

ASSURANCEAMERICA CORP

Form DEF 14A

April 10, 2009

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)**

**Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to § 240.14a-12

ASSURANCEAMERICA CORPORATION

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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ASSURANCEAMERICA CORPORATION
RiverEdge One
Suite 600
5500 Interstate North Parkway
Atlanta, Georgia 30328

NOTICE OF ANNUAL SHAREHOLDERS MEETING
TO BE HELD APRIL 30, 2009

Notice is hereby given that the 2009 Annual Shareholders Meeting (the Annual Meeting) of AssuranceAmerica Corporation, a Nevada corporation, will be held at our main offices at RiverEdge One, Suite 600, 5500 Interstate North Parkway, Atlanta, Georgia 30328, on Thursday, April 30, 2009, at 11:15 a.m., local time, for the following purposes:

1. *Election of Directors.* To elect six directors to serve until the 2010 Annual Shareholders Meeting and until their successors are duly elected and qualified; and
2. *Amendment to the Company s 2000 Stock Option Plan.* To amend the Company s 2000 Stock Option Plan to increase the shares available for option grants under such plan; and
3. *Other Business.* The transaction of such other business as may properly come before the Annual Meeting, including adjourning the Annual Meeting to permit, if necessary, further solicitation of proxies.

Only shareholders of record at the close of business on March 31, 2009, are entitled to receive notice of and to vote at the Annual Meeting or any adjournment or postponement thereof.

Your vote is very important, regardless of the number of shares you own. You are encouraged to vote by proxy so that your shares will be represented and voted at the Annual Meeting even if you cannot attend. All shareholders of record can vote by using the proxy card. However, if you are a shareholder whose shares are not registered in your own name, you will need additional documentation from your record holder to vote personally at the Annual Meeting.

By Order Of the Board of Directors.

/s/ Guy W. Millner

/s/ Joe Skruck

Guy W. Millner
Chairman and Chief Executive Officer

Joe Skruck
President

Atlanta, Georgia
April 10, 2009

**ASSURANCEAMERICA CORPORATION
PROXY STATEMENT FOR 2009
ANNUAL SHAREHOLDERS MEETING**

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ASSURANCEAMERICA CORPORATION

PROXY STATEMENT FOR 2009 ANNUAL SHAREHOLDERS MEETING

This Proxy Statement is being furnished to you in connection with the solicitation by and on behalf of our Board of Directors of proxies for use at the 2009 Annual Shareholders Meeting (the Annual Meeting) at which you will be asked to vote upon:

the election of six Directors to serve until the 2010 Annual Shareholders Meeting and until their successors are duly elected and qualified (see Proposal 1); and

an amendment to our 2000 Stock Option Plan to increase the number of shares available for grant under the plan to 8,500,000 shares (see Proposal 2); and

such other business as may come properly come before the Annual Meeting, including adjourning the meeting to permit, if necessary, further solicitations of proxies.

The Annual Meeting will be held at 11:15 a.m., local time, on Thursday, April 30, 2009, at our main offices at RiverEdge One, Suite 600, 5500 Interstate North Parkway, Atlanta, Georgia 30328. This Proxy Statement and the enclosed proxy are first being mailed to shareholders on or about April 10, 2009.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to be held April 30, 2009.

The Proxy Statement and the 2008 Annual Report on Form 10-K are available through our website at www.assuranceamerica.com, in the Investor Relations Section, at <http://materials.proxyvote.com/04621M>.

VOTING INFORMATION

Proxy Card and Revocation

You are requested to promptly sign, date and return the accompanying proxy card to us in the enclosed envelope. Any shareholder who has delivered a proxy may revoke it at any time before it is voted by electing to vote in person at the Annual Meeting, by giving notice of revocation in writing or by submitting to us a signed proxy bearing a later date, provided that we actually receive such notice or proxy prior to the taking of the shareholder vote at the Annual Meeting. Any notice of revocation should be sent to RiverEdge One, Suite 600, 5500 Interstate North Parkway, Atlanta, Georgia 30328, Attention: Mark H. Hain, Secretary. The shares of our common stock represented by properly executed proxies received at or before the Annual Meeting and not subsequently revoked will be voted as directed in such proxies. If instructions are not given, shares represented by proxies received will be voted FOR the election of each of the six nominees for Director and FOR the amendment to the 2000 Stock Option Plan. As of the date of this Proxy Statement, we are unaware of any other matter to be presented at the Annual Meeting.

Who Can Vote; Voting Of Shares

Our Board of Directors has established the close of business on March 31, 2009, as the record date (the Record Date) for determining our shareholders entitled to notice of and to vote at the Annual Meeting. Only our shareholders of record as of the Record Date will be entitled to vote at the Annual Meeting. A plurality of votes cast at the Annual Meeting will be required to elect six Directors to serve until the 2010 Annual Shareholders Meeting and until their successors are duly elected and qualified. A plurality means that the nominees who receive the most votes for the

available directorships will be elected as Directors. Accordingly, the withholding of authority by a shareholder will not be counted in computing a plurality and will have no effect on the results of the election of such nominees. The affirmative vote of a majority of our outstanding common stock present in person or represented by proxy and entitled to vote at the Annual Meeting will be required to approve the amendment to our 2000 Stock Option Plan and any other matter properly brought before the Annual Meeting.

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Under certain circumstances, brokers are prohibited from exercising discretionary authority for beneficial owners who have not returned proxies to the brokers (so-called broker non-votes). In such cases, those shares will be counted for the purpose of determining if a quorum is present but will not be included in the vote totals with respect to those matters for which the broker cannot vote. Abstentions and broker non-votes are each included in the determination of the number of shares present and voting for the purpose of determining whether a quorum is present, and each is tabulated separately. Because Directors are elected by a plurality, abstentions and broker non-votes have no effect on the election of Directors. With respect to the approval of the amendment to our 2000 Stock Option Plan and all other matters properly brought before the Annual Meeting, abstentions are counted as votes against a proposal and broker non-votes are not counted.

As of the Record Date, there were 65,176,103 shares of our common stock outstanding and entitled to vote at the Annual Meeting, with each share entitled to one vote.

The presence, in person or by proxy, of holders of 10% of the outstanding shares of our common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum of the shareholders in order to take action at the Annual Meeting. For these purposes, shares of our common stock that are present, or represented by proxy, at the Annual Meeting will be counted for quorum purposes regardless of whether the holder of the shares or proxy fails to vote on any matter or whether a broker with discretionary authority fails to exercise its discretionary voting authority with respect to any matter.

How You Can Vote

You may vote your shares by marking the appropriate boxes on the enclosed proxy card. You must sign and return the proxy card promptly in the enclosed self-addressed envelope. **Your vote is important. Even if you plan to attend the Annual Meeting in person, please return your marked proxy card promptly to ensure that your shares will be represented.**

PROPOSAL 1 ELECTION OF DIRECTORS

Number of Directors

Our Bylaws provide that our Board of Directors will consist of not less than one and no more than ten directors. The number of Directors has been set at six by the Board. Our Board of Directors currently consists of eight Directors.

Nominees

We have selected six nominees that we propose for election to our Board of Directors. The nominees are John E. Cay III, Quill O. Healey, Guy W. Millner, Donald Ratajczak, Kaaren J. Street, and Sam Zamarripa. Each of the nominees presently serves on our Board of Directors. It is intended that each proxy solicited on behalf of the Board of Directors will be voted only for the election of the designated nominees.

Each of the nominees has consented to being named in this Proxy Statement and to serve as a Director if elected. In the event that any nominee withdraws or for any reason is not able to serve as a Director, the proxy will be voted for such other person as may be designated by the Board of Directors (or to reduce the number of persons to be elected by the number of persons unable to serve), but in no event will the proxy be voted for more than six nominees.

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The following table sets forth the names and ages, as of March 23, 2009, of the members of our Board of Directors who have been nominated for reelection.

Name	Age	Director Since	Position
Guy W. Millner	73	2003	Chairman of the Board and Chief Executive Officer
Donald Ratajczak	66	2000	Director
Quill O. Healey	69	2003	Director
John E. Cay III	64	2003	Director
Kaaren J. Street	62	2004	Director
Sam Zamarripa	56	2004	Director

Biographies of Directors

Guy W. Millner has served as the Chairman of the Board since June 2003 and Chief Executive Officer since October 3, 2008. Mr. Millner served as Chairman of AA Holdings, LLC, the predecessor of the Company, from 1998 to 2003. From 1961 to 1999, Mr. Millner served as Chairman of Norrell Corporation, a leading provider of staffing and outsourcing solutions.

Donald Ratajczak has served on our Board of Directors since 2000. Dr. Ratajczak previously served as the Chairman of our Board of Directors and our Chief Executive Officer from May 2000 to June 2003. From May 2000 to November 2000, Dr. Ratajczak also served as our President. From July 1973 to June 2000, he served as a professor and Director of Economic Forecasting Center at the J. Mack Robinson College of Business Administration at Georgia State University. Dr. Ratajczak currently serves on the Board of Directors of the following organizations: Crown Crafts, Inc., a textile manufacturing company; Ruby Tuesday, Inc., a food service company; and Citizens Bancshares, a holding company for Citizens Trust Company. He is a consulting economist for Morgan, Keegan & Co., a broker/dealer company.

Quill O. Healey has served on our Board of Directors since June 2003 and is Managing Partner of Healey Investments, L.P. He retired as Chairman of Marsh, USA in 2001, after serving in that capacity since 1998.

John E. Cay III has served on our Board of Directors since June 2003. He has served as Chairman of Wachovia Insurance Services since May 2005 and served as Chairman and Chief Executive Officer of Palmer & Cay, Inc., a risk management and benefits consulting firm, from 1972 to May 2005.

Sam Zamarripa has served on our Board of Directors since August 2004. Mr. Zamarripa has been the President of Zamarripa Capital, Inc. since 2007 and was a managing partner of Heritage Capital Advisors, LLC, an investment banking services firm, from 2002 to 2007.

Kaaren J. Street has served on our Board of Directors since November 2004. She has been the President of K Street Associates, Inc., a business development and consulting firm since 2003. From August 2001 to August 2003, Mrs. Street served as the Associate Deputy Administrator for Entrepreneurial Development for the U.S. Small Business Administration. Prior to 2001, Mrs. Street served as Vice-President of Enterprise Florida, Inc., a public-private partnership responsible for economic development and international trade in Florida.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE ELECTION OF EACH NAMED NOMINEE FOR DIRECTOR.

Meetings and Committees of the Board

Our Board of Directors held four meetings during the year ended December 31, 2008. Each Director attended 75% or more of the aggregate number of meetings held by the Board of Directors and the Committees, if any, on which such Director served, except Mrs. Street, who was unable to attend one of three Compensation Committee meetings. The Board of Directors has a standing Compensation Committee. The

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Compensation Committee is composed of Mr. Zamarripa, Chairman, John Ray and Mrs. Street. The Compensation Committee met three times in 2008. The Compensation Committee is responsible for overseeing the compensation and benefits of our management and employees and acts in accordance with a charter adopted by the Board of Directors. The Board of Directors has a standing Audit Committee. The Audit Committee is composed of Mr. Healey, Chairman, Mr. Cay, and Dr. Ratajczak. The Audit Committee met six times in 2008. The Audit Committee acts pursuant to a charter adopted by the Board of Directors. Mr. Healey and Dr. Ratajczak are audit committee financial experts as defined by the SEC rules. Copies of the current charters for each of the Compensation Committee and Audit Committee as well as the Company's Code of Ethics are available at our website, www.assuranceamerica.com, under "Governance" in the investor relations section of the website.

Because approximately 54% of our outstanding common stock is beneficially held by two individuals, our Board of Directors feels that it is appropriate not to have a standing Nominating Committee or to consider nominees submitted by our shareholders. Each of the members of our Board of Directors participates in the consideration of Director nominees. The Board has not established specific, minimum qualifications for a nominee to the Board of Directors. The Board considers the personal attributes of a candidate, including leadership, integrity, independence, interpersonal skills, contributing nature, and effectiveness. The candidates' experience and business attributes are also considered and include financial acumen, general business experience, industry knowledge, diversity of viewpoint, special business experience and expertise. Messrs. Healey, Cay, Ratajczak, Ray, Zamarripa, and Mrs. Kaaren J. Street are independent directors, as defined in Rule 4200 of the Nasdaq Marketplace Rules, the standard we use to evaluate the independence of our directors, and Messrs. Healy, Cay, and Ratajczak are independent as defined in Rule 10A-3(b)(1)(ii) of the Securities Exchange Act of 1934, or the Exchange Act, regarding independence of audit committee members. Since October 3, 2008, Mr. Millner has served as our Chairman and Chief Executive Officer. Mr. Stumbaugh served as our Chief Executive Officer until October 3, 2008 when he became Vice-Chairman. As a result, Messrs. Millner and Stumbaugh are not independent directors. Our Board of Directors does not have a charter relating to the nomination of Directors.

Our directors are expected to attend each annual shareholders meeting but are not required to do so. Last year, each director attended our annual shareholders meeting.

Communicating with the Board

If you wish to communicate with our Board of Directors or any individual Director, you may send correspondence to: AssuranceAmerica Corporation, RiverEdge One, Suite 600, 5500 Interstate North Parkway, Atlanta, Georgia 30328, Attention: Corporate Secretary. Our Corporate Secretary will submit your correspondence to the Board or the appropriate Director, as applicable.

Director Compensation

Our non-officer directors are granted an option to purchase 50,000 shares of our common stock (exercisable over five years and having an exercise price equal to the fair market value of the Company's common stock on the date of the grant) upon their initial election to the Board of Directors. Annually through December 31, 2007, each non-officer director could choose between an award of 20,000 shares of our common stock or a cash fee of \$2,500 per quarter. For 2008, each non-officer director chose between (i) an amount in cash equal to \$10,000, plus the number of shares equal to \$10,000 divided by the share price on December 31 of the prior year, or (ii) if they accept all stock for their fee, the number of shares equal to \$30,000 divided by the share price on December 31 of the prior year. For 2009, each non-officer director may choose between (i) an amount in cash equal to \$15,000, plus the number of shares equal to \$15,000 divided by the share price on December 31 of the prior year, or (ii) the number of shares equal to \$30,000 divided by the share price on December 31 of the prior year. We reimburse each non-officer director for travel expenses related to attendance at Board and committee meetings.

For the year ended December 31, 2008, Guy W. Millner and Lawrence Stumbaugh were not compensated in their capacity as Directors. Donald Ratajczak, Quill O. Healey, and John E. Cay III each accepted a grant of 47,619 shares of our common stock for their service for the year ended December 31, 2008 and John Ray,

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Sam Zamarripa, and Kaaren Street elected \$10,000 and 15,873 shares of our common stock for their services for the year ended December 31, 2008.

DIRECTOR COMPENSATION

Name	Fees Earned or Paid in		Stock Awards	Total
	Cash (\$)	# of Shares	(\$)(1)	(\$)
Donald Ratajczak		47,619	30,000	30,000
Quill O. Healey		47,619	30,000	30,000
John E. Cay III		47,619	30,000	30,000
Kaaren J. Street	10,000	15,873	10,000	20,000
Sam Zamarripa	10,000	15,873	10,000	20,000
John Ray	10,000	15,873	10,000	20,000

(1) Reflects the accounting expense the Company recognized in 2008 for the shares of unrestricted stock granted to the directors determined in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004) Share-Based Payment (SFAS 123R).

PROPOSAL 2 AMENDMENT TO THE COMPANY S 2000 STOCK OPTION PLAN TO INCREASE THE SHARES AVAILABLE FOR ISSUANCE THEREUNDER TO 8,500,000

The Company currently maintains the 2000 Stock Option Plan, as amended on April 27, 2006, referred to herein as the stock option plan or the plan. In March 2009, the Board of Directors unanimously approved an amendment to the Company s 2000 Stock Option Plan to increase the shares available for issuance under the plan from 7,500,000 shares to 8,500,000 shares, subject to shareholder approval. A copy of the amendment to the stock option plan, as well as the 2000 Stock Option Plan, is attached as Appendix 1. The following description of the stock option plan is qualified in its entirety by the provisions of the stock option plan.

On April 1, 2009, there were 6,459,421 shares subject to options outstanding to purchase shares of common stock of the Company, and 432,929 shares remained available for issuance under the plan. The Board of Directors believes that equity incentives are critical to attracting and retaining the best employees in its industry. The approval of this proposal will enable the Company to continue to provide such incentives. The Company believes its use of equity incentives in the employee compensation process has been a material factor in its success to date, and the Company intends to continue the appropriate use of stock options in the future to motivate individuals receiving a grant of stock options to contribute to the growth and profitability of the Company.

The Company s 2000 Stock Option Plan provides for the grant of incentive and non-qualified stock options. The Compensation Committee of the Board of Directors administers the plan, determines the persons to whom and the dates on which options will be granted, the number of shares to be subject to each option, the time or times during the term of each option within which all or a portion of such option may be exercised, the exercise price, and other terms of each option. In certain circumstances and within stated parameters, the Compensation Committee may delegate certain aspects of the administration of the plan to an officer of the Company.

Our officers, employees, directors, consultants and other independent contractors or agents are eligible for selection by the Compensation Committee to be awarded options; provided, however, that incentive stock options may only be granted to our employees. As of April 1, 2009, the approximate number of persons in each class of participants were as follows: approximately fifty-seven employees, one employee director, five nonemployee directors, no consultants or other independent contractors, and five agents.

No awards other than the options have been granted to date under the plan. If any of the options granted under the plan expire, terminate, or are forfeited for any reason before they have been exercised, the shares subject to the expired, terminated or forfeited options will again be available for grant under the plan.

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Our Board of Directors or the Compensation Committee may amend or terminate the plan at any time, although stockholder approval may be required by applicable law, rule or regulation, and the consent of the optionee may be required if the optionee's rights with respect to an outstanding option would be adversely affected by an amendment or termination. The plan will continue in effect until June 2010 unless sooner terminated. The plan also provides that the number of shares underlying the plan will be adjusted in the event of a change in the shares of common stock of the Company as a result of a merger, consolidation, reorganization, a stock dividend or stock split or other similar change in the capital structure and that the terms of options may also be adjusted appropriately.

In order for the plan to continue to provide an incentive for highly qualified individuals to serve or continue service with the Company, to align more closely the interests of such individuals with our stockholders, and to provide stock based compensation comparable to that offered by other similar companies, our Board believes that the number of shares of common stock authorized for issuance under the plan should be increased as proposed.

Our board believes that the amendment to increase the number of shares available for issuance under the plan is necessary in order for the plan to continue to serve as a strong stock based incentive for our employees and other eligible individuals now and in the future. The plan as amended is intended to be effective as of April 30, 2009, provided that the shareholders approve the amendment at the annual meeting.

Certain U.S. Federal Income Tax Effects. The U.S. federal income tax discussion set forth below is intended for general information only and does not purport to be a complete analysis of all of the potential tax effects of the plan. It is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change. State, local and foreign income tax consequences are not discussed, and may vary from locality to locality.

There will be no federal income tax consequences to the optionee or to the Company upon the grant of a nonqualified stock option under the plan. When the optionee exercises a nonqualified option, however, he or she will recognize ordinary income in an amount equal to the excess of the fair market value of the stock received upon exercise of the option at the time of exercise over the exercise price, and the Company will be allowed a corresponding federal income tax deduction. Any gain that the optionee realizes when he or she later sells or disposes of the option shares will be short-term or long-term capital gain, depending on how long the shares were held.

There will be no federal income tax consequences to the optionee or to the Company upon the grant of an incentive stock option. If the optionee holds the option shares for the required holding period of at least two years after the date the option was granted and one year after exercise, the difference between the exercise price and the amount realized upon sale or disposition of the option shares will be long-term capital gain or loss, and the Company will not be entitled to a federal income tax deduction. If the optionee disposes of the option shares in a sale, exchange, or other disqualifying disposition before the required holding period ends, he or she will recognize taxable ordinary income in an amount equal to the excess of the fair market value of the option shares at the time of exercise over the exercise price, and the Company will be allowed a federal income tax deduction equal to such amount. While the exercise of an incentive stock option does not result in current taxable income, the excess of the fair market value of the option shares at the time of exercise over the exercise price will be an item of adjustment for purposes of determining the optionee's alternative minimum taxable income.

The Company has the right to deduct or withhold, or require a participant to remit to the Company, an amount sufficient to satisfy federal, state, and local taxes (including employment taxes) required by law to be withheld with respect to any exercise, lapse of restriction or other taxable event arising as a result of the plan.

Benefits to Named Executive Officers and Others. The following table sets forth the number of shares of common stock subject to options granted under the plan since the plan's inception through March 31, 2009, to

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each of the named individuals and groups. On March 31, 2009, the price per share of our common stock was \$0.20.

Name and Position	Number of Shares Subject to Options
Guy W. Millner, Chairman and CEO	
Bud Stumbaugh, retired President and CEO	31,500
Joseph J. Skruck, President	1,130,000
Mark H. Hain, Executive VP, Secretary, General Counsel	548,375
All current executive officers as a group(11)	4,565,875
All current directors who are not executive officers as a group	50,000
All employees, including all current officers who are not executive officers as a group	1,808,240

Since its inception, no shares have been issued under the plan to any other nominee for election as a director, or any associate of any such director, nominee or executive officer, and no other person has been issued five percent or more of the total amount of shares issued under the plan.

The amount of compensation that would be paid pursuant to a grant of options under the plan in the current year is not yet determined; in 2009, grants of options for 279,550 shares have been made through March 31, 2009 to nonexecutive officer employees.

Equity Compensation Plan Information. The following chart sets forth information concerning the equity compensation plans of the Company as of December 31, 2008.

Securities Authorized for Issuance under Equity Compensation Plans

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)(1)
Equity compensation plans approved by security holders	6,230,008	\$ 0.71	1,219,492
Equity compensation plans not approved by security holders(2)			
Total	6,230,008	\$ 0.71	1,219,992

(1) Of such shares, none are available for issuance pursuant to grants of full-value stock awards.

- (2) As of December 31, 2008, the Company did not maintain any equity compensation plans that had not been approved by the Company's shareholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS APPROVAL OF PROPOSAL 2 TO AMEND THE COMPANY'S 2000 STOCK OPTION PLAN TO INCREASE THE SHARES AVAILABLE UNDER THE PLAN TO 8,500,000 SHARES

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The following table provides information concerning beneficial ownership of our common stock as of March 20, 2008, by: (i) each shareholder that we believe owns more than 5% of our outstanding common stock; (ii) each of our Named Executive Officers (as defined below); (iii) each of our Directors; and (iv) all of our Directors and executive officers as a group.

The following table lists the applicable percentage of beneficial ownership based on 65,176,103 shares of common stock and no shares of convertible preferred shares outstanding on March 20, 2008. Except where noted, the persons or entities named have sole voting and investment power with respect to all shares shown as beneficially owned by them.

Name of Beneficial Owner(1)	Number of Shares Beneficially Owned Common	Percentage of Ownership (%) Common
Guy W. Millner	30,075,192	46.2
Lawrence (Bud) Stumbaugh	5,101,947(2)	7.8
Donald Ratajczak	334,119	*
Quill O. Healey	137,619	*
John E. Cay III	197,619	*
Kaaren J. Street	105,837(3)	*
Sam Zamarripa	143,873(4)	*
John Ray	11,485,104(5)	17.6
Heritage Assurance Partners, LLP	10,180,000(5)	15.6
Joseph J. Skruck	530,300(6)	*
Mark H. Hain	385,425(7)	*
Directors & Executive Officers as a group (17 persons)	49,406,935(8)	73.9

* Less than 1.0%.

- (1) Except as otherwise stated, the beneficial owner's address is RiverEdge One, Suite 600, 5500 Interstate North Parkway, Atlanta, Georgia 30328.
- (2) Includes 5,000 shares of our common stock held by Mr. Stumbaugh's spouse as custodian for her son under the Georgia Transfers to Minors Act.
- (3) Includes an option to purchase 50,000 shares of our common stock exercisable within 60 days.
- (4) Includes 68,000 shares of our common stock owned by his spouse. Mr. Zamarripa disclaims ownership of such shares.
- (5) Includes 1,269,231 shares of our common stock held by Heritage Assurance Partners II, LLP (HAPII), and 10,180,000 shares of our common stock held by Heritage Assurance Partners, LLP (HAP). Heritage

Fund Advisors, LLC (HFA), HAP, and HAPII have shared voting and dispositive powers with respect to such shares, respectively. John Ray is the sole manager of HFA and disclaims any beneficial ownership of such shares. HAP s address is 3353 Peachtree Road, Suite 1040, Atlanta, Georgia 30326.

- (6) Includes an option to purchase 518,000 shares of common stock exercisable within 60 days.
- (7) Includes options to purchase 205,425 shares of common stock exercisable within 60 days.
- (8) Includes options to purchase 1,674,225 shares of common stock exercisable within 60 days.

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The following table sets forth the compensation paid or accrued by the Company to the Company's current Chief Executive Officer, former Chief Executive Officer, and next two most highly paid executive officers of the Company in 2008 who were executive officers at December 31, 2008 and whose annual compensation exceeded \$100,000 (other than the current and former CEO) (the "Named Executive Officers"). The information presented is for the years ended December 31, 2008, and 2007.

Summary Compensation Table

Name & Principal Position(1)	Year Ended	Annual Compensation		Option Awards (\$)(2)	All Other	Total (\$)
		December 31, Salary (\$)	Bonus (\$)		Compensation (\$)(3)	
Guy W. Millner, Chairman and CEO	2008	250,000			11,856	261,856
	2007	214,375			7,599	221,974
Lawrence Stumbaugh, Retired Vice Chairman and former President & CEO	2008	250,000			15,762	265,762
	2007	239,038		4,862	5,546	249,446
Joseph J. Skruck, President	2008	240,000		88,000	27,828	355,828
	2007	218,077	24,360	25,817	6,868	275,122
Mark H. Hain, Executive VP, Secretary, General Counsel	2008	210,000		51,000	16,215	277,215
	2007	193,172		47,250	12,859	253,281

- (1) Mr. Stumbaugh was appointed President and Chief Executive Officer effective April 1, 2003 and became Vice Chairman on October 3, 2008 before retiring from the Company on December 31, 2008. Mr. Millner was appointed Chairman effective June, 2003 and Chief Executive Officer effective October 3, 2008; Mr. Millner served without compensation until January 1, 2006. Mr. Skruck was appointed President of AssuranceAmerica Managing General Agency, LLC, effective April 1, 2003 and President of the Company effective October 3, 2008.
- (2) Reflects the accounting expense the Company recognized in the applicable year for option awards calculated in accordance with SFAS 123R. The fair value of each option award is estimated on the date of grant using the Black-Scholes-Merton option-pricing model using the assumptions noted in the following table. Expected volatilities are based on historical volatilities of the Company's stock. The Company uses historical data to estimate expected term within the valuation model. No provision for forfeitures is applied to option awards presented in this table. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The Company does not provide for any expected dividends or discount for post-vesting restrictions in the model. Additional information about the valuation assumptions relating to the option awards may be found in Note 9 to the Company's consolidated financial statements contained in the Company's 10-K for the fiscal year ended December 31, 2008. The exercise price of all option grants in 2008 and

2007 is equal to the fair market value of the common stock on the date of grant and each option has a ten-year term. The options vest as to 20% of the shares on each anniversary of the date of grant.

- (3) Amounts shown consist of certain perquisites, none of which had a value exceeding 25% of the total value of all perquisites provided.

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Outstanding Equity Awards at 2008 Fiscal Year End

None of the Named Executive Officers exercised any stock options during the year ended December 31, 2008. The following table provides information regarding the exercisable and unexercisable stock options held as of December 31, 2008, by each Named Executive Officer. All option grants were issued pursuant to our existing stock option plan. The option grants will vest 20 percent on each anniversary of the date of grant.