional Consideration”) payable, without interest, to the Members as more fully set forth below. The Initial Consideration and Additional Consideration, are collectively, hereinafter referred to as the “Consideration”.

With respect to the Additional Consideration, Parent shall pay Members (as defined in the Agreement) Two Dollars (\$2.00) in cash for each dollar that the Net Income of the Surviving Company exceeds Twenty Five Million Dollars (\$25,000,000) during any of the period of (i) July 1, 2008 through June 30, 2009, and (ii) January 1, 2009 through December 31, 2009. In no event shall the Additional Consideration exceed \$5,000,000 in aggregate. “Net Income” shall mean the net income achieved by Surviving Company for the applicable period computed according to United States generally accepted accounting principles applied in a manner consistent with the Company’s past practices (but excluding (a) costs and expenses associated with the Agreement and the Merger and (b) revenue associated with bonuses paid to the Company under any “take-out” transactions completed before January 1, 2008).

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March 20, 2008
Board of Directors
FMG Acquisition Corp.

You have requested our opinion as to whether the Consideration to be paid by Parent pursuant to the Merger is fair, from a financial point of view, to the holders of Common Stock of Parent.

In connection with this opinion, we have made such reviews, analyses and inquiries as we have deemed necessary and appropriate under the circumstances. We have, among other things:

- (i) reviewed a draft of the Agreement, dated March 12, 2008, which we understand will be substantially in conformity with the final executed Agreement;
- (ii) reviewed certain publicly available financial and other information about Parent and the Company, including, among other things, the Company's annual reports to shareholders for the fiscal years ended December 31, 2004 through December 31, 2007;
- (iii) reviewed certain information furnished to us by the Company's management, including historical financial information and financial forecasts and analyses relating to the business, operations and prospects of the Company, including, among other things, financial forecasts with respect to the fiscal years ended December 31, 2008 through December 31, 2012, which information included (a) limited forecast information relating to the Company's business, having been advised that more detailed financial forecasts for that business were not available, and (b) certain adjustments to the Company's historical financial statements that were prepared by the management of the Company and also agreed to by Parent's management;
- (iv) met with certain members of the senior management of Parent and the Company to discuss the operations, financial condition, future prospects and projected operations and performance of the Company; and
- (v) conducted such other studies, analyses and inquiries as we have deemed appropriate.

In our review and analysis and in rendering this opinion, we have assumed and relied upon, but have not assumed any responsibility to independently investigate or verify, the accuracy and completeness of all financial and other information that was supplied or otherwise made available to us by Parent and the Company or that was publicly available (including, without limitation, the information described above), or that was otherwise reviewed by us. In our review, we did not obtain any independent evaluation or appraisal of any of the assets or liabilities of, nor did we conduct a physical inspection of any of the properties or facilities of, Parent or the Company, and have not attempted to confirm whether Parent or the Company have good title to their respective assets, nor have we been furnished with any such evaluations or appraisals of such physical inspections, nor do we assume any responsibility to obtain any such evaluations or appraisals.

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March 20, 2008
Board of Directors
FMG Acquisition Corp.

With respect to the financial forecasts provided to and examined by us, we note that projecting future results of any company is inherently subject to uncertainty. We also note that the financial forecasts relating to the Company's business were limited and we have been advised by the Company that more detailed financial forecasts for its business were not available, and that there were certain adjustments to the Company's historical financial statements that were prepared by the management of the Company and agreed to by Parent's management. Parent and the Company have informed us, however, and we have assumed, that such financial forecasts were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of the Company as to the future financial performance of the Company, and to the extent that the financial forecasts were considered by us as part of our analysis, we have relied solely upon such financial forecasts as prepared by the management of the Company without independent investigation. We express, therefore, no opinion as to the reliability of the Company's financial forecasts or the underlying assumptions on which they are made. We have also relied upon and assumed without independent verification that there have been no material changes in the assets, liabilities, financial condition, business or prospects of the Company since the date of the most recent financial statements and forecasts provided to us.

Our opinion is based on economic, monetary, regulatory, market and other conditions existing and which can be evaluated as of the date hereof. We expressly disclaim any undertaking or obligation to advise any person of any change in any fact or matter affecting our opinion of which we become aware after the date hereof.

We have made no independent investigation of any legal or accounting matters affecting Parent or the Company, and we have assumed the correctness in all material respects to our analysis of all legal and accounting advice given to Parent and its Board of Directors, including, without limitation, advice as to the legal, accounting and tax consequences of the terms of, and transactions contemplated by, the Agreement to Parent and its stockholders. We have also assumed that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the Merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Parent, the Company or the contemplated benefits of the Merger.

We have assumed that the final form of the Agreement will be in all material respects identical to the last draft reviewed by us, without modification of material terms or conditions by Parent or any party thereto. We have relied upon and assumed, without independent verification, that (i) the representations and warranties of all parties to the Agreement and all other related documents and instruments that are referred to therein are true and correct, (ii) each party to all such agreements will fully and timely perform all of the covenants and agreements required to be performed by such party, (iii) all conditions to the consummation of the Merger will be satisfied without waiver thereof, and (iv) the Merger will be consummated in a timely manner in accordance with the terms described in the agreements and document provided to us, without any material amendments or modifications thereto or any adjustment to the Consideration (through offset, reduction, indemnity claims or otherwise) or any other financial term of the Merger. We assumed that the Merger will be consummated in a manner that complies in all respects with the applicable provisions of the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, and all other applicable federal and state statutes, rules and regulations.

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March 20, 2008
Board of Directors
FMG Acquisition Corp.

We have also (i) reviewed the share trading price history for the Common Stock of Parent for the period ending March 20, 2008, and considered the implied value of the Consideration based upon the closing price of the Common Stock of Parent as of such date; (ii) reviewed the valuation multiples for certain publicly traded companies that we deemed relevant and that are in lines of business similar to the Company; (iii) compared the proposed financial terms of the Merger with the financial terms of certain other transactions that we deemed relevant; (iv) reviewed and analyzed the projected free cash flows of the Company and prepared a discounted cash flow analysis; and (v) conducted such other financial studies, analyses and investigations as we deemed appropriate.

In addition, we were not requested to and did not provide advice concerning the structure of the Merger, the specific amount of the Consideration, or any other aspects of the Merger, or to provide services other than the delivery of this opinion. We were not authorized to and did not solicit any expressions of interest from any other parties with respect to the sale of all or any part of Parent or any other alternative transaction. We did not participate in negotiations with respect to the terms of the Merger and related transactions. Consequently, we have assumed without independent investigation that such terms are the most beneficial terms from Parent's perspective that could under the circumstances be negotiated among the parties to such transactions, and no opinion is expressed whether any alternative transaction might result in terms and conditions more favorable to Parent or its stockholders than those contemplated by the Agreement.

It is understood that our opinion is for the use and benefit of the Board of Directors of Parent in its consideration of the Merger, and our opinion does not address the relative merits of the transaction contemplated by the Agreement as compared to any alternative transaction or opportunity that might be available to Parent, nor does it address the underlying business decision by Parent to engage in the Merger or the terms of the Agreement or the documents referred to therein. Our opinion does not constitute a recommendation as to how any holder of shares of the Common Stock of Parent should vote on the Merger or any matter related thereto. This opinion should not be construed as creating any fiduciary duty on Piper Jaffray & Co.'s part to any party. In addition, you have not asked us to address, and this opinion does not address, the fairness, financial or otherwise, of: (i) the amount or nature of any compensation to be paid to Parent's officers, directors, or employees, or any class of such persons, relative to the compensation to be paid to or received by any other person, or (ii) any other consideration to be paid to or received by the holders of any class of securities, creditors or other constituencies of the Merger, other than the holders of shares of the Common Stock of Parent.

We express no opinion as to the price at which shares of Common Stock of Parent will trade at any time. Furthermore, no opinion, counsel, or interpretation is intended in matters that require legal, accounting, insurance, tax or other similar professional advice. It is assumed that such opinions, counsel, or interpretations have been or will be obtained from the appropriate professional sources, and we have relied, with your consent, on the assessment by Parent and its advisers, as to all legal, regulatory, accounting, insurance, and tax matters with respect to Parent and the Merger. We have been engaged by Parent in connection with the delivery of this opinion and will receive a fee for our services, which is payable upon our presentation of this opinion. We will also be reimbursed for our incurred expenses in connection with this engagement. Parent has agreed to indemnify us against liabilities arising out of or in connection with the services rendered and to be rendered by us under such engagement.

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March 20, 2008
Board of Directors
FMG Acquisition Corp.

In the ordinary course of our business, we and our affiliates may trade or hold securities of Parent and/or its affiliates for our own account and for the accounts of our customers and, accordingly, may at any time hold long or short positions in those securities. In addition, we may seek to, in the future, provide financial advisory and financing services to Parent, the Company or entities that are affiliated with Parent or the Company, for which we would expect to receive compensation.

Our opinion has been authorized for issuance by the Piper Jaffray & Co. Opinion Committee. Except as otherwise expressly provided in our engagement letter with Parent, our opinion may not be used or referred to by Parent, or quoted or disclosed to any person in any manner, without our prior written consent.

Based upon and subject to the foregoing, and in reliance thereon, we are of the opinion that, as of the date hereof, the Consideration to be paid by Parent pursuant to the Merger is fair, from a financial point of view, to the holders of Common Stock of Parent.

Very truly yours,

/s/ PIPER JAFFRAY & CO.

PIPER JAFFRAY & CO.
